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Cuyahoga County Personnel Review Commission



Pay Equity Study Report

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Executive Summary

Why was Arthur J. Gallagher engaged to conduct this study?

Cuyahoga County (County) was interested in conducting a Pay Equity Study to analyze, develop and recommend methods to ensure the County's pay practices for non-bargaining, classified employees are based on merit and fitness and to develop and recommend methods to ensure pay equity in like classifications for the County's non-bargaining classified employees.

Executive Summary

The County wants to ensure pay practices for non-bargaining, classified employees are based on:

- Cuyahoga County Charter goals of an efficient and economical system for employment of persons in the public service of the County according to merit and fitness
- Principles of pay equity for like positions
- Employees' skill level, education, experience and performance as it relates to the assigned classification and as compared with other employees in the same classification, per the County's pay equity ordinance
- Administrative practices that eliminate unnecessary expense and duplication of effort, while ensuring that persons will be employed in the public service of the County without discrimination on the basis of race, color, sex, national origin, sexual orientation, disability, age or ancestry
- Compliance with relevant local, state and federal regulations pertaining to pay equity
- Employee counts referenced do not reflect recent efforts to form new bargaining units within the County
- The County's overall compensation philosophy

Executive Summary

The Gallagher study team followed the approved work plan outlined below:

- **Phase I Study Initiation and Administration**
 - Finalize work plans and schedule
 - Identify information to be collected and employees to interview
- **Phase II Diagnostic Review**
 - Assess policies, practices and procedures
 - Conduct focus groups
 - Review industry best practices
- **Phase III Strategies & Recommendations**
 - Provide draft report detailing the results of findings, a comparison of best practices against County policies, practices and procedures and recommendations for change
 - Present final report to County

Study Methodology

Scope of Review

- Classified non-bargained employees
- Initially 1,700 employees, now 1,450; 38% of total employee population of 4,500
- PRC has Charter authority for administering classification plan for all these employees
- These employees are the subject of this particular pay equity study

Study Methodology

Focus of Review

- **Purpose – Cuyahoga County engaged Arthur J. Gallagher (AJG) to:**
 - Review classification and compensation policies and procedures governing classified non-bargaining unit employees (now approximately 1450) to ensure they are based on merit and fitness, and where it is determined they do not support these principles, to make recommendations to modify or add policies to support the PRC's efforts to ensure systems based on merit and fitness
 - Recommend pay systems and structure components to support merit and fitness
 - Recommend guidelines for salary range placement and employee advancement based on skill, experience and education, consistent with the County's Pay Equity ordinance
 - Recommend simple, straightforward, consistent and standardized pay and classification practices that are communicated and respectful of employees
 - Recommend an implementation schedule which incorporates the County's commitment to its fiscal responsibilities

Study Methodology

AJG Steps to Producing Recommendations

- Focus Groups – Conducted group interviews with employees at all levels of the organization (results provided in appendix)
- Interviews - Facilitated discussions with
 - Administrator of the Personnel Review Commission (PRC)
 - Former Director and Interim Director of Human Resources Department
 - Recruitment & Retention Manager (currently managing Compensation & Classification)

Study Methodology

Focus Group Demographics

- 160 employees included in 8 different focus groups
- Employees were randomly selected by AJG to ensure impartiality
- Topics addressed included:
 - Compensation Philosophy
 - Pay Equity Policy
 - Salary Compression
 - Treatment compared to bargaining unit employees
 - Length of time to process reclassification requests

Study Methodology

Focus Group Results

- Many employees were not aware of the Personnel Review Commission's Role or the advocacy it presents on their behalf
- Application of Classification and Compensation practices are perceived to be not consistent in the County
- There is general dissatisfaction with the County's Classification and Compensation System among non-bargaining unit employees
- Perception of pay compression between supervisors and subordinates (generally bargaining-unit personnel) is pervasive
- Overwhelmingly, all focus groups view the current system as being unfair and poorly administered. In particular, procedure for step movement within grades needs clarity

