City of Marshall
Classification & Compensation Study

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Gallagher

Insurance | Risk Management | Consulting

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Background

- City of Marshall (City) contracted with the Public Sector practice within Gallagher's Human Resources and Compensation Consulting practice (Gallagher) to conduct a classification and compensation study.
  - The objectives of the study were to:
    - Develop a classification structure.
    - Evaluate City jobs using the Decision Band Method (DBM®) to ensure proper internal equity and compliance with the Local Government Pay Equity Act.
    - Collect market salary information to ensure external competitiveness.
    - Build a salary structure that balances internal equity within the City and external competitiveness with the market.
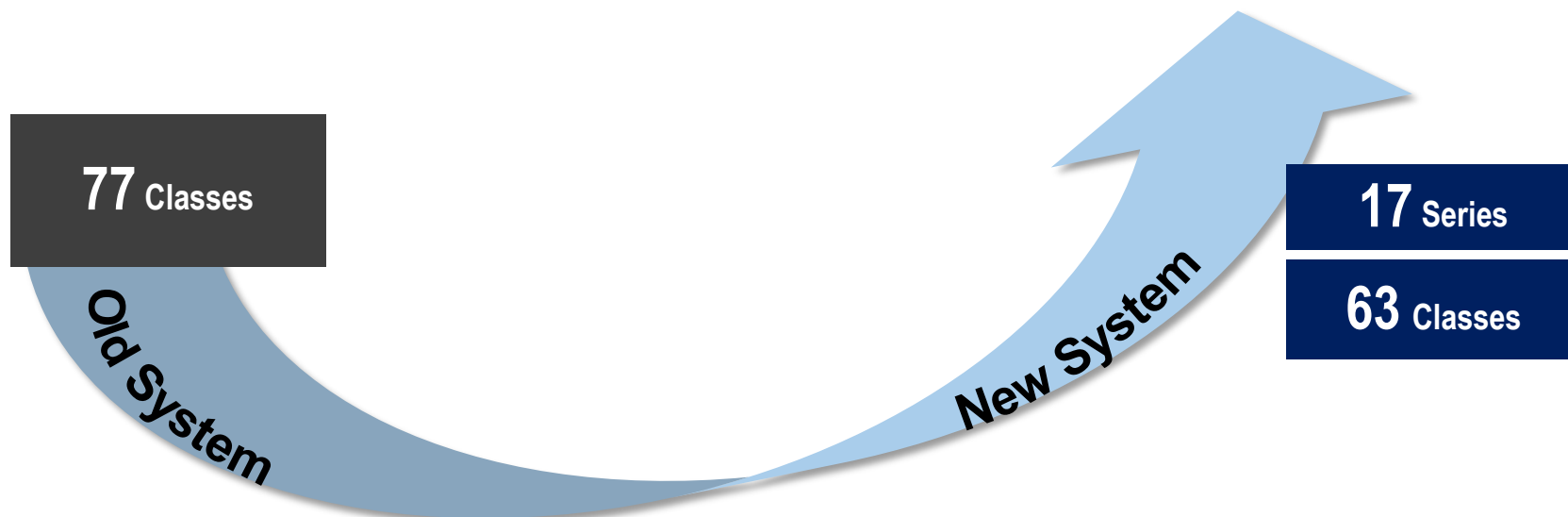
Classification Study

- Reviewed City job descriptions.
  - Job descriptions were confirmed to be an accurate depiction of the work being performed.
- Developed a classification structure to cover all City positions which included:
  - Job Series
  - Classification Title
  - Nature of Work
  - Minimum Qualifications
- Job descriptions were utilized as the basis for the classification structure.
- Classification structure was reviewed by the City.

Classification Study

General Characteristics of Classification Structure

- More streamlined approach to defining classifications (e.g. grouped positions where appropriate).
- Similar "bodies of work" assigned to series regardless of department where work is performed.
- Facilitates visual career path.

77 Classes

Old System

New System

17 Series

63 Classes

Classification Study

- Decision Band Method® (DBM) - formal job evaluation method applied to define:
  - Internal equity
  - Job value hierarchy
  - Assignment to pay grades
  - Evaluation of new or changed jobs
- Primary criteria of evaluation:
  - Decision making
  - Supervision
  - Complexity and difficulty of job responsibilities
- DBM® ratings were assigned to all classifications and reviewed by the City.
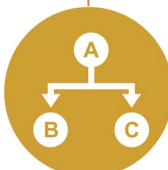
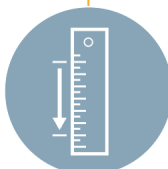# Decision Band Method®

- Premise

The value of a job should reflect the importance of the job to the organization.

