THE CITY OF COOPER CITY
MARKET SURVEYS & PAY STRUCTURE DEVELOPMENT GUIDE

This Guide is provided to client organizations to assist in documenting and communicating the process for developing the organization's pay structure. This is the methodology employed by HR Compensation Consultants, LLC (HRCC) in conducting market analysis and creating the new pay plan. The major steps are described on the following pages:

Step 1: Preparation
Step 2: Data Collection
Step 3: Adjustments
Step 4: Data Review and Validation
Step 5: Using the Data to Create a Pay Structure
Step 6: Maintaining a Pay Structure

This guide explains the steps in performing an external market study – also referred to as 'benchmarking'. The internal equity established for your organization is described in detail in the Classification Guide.

Determining the appropriate pay levels for individuals in your organization is essential for a number of reasons: attracting and retaining talent, creating and retaining a competitive edge, managing the bottom line, and maintaining your organizations' reputation.

An analysis of both **external compensation factors** (local job markets, your competitions' pay levels, demand within your sector) and **internal factors** (organization size and how it is structured, job descriptions, value of positions to the organization), is needed to accurately assign compensation ranges to jobs. Supervisors will ultimately use this pay range information to assist in assigning pay to new hires and determining changes in current employee pay.

Most North American organizations have formal base pay range structures that are reviewed annually. A *pay range* is the span between the minimum and maximum base pay an organization will pay for a specific job or group of jobs. A *pay range structure* is a hierarchal group of jobs and pay ranges within an organization. Pay structures are often expressed as pay grades or job grades that reflect the value of a job in the external market and/or the internal value to an organization.

HRCC used a market-pricing approach with current salary survey data for key benchmark jobs to design a pay range structure for your organization that balances local market conditions and internal equity. When designed correctly, this structure enables the recognition of differing rates of pay for performance and guarantees a reasonable level of control over internal compression and salary expenditures.

STEP 1: PREPARATION

First, HRCC reviewed current **job descriptions** and job content information provided in Position Questionnaires (PQs) for key benchmark jobs in your organization. This information was used to match skills, responsibilities and experience tied to each job. Other organizations and data surveys do not always use the same titles that your organization does, so it helps to have a general understanding of what jobs do. Rarely will jobs match a survey exactly.

HRCC then identifies which resources to use for your market study. Typically, there are three major categories of surveys:

- **Published, Traditional Surveys:** From the government, associations or compensation consulting firms, these offer a broad perspective of the labor market and often can be scoped according to location (city, state, region), industry and size of organization (revenue). The Bureau of Labor Statistics now provides very current, detailed wage information.
- **Internet Surveys:** Up-to-date, inexpensive options for comparison, with easy-to-use online databases.
- **Custom Surveys:** Usually a specific survey just for your organization

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HRCC uses Kenexa survey database which is a data warehouse that has market data for over 4,000 benchmark jobs across 20 industries in 240 US metropolitan areas and 30 employee size categories. Ideally, HRCC uses multiple survey scopes for each benchmark job match to help determine what data is the best fit for your organization. Different positions often have to be matched to different survey scopes. For example, administrative, back office or hourly positions are usually tied to the local metropolitan area. Since everyone in the local area is competing for many of the same generic jobs (such as administrative, accounting, clerical, human resources, IT, maintenance, warehouse), it is important to know what these local rates are.

In addition, HRCC collected and analyzed base pay information from local organizations to provide a representation of the competitive market for local government employees around the City of Cooper City. We chose to include city and county employers who were close by, even though they may have different size payrolls and employee populations. The information has been compiled public information from the following sources:

❖ Broward County	❖ Miami Lakes	❖ Oakland Park
❖ Davie	❖ Miami Springs	❖ Plantation
❖ Hollywood	❖ Miramar	❖ Wilton Manors

In addition, HRCC reviewed data for ten (10) benchmark jobs using the IBM Kenexa salary data warehouse for small employers in all industries and the non-profit/government sectors in the Fort Lauderdale metro area.

STEP 2: DATA COLLECTION

Typically, HRCC first reviews a list of survey job titles and descriptions with Human Resources and makes a match to your organization's jobs. The match is based on the PQ, job description, role and level assignment, and lastly overall internal equity. We strive for a 70% match on job duties and skill sets looking at education, experience, scope of job, and reporting relationships.

