

**Memo**

**To:** Mayor McFarland & Finance Committee

**From:** Lisa Schwartz, Human Resources Generalist

**Date:** June 2, 2022

**Re:** Proposed Employee Handbook Updates

The City of Watertown's handbook needs clarification pertaining to the compression calculation in *Section A. Compensation Plan* under the section *Positions Requiring a Compression Adjustment*. This section states that the base salary comparison includes benefit package as part of the calculation. This section should reflect the accurate figure verbiage of gross wages.

## A. COMPENSATION PLAN

### Compensation Policies

#### Positions Requiring a Compression Adjustment

Salary compression exists when there is an unacceptable difference in salary between a supervisor and a direct subordinate. Compression can exist under a base salary comparison, under a total gross earnings comparison, or both. The City will determine if the compression issue is a concern or if there are valid, acceptable reasons for the compression to exist. If the City determines the compression issue is a concern, the City must determine if the compression issue must be resolved through a pay increase or if alternative solutions need to be found to address the issue. Examples of factors, other than pay, that may contribute to pay compression issues include management/distribution of overtime within the department, insufficient staffing levels, delegation of workload, special projects causing a spike in overtime, special skills/knowledge possessed by a subordinate, market demands and/or difficulty in recruiting for a specific skill.

Once the City has determined there is a compression issue, the City will review the differences in **gross wages total compensation (i.e., direct pay and benefits)** between the supervisor and subordinate positions. If it is determined the **gross wages benefit package** of the supervisor is not sufficient to compensate for the wage compression and the City has determined the best course of action is a pay raise for the supervisor, the City will calculate an acceptable base pay differential between the exempt supervisory position and the average gross earnings of the subordinates the supervisor supervises.

Average gross earnings of subordinate employees at the top of their pay range will be calculated excluding outliers such as an employee with a much greater amount of overtime than others or an employee new to the position and not yet at the maximum of that pay grade. Using this average, a rate will be calculated as one hundred eight percent (108%) of the average gross pay and the employee will be placed at the next step that provides an increase. At the City's discretion, one of two actions will be available:

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- Adjust the employee's pay upward in the range if the current pay grade range allows for sufficient earnings growth consistent with the intent of the compensation plan. If this is not possible, the City may consider the second option.
  - Adjust the position up one pay grade temporarily and only while compression conditions are still causing a problem. All documents and communications are retained to reflect temporary assignment of the position and the earnings differential situation will be analyzed every year. If conditions change such that the actual pay grade provides an adequate differential and opportunity for sufficient earnings growth, these positions will be moved back to their correct grade.

Allowance of compression adjustments disrupts some of the internal equity in the compensation plan and the City intends to use compression adjustments sparingly and monitor these adjustments closely. All compression adjustments must be recommended by the Mayor and receive approval from the Finance Committee.

Thank you for your consideration of this policy adjustment. Please let me know if you have any questions.

Thank you,

Lisa Schwartz

Human Resources Generalist