The importance of a job is directly related to the decision-making requirements of the job.

Decision-making is common to all jobs.

Decision-making is measurable.
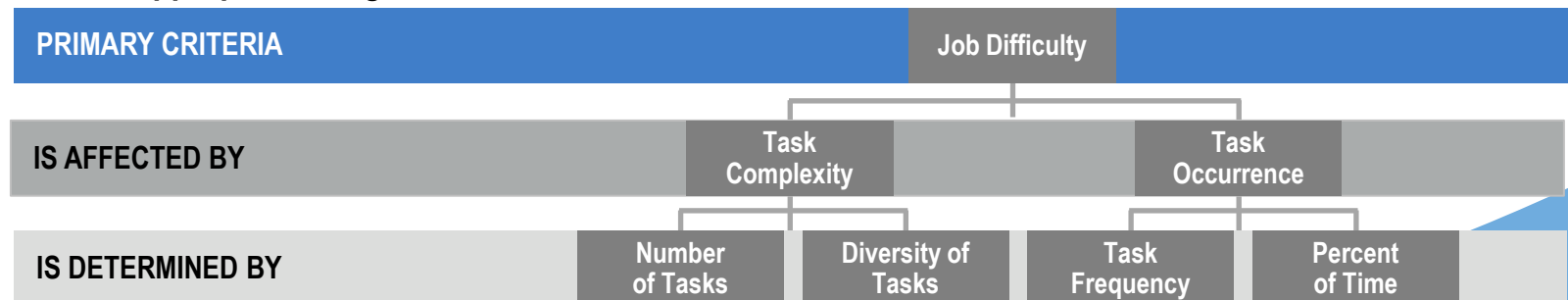
Decision Band Method® – 3 Step Analysis

STEP 1: Determine appropriate band

BAND A: Defined	BAND B: Operational	BAND C: Process	BAND D: Interpretive	BAND E: Programming	BAND F: Policy
Determines manner and speed to perform defined steps of an operation	Determines how and when to perform steps of processes	Develops and selects appropriate process to accomplish operations of programs	Interprets programs into operational plans and deploys resources	Plans strategies, programs and allocates resources to meet goals	Determines organization scope, direction, and goals

STEP 2: Determine appropriate grade

Grade Assignment	Jobs with coordinating or supervisory responsibility within the same band are placed in the higher grade
	Jobs without this responsibility within the same band are placed in the lower grade

STEP 3: Determine appropriate subgrade

PRIMARY CRITERIA			Job Difficulty	
IS AFFECTED BY		Task Complexity		Task Occurrence
IS DETERMINED BY	Number of Tasks	Diversity of Tasks	Task Frequency	Percent of Time

Classification Study

- DBM® ratings were assigned to all 77 classifications titles and reviewed with HR.

- The resulting job evaluation ratings have been summarized and presented to the City Manager and Human Resources for final approval.

Compensation Study

- 33 benchmark jobs, representing 75% of employees, were identified utilizing the following criteria:

Representative of a significant portion of the employee population

Representation across all levels of classifications

Common in the marketplace

Representative of all functional areas within the City

Difficult to recruit and/or where high turnover exists

Compensation Study

- Gallagher conducted a custom market survey to collect compensation data from comparable municipalities in Minnesota.

- Twelve (12) municipalities were identified based upon factors including, but not limited to, geographic location, population, and tax capacity.

- Ten (10) counties were identified to collect comparable Appraiser data.

- Municipalities surveyed are outlined on the following slides.

Compensation Study

Participated (12)

City of Albert Lea	City of Northfield
City of Fairmont	City of Owatonna
City of Faribault*	City of St. Peter
City of Hutchinson	City of Waseca
City of New Ulm	City of Willmar
City of North Mankato	City of Worthington

Appraisal Data Gathered (10)

Brown County	Nicollet County
Freeborn County	Nobles County
Lyon County	Rice County
Martin County	Steele County
McLeod County	Waseca County

*City provided information for Gallagher to complete the survey on their behalf.

Compensation Study

- The data were collected by phone calls and emails to survey participants.

- Upon receiving the participant data, Gallagher staff performed many reviews of the data. Any data issues or questions were resolved through follow-up calls and/or emails.

Compensation Study

- In addition to local data, Gallagher attempted to collect market data from the Economic Research Institute (ERI) for positions with fewer than 5 matches from the custom survey.

