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AGENDA COVER MEMORANDUM

AGENDA DATE: October 11, 2005

PRESENTED TO: Board of County Commissioners

PRESENTED BY: Greta Utecht, Human Resources Manager
Jan Wilbur, Personnel Programs Manager
Bruce Lawson, Fox Lawson & Associates, LLC

AGENDA TITLE: Classification & Compensation Plan Project Scope

I. AGENDA ITEM SUMMARY

As a follow-up to the August 10, 2005 board agenda item during which HR (Human Resources division) staff presented a draft work plan for conducting a market analysis of Lane County's management and supervisory staff, a proposed classification and compensation plan project framework is presented and attached (**Attachment A**).

Staff is seeking policy direction regarding the degree to which market should be used in determining compensation for County employees, where the County should be positioned in the market, and how market should be defined for County positions.

Staff is also seeking approval of the attached project outline.

II. POLICY ISSUES

The County's Strategic Plan outlines specific objectives for our personnel programs, which include our classification and compensation plans. Section A2 states in part that we will "strive for a flexible classification and compensation system;" we will "ensure that the system supports and does not inhibit excellent performance in the deliver of County services;" and that "County personnel polices will encourage job-related training and career development support." Section B3 of the Strategic Plan goes on to describe the requirements of the Human Resources Plan, stating that it should assess both current and future workforce needs and capabilities, identify actions to assure that workforce capabilities meet future needs, and specify policies and practices to encourage training and development supports so employees have the knowledge, skills, and abilities to perform well.

Section 28 (4) of the Lane County Charter requires that “the board of county commissioners shall maintain a system of personnel administration, including appeal procedures, in which each person in that service shall receive equitable compensation fixed on the basis of

- (i) competence in the position with the county,
- (ii) record of service there and elsewhere,
- (iii) the range of compensation paid others by public and private employers for comparable service
- (iv) the county's financial condition and policies, and
- (v) other factors relevant to the determination of what is fair compensation for the individual.”

In addition, Lane Manual Section 2.235, Rule IV-3(a) states that “the compensation plan for County personnel shall provide reasonably competitive ranges of pay for each classification of employment. The Board may make adjustments in a salary range or ranges as necessary to attract and hold competent personnel and to provide equity between the various classifications. Such salary range adjustments are to be distinguished from merit increases in that they are not intended to give recognition to length or quality of service but are to be based solely on prevailing rates of pay in private business and other public jurisdictions in our market area for positions comparable to the various classes of work in the County service.”

HR staff believes that in order to meet the above policy directives, our classification and compensation plans need to be addressed with regard to market influence, and work should begin by reviewing management, supervisory and professional positions because that is where our recruitment, retention and succession issues are most pressing at this time.

III. DISCUSSION

A. Background

As discussed in the agenda cover memo for the August 10 item, Lane County's compensation plan for our management and supervisory positions is no longer reflective of the market from which we recruit. We are forced to appoint new employees far above the mid-range of our pay grades, and we are increasingly unable to persuade potential internal candidates to apply for management positions because of what is perceived as not enough compensation. In addition, we are now faced with situations in many parts of the County organization where supervisors and managers make less or the same total compensation as the employees they supervise. Our ability to replace and retain the caliber of employee we need to meet future

challenges is being compromised the longer we wait to address our competitive position in the market.

B. Analysis

Lane County is currently experiencing indicators typical of system problems, such as; difficulty in recruiting, wage compaction, equity and employee morale issues. Currently, for many of our supervisory and management level positions we have problems recruiting internal candidates.

Attachment B indicates that in 2003 only 11% of our applicants for these positions were employees; the percentage only slightly improved in 2004 and 2005 to 13%.

When we ask employees why they aren't interested in applying for supervisory or management positions, they tell us that they see their supervisors and managers working many overtime hours for no additional compensation; the health benefit package that non-represented employees receive is considered less advantageous than what represented employees receive, and they are not willing to take on what they perceive to be the headaches of personnel management while earning less per hour than what they currently earn with overtime, personal time and call-back pay.