Study Methodology

Focus Group Results

- Communication of the County's pay policies to employees needs dramatic improvement to include more flexibility, such as multiple communication channels including email and group meetings, to meet the needs of a changing workforce
- The Job Audit procedure should be improved to provide confidence in the current system and ensure appropriate classification, compensation and pay equity results

Study Methodology

- **County Materials Reviewed – Examined the following documents:**
 - Policies and procedures manual
 - All relevant county ordinances including Pay Equity Ordinance 02011-843
 - Previous Archer Group salary survey report from 2005
 - Presentations to the PRC on Compensation related issues
 - 2011-2012 PRC's Biennial Report
 - Recommendations to Ensure Pay Equity for Cuyahoga County's Employees December 2013
 - Making the Change, October 2013

Results of Findings & Analysis

Organizational Structure

- Currently compensation & classification work is being done within the Recruitment Division in Human Resources department
- County Charter states PRC “shall administer a clear, countywide classification and salary administration system”; PRC recently hired a Manager of Classification & Compensation
- Human Resources department employees do not have formal, specialized classification and compensation training
- Presently County has no dedicated strategic focus on enterprise work related to Classification & Compensation activities to ensure consistent, effective and efficient system that meets the merit and fitness goals of the Charter

Results of Findings & Analysis

- The County recently expanded from 17 to 30 grades to account for medical positions in the Sheriff's department (physicians, nurses)
- 524 distinct class titles exist within the County; 375 non bargaining unit classes cover the jobs of employees included within the scope of the study
- There are 2 separate pay structures, A and B; B reserved for Information Technology employees
- Each classified, non-bargaining unit employee is assigned to a classification; each classification is assigned to a pay grade through use of Archer Company's formalized job evaluation point system
- Non-bargaining, classified employees includes many of the County's mid- and upper-level managers
- In data provided by the County, only 1,300 employees were designated to be on Schedule A or B, leaving about 150 employees on an undefined pay plan in County's HRIS

Compensation Strategy Findings

- No formal Compensation strategy or philosophy exists in the County, although merit and fitness are referenced in the County Charter and internal documents repeatedly and supported by Pay Equity ordinance 02011-843

Classification & Structural Findings

- The last comprehensive market study was completed in 2005 but there was no formal agreement that this defined the labor market for the County
- HR leadership stated that based on recruitment trends:
 - There is a local labor market for most jobs
 - IT competes mostly with the private sector
 - HHS competes mostly with non-profits
 - Sherriff's department competes with other police forces in Ohio
 - An industry specific labor market is in place for such positions as jail administrator, forensic pathologist, and county fiscal officer
- County Executives & Human Resources have not defined the formal labor market for the County or confirmed that the labor market defined by HR leadership is the appropriate labor market for the County

Classification & Structural Findings

- Prior to 2013, (since 2001 under BOCC) there had been no structural movement for non-bargaining unit employees although most bargaining units continued to negotiate increases which has contributed to significant pay compression throughout the organization
- Salary structure was adjusted by 1% in 2013 and 1% in 2014, employee salaries were not adjusted
- In addition to the 1% structural movement in 2013 and 2014, a non-additive to base merit bonus of up to \$1,500 could be earned based on the employee's performance rating
- According to *WorldatWork*, salary structure movement for the Central Region of the United States was 1.9% in 2013 and 2.0% in 2014 – for total of 3.9% increase
- In the last 2 years, the structural movements of 1% in 2013 and 1% in 2014 has been 1.9% below market for the Central Region

Employee Advancement Findings

Employees are unable to progress within current structure

- There is no consistent practice or policy to govern movement or placement of employees within current grade and class structure
- Frequently the County lists the full salary range when posting job announcements but once an employee is hired at a given step, the employee does not move through the step structure through any systematic means other than adjustments through job audit process
- The County's 'Pay Equity Ordinance' requires determination of equitable pay step shall be based on employee's relative skill level, education and experience but there is no mechanism to make consistent determinations of relative qualifications of employees
- County is not using the current step plan as intended and designed