- We collected ERI data for two positions: Media Communications Technician and Store Clerk.

Compensation Study

- We collected base pay data of comparator organizations and analyzed the data at the 25th, 50th, and 75th percentile of actual pay and pay ranges.

- Percentiles were calculated using average actual pay:

  – Market 25th percentile is the point where 25% of data falls below and 75% of data falls above.

  – Market 50th percentile (median) is the point where 50% of data falls below and 50% of data falls above.

  – Market 75th percentile is the point where 75% of data falls below and 25% of data falls above.

Compensation Study

- We followed the U.S. Department of Justice and Federal Trade Commission guidelines that require five job matches per job in order to conduct statistical analyses or for drawing conclusions:
  - 31 of 33 positions met this criteria.
  - We had insufficient data for Corporal and Liquor Store Manager positions.

Compensation Study

- We applied geographic differentials to ensure that the data was reflective of the City's labor market and economic conditions.

- We used Economic Research Institute (ERI) to identify the appropriate geographic differences.

- For example, if the geographic differential for the North Central Region is 1.02, data collected representing the North Central Region is increased by 2% to reflect the City's local labor market.

Compensation Study

- We combined data to calculate the 25th, 50th, and 75th percentiles of base salary:
  - Positive (+) figure indicates that the City pays above the market.
  - Negative (-) figure indicates that the City pays below the market.
- We used the following guidelines when determining the competitive nature of current compensation:
  - +/-5% = Highly Competitive
  - +/-5-10% = Competitive
  - +/-10-15% = Possible misalignment with market
  - >15% = Misalignment with market

- Factors such as performance and time in position impact actual salaries and have an impact on the differences between the City and the market actual salaries for individual jobs.

Compensation Study

- The following chart represents an aggregate comparison of all benchmark positions and is not a simple average of the benchmark comparisons:

	50th Percentile	Range Minimum	Range Midpoint	Range Maximum
% Overall Difference	-2.8%	-9.9%	-8.4%	-7.9%
Market Competitiveness	*Highly Competitive*	*Competitive*	*Competitive*	*Competitive*

- Results show while the current salaries are highly competitive, the City's current salary ranges are misaligned.
- Using the market data collected and job evaluations Gallagher recommends building a new salary structure.

Compensation Study

- Upon completion of the job evaluation and market data collection phases, Gallagher integrated market and job evaluation data to create the market 50th percentile trend line, which is shown on the following slide.

- The trend line was used as the basis for developing the salary structure.

Salary Structure Development

*The R^2 value of .92 confirms a strong relationship between the DBM evaluations and market data.

*The 50th percentile is used as the midpoint of the draft salary structure.