Market strongly influences our ability to negotiate lower starting salaries. When we are able to find qualified candidates for our professional, supervisory & management level positions, we are often forced to appoint them at exceptional levels or higher: The internal candidate negotiates a higher promotional step than what would normally apply (i.e. 5%), and external candidates negotiate using comparable market data. **Attachment C** shows the percentage of each employee group appointed at step 4 or higher since January 1, 2002. **Attachment D** provides more detail, and also indicates what percentage of recruits we were forced to hire at top step. Note: these statistics include the appointments of internal candidates to promotional positions.

Exceptional appointments (i.e., hiring above step 3) must be approved by the human resources manager. Prior to doing so, every case is carefully analyzed to be sure that internal equity is maintained. Because resources are scarce, directors rarely have the luxury of hiring at the apprentice level: the need to find a candidate who can "hit the ground running" means that we are more often than not trying to bring highly experienced and skilled individuals into our professional, supervisory and management positions. In summary, market is having the greatest impact on our professional (both represented and non-represented positions, and especially our medical, computer science and engineering classifications), supervisory and management (including director level) positions.

This desire to find someone at the master level of the classification is also having an impact on the demographics of our organization. We should be bringing in a balanced mix of all age groups: younger employees with creative ideas and energy, and experienced (which usually translates to older) employees who can help train and mentor those who are recent additions to the workforce. The reality is that our compensation package appeals more to the older employees with families and those who understand the value of the entire compensation package, because the County offers one of the most comprehensive medical insurance, vacation, disability and retirement packages anywhere.

The problem we have in recruiting younger people to apply for our positions is that they tend to look solely at the salary level, and since the average expected tenure in any one job of employees now between the ages of 24-30 is three (3) years, they don't perceive retirement or health benefits as being of value to them. The following table reflects the average age of our current employee groups, and the average age of those hired into those groups since 2002. It's evident that we're not making much progress towards a younger employee base.

Employee Group	Current Ave. Age	Since 2002
Directors	52.7	46
Managers	50.2	49
Supervisors	49.1	44
Non-Rep Professional	47.3	47
Admin-Pro	47.1	48
Prosecuting Attorneys	41.0	41
LCPOA	38.7	39
AFSCME	46.4	47
AFSCME Nurses	52.0	53
Local 626	45.6	45

The County has taken some steps recently to address our compensation issues: By July 2006, the County will pick up the 6% employee portion of the Individual Account Program contribution for all non-represented employees, LCPOA employees, and Prosecuting Attorneys Association employees. The same will be implemented for all AFSCME employees in July 2007. That change will effectively result in almost 6% more take-home pay. In addition, the Board has recently adjusted the salary grades for the Prosecuting Attorneys, the AFSCME Nurses, and for selected positions directly supervising the aforementioned employees.

But we need to do more and not just in terms of salary. We need to make some systemic changes to our classification and compensation system in order to better position the organization to recruit, hire, retain, and *develop*

the caliber of employees needed for our future. The attached proposed project framework (**Attachment A**) describes in detail the needed steps.

C. Alternatives/Options

1. Approve the proposed project framework, which would provide direction to HR staff with regard to the development of a new compensation policy that is a modified market approach, i.e., a balance between external market and internal equity. It will allow for the establishment of a pay philosophy, and the establishment of appropriate markets based on the position level.
2. Request that staff return with amended framework
3. Reject the project framework.

D. Recommendation

Approve Option 1.

IV. IMPLEMENTATION/FOLLOW-UP

If Option 1 is approved, HR staff will work with the consultant to develop a specific project time line and budget and return to the Board with that information before beginning to implement the framework.

ATTACHMENT A

PROPOSED PROJECT FRAMEWORK FOR LANE COUNTY'S CLASSIFICATION AND COMPENSATION SYSTEM

LANE COUNTY MISSION AND VISION

The mission of Lane County is to provide high quality government services in a fair, open and economical manner to best meet the needs and expectations of our citizens and guests. The Lane County Strategic Plan clearly addresses the need for the Human Resources division to direct and coordinate the overall planning effort to identify actions to assure that workforce capabilities meet future needs, and to aim for a flexible classification and compensation system so that the system supports and does not inhibit excellent performance in the delivery of County services.