Employee Advancement Findings

- Compression – non-bargaining unit employees with longer tenure in County government are often paid less or the same as recent hires with much less tenure or than those in bargaining units. In many cases, supervisors are paid less than the direct reports who are members of bargaining units
- In reviewing the salary data provided by the County, the correlation between average years of service and step on Schedule A or B was less than .2, meaning that the years of service had little influence on an employee's step

Employee Advancement Findings

Pay adjustment issues

- Under former Board of County Commissioners, 2001 was the last year performance was aligned with a base pay increase
- Since 2005 only adjustments to pay structure for non-bargaining unit personnel were 1% in 2013 and 1% in 2014
- Most bargaining units have continued to negotiate increases continually since 2005

Employee Advancement Findings

Pay adjustment issues

- Since formation of new form of government, annual performance ratings have not historically been tied to base pay adjustments but to a one time, non-additive merit based bonus
- Prior to new government, under BOCC evaluations have not been tied to base pay adjustments since 2001
- County has begun training supervisors on performance rating, and calibration is used to assist in ensuring consistency in evaluations; however, merit pay awards based on performance have not impacted employees' salaries, as they are awarded as one-time bonuses with a max of \$1500
- In 2013 and 2014, managers were informed of how performance would be rewarded after the performance cycle is completed

Appeal Procedure for Position Audit Findings

- Who can appeal?
 - Any classified employee who is not satisfied with the Human Resources Director's decision on the employee's position audit
- Appeals of HR Director's decision on position audit is one of several issues that can be appealed to the PRC

Procedure for Position Audit Findings

- What is the process for filing an position audit?
 - Employee requests a Position Audit, provided Comprehensive Position Questionnaire (CPQ) by Human Resources
 - Employee has to complete CPQ within 30 days; may request an extension of up to 30 days
 - Current procedure in Policy Manual does not include any deadlines for HR response to position audit
 - Once audit is completed, employee may file an appeal with the PRC

Appeal Procedure Findings

- **Position Audit / PRC Appeal Procedure Findings**
 - Focus Group meetings revealed a perception within the County that the PRC is aligned with the HR department and does not provide oversight or challenge HR decisions; AJG found no evidence of this perception being true
 - Focus Group meetings revealed a perception that until recently, communication to employees in the job audit process was almost non-existent
 - Since 2011, less than 10% of total number of appeals filed to PRC have been result of job audits

Compensation Strategy Recommendations

- **Formal Philosophy** - The County should define a Compensation philosophy to help guide the overall strategy and to establish baseline expectations for all compensation decisions
- **Focused Strategy** - The strategy should be focused not only on the current situation but should encompass anticipation of upcoming challenges and opportunities such as retirement and other attrition, as well as changing fiscal policies
- **Communications** - The strategy should be communicated to employees and other stakeholders and made available publically (on the County's website for example) to serve as the County's consistent description of how human resources programs operate and how compensation is to be managed

Compensation Strategy Recommendations

This is an example of a compensation philosophy:

Cuyahoga County's compensation philosophy is based on the principles of merit and fitness in the context of fiscal responsibility to the County's citizens. The County is committed to a total compensation approach that rewards employees fairly in relationship to the relevant labor market and will be supportive in the recruitment and retention of a high performing workforce

Classification & Structural Recommendations

Class Specifications

- Update all class specifications to current form and include date of last revision on all forms and ensure they match the work being performed
- Ensure that required data, such as years of experience and essential duties is complete on all forms
- Create job families for positions that are aligned with a distinct occupational function such as HR or Finance and clearly define differences in the responsibility and complexity of work at each level
- Use standardized terms to align job titles across the organization, for example Specialist would be assigned to one particular grade regardless if the position was in IT or Facilities

Classification & Structural Recommendations

Labor market and study

- Consult with the Executive Leadership to define the appropriate labor market for positions within the County considering the County's employee benefits levels
- Choose a representative sample of benchmark jobs to be surveyed in the market
- Determine what survey sources should be used to gather market data (published survey sources, custom surveys or a combination)
- Define which sources of survey data apply to each occupational group
- Collect all market data to analyze where the County pays relative to the market for each benchmark position