y = 0.01x + 16.34
R^2 = 0.92
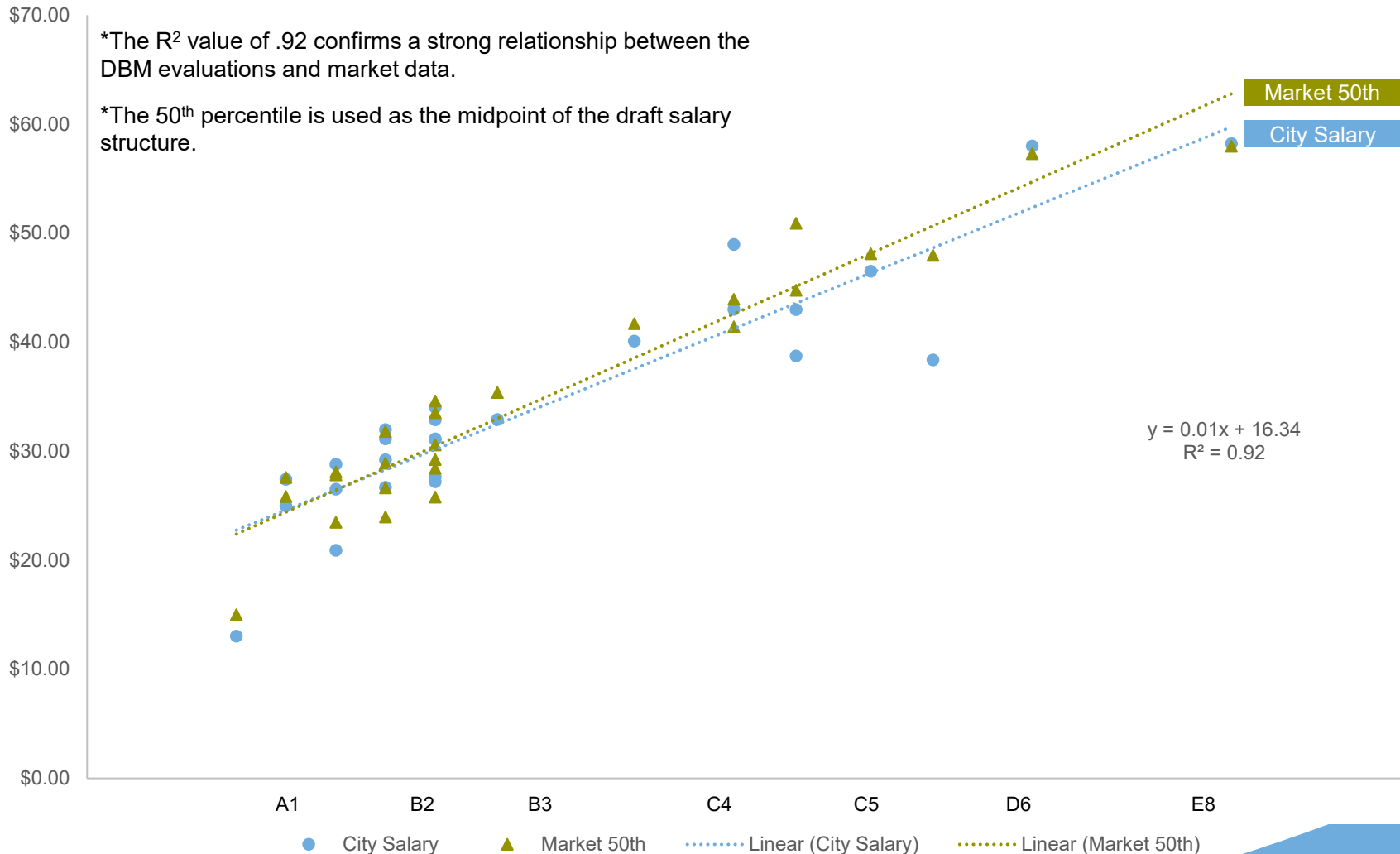
Salary Structure Development

Proposed Salary Structure				
DBM	Range Minimum	Range Midpoint	Range Maximum	Range Spread
A11	$14.07	$16.39	$18.71	33%
A12	$16.67	$19.42	$22.17	33%
A13	$19.19	$22.36	$25.52	33%
B21	$22.70	$26.44	$30.19	33%
B22	$24.43	$28.46	$32.49	33%
B23	$26.16	$30.48	$34.79	33%
B24/B31	$28.33	$33.00	$37.68	33%
B24/B31-1	$30.36	$35.37	$40.38	33%
B25/B32	$30.93	$36.03	$41.14	33%
B25/B32-1	$31.88	$37.14	$42.40	33%
C41	$33.10	$38.56	$44.02	33%
C41-1	$35.06	$40.85	$46.64	33%
C42	$34.83	$40.58	$46.32	33%
C43	$36.56	$42.59	$48.63	33%
C44/C51	$38.73	$45.12	$51.51	33%
C45/C52	$41.33	$48.15	$54.97	33%
D61	$43.50	$50.68	$57.85	33%
D62	$45.23	$52.69	$60.16	33%
D63	$46.96	$54.71	$62.46	33%
D64/D71	$48.70	$56.73	$64.77	33%
D65/D72	$50.43	$58.75	$67.07	33%
E81	$53.90	$62.79	$71.69	33%
E82	$55.63	$64.81	$73.99	33%
E83	$57.36	$66.83	$76.29	33%
E91	$59.53	$69.35	$79.18	33%
E92	$62.13	$72.38	$82.63	33%
F101	$64.73	$75.41	$86.09	33%

Salary Structure Development

- We created salary structure steps using the following approach:
  - 33% range spread between range minimum and maximum.
  - 10 steps between range minimum and maximum.
  - Approximately 3% between steps.
- The following slide illustrates the recommended salary structure and steps.