PURPOSE AND PHILOSOPHY FOR THE CLASSIFICATION AND COMPENSATION SYSTEM

Lane Manual Section 2.220, Rule 1 lists objectives for Lane County classified service. It refers specifically to establishing and maintaining a plan of classification and compensation that is both internally equitable and externally competitive, and to the objective of providing systematic, equitable and uniform principles governing matters pertaining to wages and other employment relations matters.

It is critical that the system support our County's strategic plan which states that we seek to strengthen career paths for Lane County, and assure successful succession transitions for positions where incumbents retire. A sound system fulfils many objectives, and plays an important role in attracting, retaining, and motivating qualified employees. To that end, the County desires to recruit and retain a qualified workforce, committed to the County's mission and strategic goals.

GOAL 1 – ORGANIZE THE WORK

To provide for a simplified classification system that defines the general scope and complexity of the work required. The classification system will also facilitate internal equity across all jobs within all departments of the County. Currently the County has over 300 job classifications. Especially with our non-represented supervisory and management classifications, many are held by only one person.

Contemporary practice is to reduce the number of classifications, thereby simplifying the system and reducing the resources needed to administer it.

OBJECTIVE 1 – Develop broad job classes.

Improve our classification structure so that it better reflects meaningful and measurable differences in the level of work within each occupational group.

STRATEGIES:

1. Develop broadly defined classes that reflect the essential duties and responsibilities performed by incumbents in each class. This approach will increase flexibility in assigning duties and allocating positions to classifications. Begin by reviewing and analyzing all supervisory and management classifications for regrouping into broader categories, beginning at the highest levels of the organization.
2. Where practical and feasible within each occupational group, provide clearly defined paths for career advancement and succession planning, and also greater flexibility in terms of lateral transfer opportunity between management classifications in various departments.
3. Where appropriate, reduce the number of grade levels, and demonstrate the differences in grade levels in a manner that is clearly defined and legally defensible.
4. Provide broadly defined classifications that reduce the number of classifications, and decrease the complexity of both the market surveying and classification maintenance processes, thereby enhancing administrative efficiencies.

OBJECTIVE 2 – Develop and maintain a classification structure with job descriptions

The classification plan should meet the current needs of departments while providing maximum flexibility to manage and organize the work in a changing environment.

STRATEGIES:

1. The existing classification system will be reviewed to identify current requirements that may inhibit management flexibility and recommendations will be made to make the system consistent with the County's goals and objectives and positions the County to be responsive to change.

2. The job descriptions, including the statements of essential duties, minimum qualifications and physical requirements, will be written to reflect the current needs of the County. The goal is to ensure that new hires are qualified and capable of performing the work required and that the work being performed is reflected by an appropriate title.

OBJECTIVE 3 – Allocate Positions to the Appropriate Broad Classification

Allocate positions, as appropriate, and decrease the number of classifications and grade levels they reside in. Currently supervisory and management classifications reside in approximately 29 different grades. We currently have over 80 supervisory and management classifications, the majority of which are occupied by one incumbent. Thereafter, we will review other classifications where indications are that further attention is also needed.

GOAL 2 – DISTRIBUTE PAY EQUITABLY

The compensation system will reflect both internal equity and external parity within the various labor markets in which the County must compete. An improved compensation delivery system will better reflect contemporary best practices, support succession planning efforts, improve recruitment turn-around times, and improve employee morale.

OBJECTIVE 1 – Determine the competitive market and benchmark positions.

Compensation levels will reflect the multiple and varied labor markets covering County jobs. The market selected should reflect similar scope and level of responsibility for the jobs under study, and meet the Board of Commissioners' direction as to our appropriate market.

STRATEGIES:

1. Lane County will initially complete a market survey of top level positions in the organization, including non-represented director, manager and supervisor positions.
2. The labor market, as defined by the BCC, will typically include similar-sized counties and cities, and other public sector organizations with which the County competes for labor in Oregon and the northwest. For executive and senior management positions the labor market may include similar-sized counties and cities and other public sector

organizations throughout the country, assuming that the participants are similar in character (e.g., economy, urban vs. rural, population, types of services, etc.) to Lane County.

3. Lane County will complete periodic market surveys of other classifications in the future, especially where factors indicate the need.