- For smaller organizations, we often have to be creative in job matching, especially for combination jobs (i.e. HR and Facilities Manager, Accounting & Contracts Specialist). We will often gather multiple benchmarks to evaluate all job components.
- In some cases, similar or exact job matches cannot be made. HRCC will then look at similar skill sets required to perform work at a comparable level and use this as a guide in determining the market reference point for the client's job.

For the City of Cooper City, we were able to use updated job information employees provided in Position Questionnaires (PQs) in order to match jobs as closely as possible. Over 50 pf the City's jobs were successfully matched to the collected data (base pay range data at the minimum, midpoint and maximum).

STEP 3: ADJUSTMENTS

Aging the survey data to a consistent point in time is a common compensation technique. HRCC chooses to age the data to one of the following:

- the month of collection
- the known effective date of implementation of a new pay plan
- the first month of the organization's annual budget cycle

The data that was gathered was for the current budget cycle of 2015-2016. Even though these ranges will go into effect in 2016, HRCC does not recommend shifting or aging the ranges at this time.

Sometimes the job described in salary surveys or in the other organizations aren't an exact match to the client's jobs and it is necessary to make level adjustments. This technique of estimating a data point by using known information from another data point is common. In compensation, this technique can help estimate other higher jobs or lower jobs in a job family, by gathering the information for the middle job in a salary survey.

To adjust data between grade levels, HRCC uses a detailed percentage analysis that generally follows the schema below. Very simply, to adjust up a level, add a % to the salary data available. And for lower levels, subtract a % from the salary survey number.

Hierarchal Adjustments	
Percentages	**Grades**
5% – 12%	Associate
8% – 15%	Technician & Professional
15% – 25%	Supervisor to Subordinate
20% – 35%	Management Levels

Most adjustments were +/- 10%. For example, if survey data was available for a Manager level job, and the City's job is at the Director level, then the market data was increased to reflect the greater job scope at the City.

STEP 4: DATA REVIEW AND VALIDATION

HRCC often will review the market matches in detail with the client to make sure that the data differences makes sense relative to internal equity and pay information.

In addition, HRCC will review data matches that are more than 10% different. For example, three salary survey midpoints are: $23,500, $23,400, and $23,060. The numbers are close together which means that the numbers are a good representation of the labor market reference point for a particular job. On the other hand, if this set of numbers included $25,000 it would cause HRCC to review the numbers again. We would want to make sure that this outlier was matched correctly, the survey source had sufficient information reported for this data point, and the data was input correctly. If all seems to be in order, this number may be included in the calculation of the average market reference point.

	Example 1	Example 2
Midpoint #1	$23,500	$23,500
Midpoint #2	$23,400	$23,400
Midpoint #3	$23,060	$23,060
Midpoint #4		$25,000
Average Market Reference Point	$23,320	$23,740

STEP 5: USING THE DATA TO CREATE A PAY STRUCTURE

Once a valid set of numbers has been determined, HRCC uses the Average Market Reference Point for each grade to begin the process of evaluating the City's pay structure. The data from the benchmark jobs represent a significant sample of the jobs at the client organization and serve as key indicators or market value for all jobs at the client organization. Non-benchmark jobs have an internal relativity to benchmark jobs which makes assigning an appropriate pay range possible.

HRCC reviewed the City's need to maintain three (3) separate pay plans. HRCC recommends combining the three structures into one (1) new pay structure with fewer pay grades. When developing this new structure, HRCC chose the higher existing range value as a point of reference, as shown in the examples below:

Current Grade	Current Step 1	Current Step 15	Proposed Grade	Proposed Step 1	Proposed Step 15
G308	$ 30,271.28	$ 42,772.53			
B403	$ 30,818.32	$ 43,545.48	8	$ 31,000	$ 43,802
G309	$ 31,801.12	$ 44,934.15			
B404	$ 32,348.16	$ 45,707.10	9	$ 33,000	$ 46,628
G310	$ 33,441.20	$ 47,251.54			
B405	$ 33,878.00	$ 47,868.73	10	$ 34,000	$ 48,042

HRCC developed a 15 step plan for the City, mirroring its current structure.

STEP 6: MAINTAINING THE PAY STRUCTURE

It is not recommended that the pay structure be adjusted by a small percentage every year since salaries tend to respond more slowly to changes in the cost of living. If the entire structure is shifted by a percentage, it's possible that the pay structure or specific pay ranges may get 'ahead of the market'. Therefore, HRCC recommends that clients conduct a Compensation Survey of at least twenty (20) key benchmark positions every year to ensure that the pay structure is maintaining market competitiveness.