Salary Structure Development

DBM	A	B	C	D	E	F	G	H	I	J
				Proposed Salary Structure Steps						
A11	$14.07	$14.53	$14.99	$15.46	$15.92	$16.39	$16.97	$17.55	$18.13	$18.71
A12	$16.67	$17.22	$17.77	$18.32	$18.87	$19.42	$20.11	$20.80	$21.49	$22.17
A13	$19.19	$19.82	$20.46	$21.09	$21.72	$22.36	$23.15	$23.94	$24.73	$25.52
B21	$22.70	$23.45	$24.20	$24.95	$25.69	$26.44	$27.38	$28.32	$29.25	$30.19
B22	$24.43	$25.24	$26.04	$26.85	$27.65	$28.46	$29.47	$30.48	$31.48	$32.49
B23	$26.16	$27.02	$27.89	$28.75	$29.61	$30.48	$31.56	$32.64	$33.72	$34.79
B24/B31	$28.33	$29.26	$30.20	$31.13	$32.07	$33.00	$34.17	$35.34	$36.51	$37.68
B24/B31-1	$30.82	$31.83	$32.85	$33.87	$34.88	$35.90	$37.17	$38.44	$39.71	$40.99
B25/B32	$30.93	$31.95	$32.97	$33.99	$35.01	$36.03	$37.31	$38.59	$39.86	$41.14
B25/B32-1	$32.36	$33.43	$34.49	$35.56	$36.63	$37.70	$39.03	$40.37	$41.70	$43.04
C41	$33.10	$34.19	$35.28	$36.38	$37.47	$38.56	$39.93	$41.29	$42.66	$44.02
C41-1	$35.59	$36.77	$37.94	$39.12	$40.29	$41.47	$42.93	$44.40	$45.87	$47.34
C42	$34.83	$35.98	$37.13	$38.28	$39.43	$40.58	$42.01	$43.45	$44.89	$46.32
C43	$36.56	$37.77	$38.98	$40.18	$41.39	$42.59	$44.10	$45.61	$47.12	$48.63
C44/C51	$38.73	$40.01	$41.29	$42.56	$43.84	$45.12	$46.72	$48.32	$49.91	$51.51
C45/C52	$41.33	$42.69	$44.06	$45.42	$46.79	$48.15	$49.86	$51.56	$53.26	$54.97
D61	$43.50	$44.93	$46.37	$47.81	$49.24	$50.68	$52.47	$54.27	$56.06	$57.85
D62	$45.23	$46.72	$48.22	$49.71	$51.20	$52.69	$54.56	$56.43	$58.29	$60.16
D63	$46.96	$48.51	$50.06	$51.61	$53.16	$54.71	$56.65	$58.59	$60.52	$62.46
D64/D71	$48.70	$50.31	$51.91	$53.52	$55.13	$56.73	$58.74	$60.75	$62.76	$64.77
D65/D72	$50.43	$52.10	$53.76	$55.42	$57.09	$58.75	$60.83	$62.91	$64.99	$67.07
E81	$53.90	$55.68	$57.46	$59.24	$61.01	$62.79	$65.02	$67.24	$69.46	$71.69
E82	$55.63	$57.47	$59.30	$61.14	$62.97	$64.81	$67.11	$69.40	$71.69	$73.99
E83	$57.36	$59.26	$61.15	$63.04	$64.93	$66.83	$69.19	$71.56	$73.93	$76.29
E91	$59.53	$61.50	$63.46	$65.42	$67.39	$69.35	$71.81	$74.27	$76.72	$79.18
E92	$62.13	$64.18	$66.23	$68.28	$70.33	$72.38	$74.95	$77.51	$80.07	$82.63
F101	$64.73	$66.87	$69.00	$71.14	$73.28	$75.41	$78.08	$80.75	$83.42	$86.09

Recommendations

- Adopt the classification structure and DBM® ratings.

- Implement the recommended salary structure.

- Select an implementation option for placing employees into the recommended salary structure.

Next Steps

- Council and employee presentations

- Employee communications

- Appeals process

  – Based upon content of the job. Employees can appeal that they are misclassified based upon a misunderstanding of, or change to, their role.

  – Compensation and DBM® ratings are <u>not appealable</u>.

Ongoing Administration

- Implement ongoing <u>classification administration</u> practices:

  – Continue to review internal alignment and classification of jobs to ensure proper leveling between jobs.

  – The City may perform evaluations internally, or request Gallagher to review and respond to requests or position changes.

Ongoing Administration

- Implement ongoing <u>compensation administration</u> practices:

  - Confirm and communicate long-term strategy for moving employees through the recommended salary structure. Gallagher utilized a step methodology for implementation that can be retained for future employee movement.

  - The salary structure should be adjusted by a structure movement trend factor every year to remain competitive with the market.

  - In addition to adjusting the salary structure each year to keep pace with the market, the City should continue to conduct a comprehensive market compensation study similar to the salary study part of the project at least every three to five years.

Thank you

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