OBJECTIVE 2 – Determine a method of job evaluation and job value.

To define and determine different levels of job value using an effective method of evaluation that is consistent with the broad classification concepts outlined in Goal 1.

STRATEGIES

1. The County will select an effective method of evaluation of classifications to utilize moving forward, that achieves a balance between market data and internal comparables. We will move to a modified market approach, considering our comparable agencies and reviewing for comparable internal equity when determining pay grades for classifications.

When establishing new classifications

2. The County will formally adopt a pay philosophy relevant to external equity in relationship to similar or comparable jobs with the various labor markets in which the County must compete, in accordance with best practices. (For example, most organizations attempt to be within 10-15% percent of the competitive market average.) The County will also consider total compensation factors in the analysis, which, in addition to base salary, will include the following; County contributions to deferred compensation, PERS contributions, vehicle allowances. The County has been doing this informally for some time now.
3. Moving forward, discontinue the formal use of the point-factor system, which was established at Lane County in the late 80s and no longer works as an effective method of evaluation in our current system. It is no longer possible to point factor many of our positions without utilizing adjustment points in the process.

OBJECTIVE 3 – Ensure Equity

Compensation levels set at the County need to reflect best practices in terms of adequate grade differences between management positions and the classifications supervised.

STRATEGIES:

1. The County will adopt a pay philosophy relevant to internal equity in terms of reaching the target of having a minimum difference in grade of at least 10% between a first line supervisor and the grade of the highest classification supervised. Best practice is for even greater differences proceeding up to higher management levels. We recognize that there will be legitimate exceptions. One example would be when a non-physician manager supervises a physician.
2. Address other internal equity issues in the organization in other classifications where necessary.

OBJECTIVE 4 – Communicate the compensation package to employees.

Employees will continue to receive an annual statement reflecting the total value of their individual compensation and benefits package.