Classification & Structural Recommendations

Pay Structure

- Once the labor market is established, align the midpoints of the new structure at the level dictated by the Compensation Philosophy (at market, above market, below market)
- On an annual basis, determine how much the market has moved and adjust the structure accordingly to ensure that a market competitive rate is paid
- Consider adjusting the range spread of the structure to be narrower at the lower levels and wider at the top. This inverted pyramid structure is common across public sector organizations as the duties, responsibilities and nature of work is broader at the top of an organization than at the bottom
- Combine grades whose midpoints are less than 5% different from each other
- Eliminate all steps within the structure and divide the ranges into 4 quartiles

Salary Range Placement Recommendations

After a new structure has been designed, place employees into the structure using the following objective criteria:

- For employees with the relevant education and experience for the role and 0 – 3 years of experience in their current job, place in Quartile 1
- For employees with the relevant education and experience for the role and 4 – 6 years of experience in their current job, place in Quartile 2
- For employees with the relevant education and experience for the role and 7 – 9 years of experience in their current job, place in Quartile 3
- For employees with the relevant education and experience for the role and 10 or more years of experience in their current job, place in Quartile 4
- Employees should be placed higher or lower within their respective quartile based on documented performance against agreed upon performance goals and objectives

Salary Range Placement Recommendations

Placement in the structure based on years of service, education and experience should be viewed as an initial step. Once processes such as full documentation for employee records and defined competencies for each level are defined, then a more robust plan can be implemented that aligns more closely with the County's merit and fitness goals

Employee Advancement Recommendations

Merit & Fitness

- Have employees progress through the new ranges based on merit & fitness by giving employees with higher performance ratings larger increases
- The average merit increase percent should be greater than the percent the salary structure is increased to ensure that employees, on average, progress through the salary structure, if they are performing at an average or better level of performance
- Create a merit increase matrix based on the performance rating and quartile that would allow for greater performance increases and movement within ranges
- Ensure that any merit increases for non-bargaining employees at least equals the increases negotiated by employees in bargaining units to alleviate compression between the two groups and to address the perception of unequal treatment for non-represented employees

Employee Advancement Recommendations

Merit & Fitness Increase Matrix Example

Performance Rating	Q1	Q2	Q3	Q4
Exceeds	3.75%	3.50%	3.25%	3.00%
Meets	2.75%	2.50%	2.25%	2.00%
Does Not Meet	0.00%	0.00%	0.00%	0.00%

Structural Movement

- In this example, the structure movement should be between 1% - 1.5%

Employee Advancement Recommendations

Merit & Fitness

- Upon completion of the merit-increase matrix, perform cost modeling based on the distribution of employees in the structure and the performance ratings given to ensure that the increase matrix will not exceed the budget

Job Audit and Appeal Procedure Recommendations

- Establish specific published rules for communicating with employees on their job audit request status within the process and details on why a decision was reached
- AJG did not review PRC appeal decisions, so we cannot comment on how those decisions were made; 4 of the 15 (27%) of job audit appeals to PRC were decided in favor of the employee
- There is no industry standard which identifies how many appeals are won by an appellant but anecdotally we have seen an average appeal rate of 15-20% being decided in favor of the appellant
- Although the appeal rate in favor of the appellant at the County is higher than the anecdotal evidence, there is a perception that the PRC is not being impartial, as was indicated in the focus group feedback
- Enhanced communication around HR's job audit and PRC's appeal decisions may alleviate the erroneous perception of bias

Pay Practice Recommendations

New Hires

- Starting salaries higher than the minimum of the assigned grade may be acceptable for a combination of reasons such as qualifications which exceed stated minimum requirements, previous years of directly related experience, a competitive market situation, and/or a special and specific talent required to perform work required by the organization
- The County should establish hiring policies that allow for managers and HR to place new employees at the appropriate place within the first quartile. Placement in the second quartile should require discussions and review by the Human Resources Director, and placement over the midpoint should require executive level approval