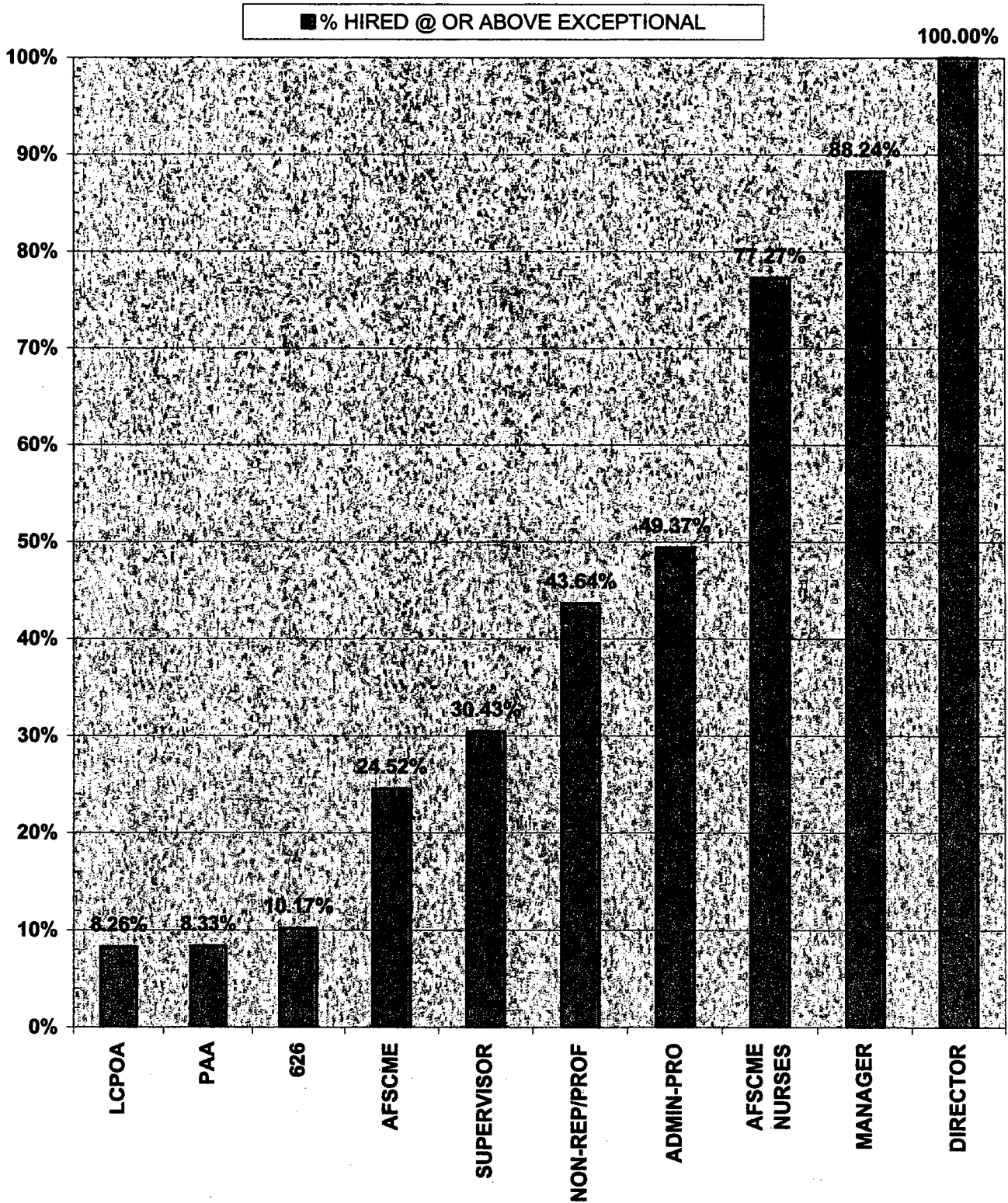
Attachment B

Applicants for Supervisor & Management Positions

	EE Grp*	Title	Dept	# of Applicants	# of EE's
2003	12	Caseworker Supervisor	H&HS	1	1
	10	Assistant Director	PW	29	5
	10	Appraisal Manager	A&T	5	2
	10	Land Mgmt Manager	PW	15	1
	10	Right-of-Way Manager	PW	8	2
	10	Labor Emp Relations Mgr	MS	7	1
	12	Mgmnt Svcs Supervisor	COA	39	2
	12	Caseworker Supervisor	H&HS	9	2
	12	Custodial Supervisor	MS	14	0
	10	Supv Sr Accountant	MS	7	0
	12	Clerical Supervisor	PW	29	2
	10	Building Program Manager	PW	7	2
	12	Environmental Health Supv	H&HS	11	1
	10	Purchasing Manager	MS	24	1
	7	Director of Children & Families	CF	30	3
	12	RM Manager	PW	5	1
				240	26
				11% Internal Applicants	
2004	10	Admin Serv Manager	PW	33	3
	12	Admin Serv Supervisor	YS	27	3
	10	Health Services Manager	H&HS	6	2
	12	Casework Supervisor	H&HS	10	3
	12	Human Services Supervisor	H&HS	31	4
	12	Building Maint. Supervisor	MS	26	2
			133	17	
				13% Internal Applicants	
2005	12	Admin Services Supv	H&HS	13	2
	10	Financial Services Manager	MS	11	1
	10	Supervising Sr. Accountant	MS	7	0
	10	RIS Manager	IS	36	3
	12	Food Services Supv	SO	13	2
	12	Custodial Supervisor	MS	20	3
	12	Appraisal Supervisor	AT	4	4
	9	Communications/Records Supv	SO	56	6
			160	21	
				13% Internal Applicants	

*EE Grps: 7 = Directors; 10 = Managers; 12 = Supervisors

ATTACHMENT C



ATTACHMENT D

EMPLOYEE GROUP	HIRED @ TOP STEP	EXCEPTIONAL	HIRED @ TOP STEP	TOTAL APPOINTED	% NOT @ TOP
LCPOA	99%	9	1	109	99%
PAA	100%	1	0	12	100%
626	100%	12	0	118	100%
AFSCME	99%	64	2	261	99%
SUPERVISOR	96%	7	1	23	96%
NON-REP/PROF	95%	24	3	55	95%
ADMIN-PRO	92%	39	6	79	92%
AFSCME NURSES	91%	17	2	22	91%
MANAGER	88%	15	2	17	88%
DIRECTOR	100%	2	2	2	0%