Pay Practice Recommendations

Promotions

- Provide at least a 5-10% increase or to the minimum of the new salary range whichever is higher
- In no case should a promotional increase place an employee's salary above the maximum of the assigned range

Pay Practice Recommendations

Work in Higher Classification

- Establish a policy on how long and what percent of time an employee has to work at a higher classification to be paid at a higher level, such as 50% of the time for at least 60 days
- The new rate of pay should be within the pay range for the salary grade of the temporary assignment, and should be determined using the same consideration as a promotional increase
- This should not be applied for vacation replacements

Pay Practice Recommendations

Leave of Absence

- Salary increases should not be earned while on unpaid leave of absence
- If, during the absence, a general increase had been provided to all employees, the salary of the incumbent on leave should not be adjusted until he/she returns

Pay Practice Recommendations

Reclassification to a Lower Grade

- If the employee's salary falls within the new salary range, no action should occur
- If it exceeds the range maximum, grant no salary increases until the maximum for the new grade equals or exceeds the employee's salary; this practice, called red-lining or red-circling is a common one across organizations

Communications Recommendations

- The communication of classification and compensation systems to stakeholders needs to be distributed in a consistent and on-going manner, currently there is no formal way to provide regular information to employees about compensation-related issues within the County, other than notices about the pay changes made on County's MyHR site
- This communication process should be presented through multiple channels, including verbal, written, electronic, posters, newsletters and other forms appropriate to the organization and tailored to the specific audience

Implementation Schedule

Compensation Strategy

- Meet with Executive Leadership to establish a Compensation Philosophy
- Timeframe – 0-3 months after final report delivered to PRC

Class Specifications

- Create consistent classification specification form to use throughout the County
- Define job families so that employees have defined career path
- Re-write job descriptions to conform to the new form and the defined job families
- Timeframe – 3 - 6 months after final report delivered to PRC

Implementation Schedule

Labor Market Study

- Select comparator organizations
- Select benchmark positions
- Collect and analyze salary data
- Timeframe – 6 -12 months after final report delivered to PRC

Salary Structure

- Define features of new structure (steps or not; range width; number of grades)
- Decide on how employees will be placed in the new structure
- Cost out various alternatives (possibly using a phased approach) to implement new structure
- Timeframe – 12 -15 months after final report delivered to PRC

Implementation Schedule

Employee Advancement in Structure

- Decide how employees will move through the new structure (merit, step, etc.) and if there are any criteria where an employee would not move, such as poor performance, disciplinary action, etc.
- Provide costing data on each option for the current and for future years, using current performance ratings as a baseline model, if merit is being considered
- Timeframe – 12 - 15 months after final report delivered to Council

Pay Practices

- Define all policies and practices related to the new compensation structure
- Timeframe – 3 - 9 months after final report

Implementation Schedule

Appeal Procedures

- Craft specific communications to be delivered to employees to keep them informed about the status of their appeal
- Timeframe – 3 - 9 months after final report

Role of the PRC

- There is a great deal of confusion as to what responsibilities the PRC has and what is under the control of the HR Department
- AJG recommends that the PRC have direct responsibility for the aspects of HR defined in its charter including:
 - Administration of HR policies and procedures
 - Administration of a classification and salary administration system
 - Resolution or disposition of all personnel matters
 - Compliance with federal and state laws
 - Administration of an efficient system of employment based on merit and fitness

Role of the PRC

Staffing Changes

- With the recommended changes to the role of the PRC, including taking direct responsibility for all classification and compensation related issues, AJG recommends adding the following staff to the PRC to help with the administration of these issues:
 - Compensation & Classification Manager to oversee the function and provide technical leadership
 - Compensation & Classification Analysts to handle day-to-day duties

Conclusions

- Position Class Specifications are inconsistent in the information they contain, lack critical data and the classification structure is unnecessarily complex
- The appropriate labor market has not been defined
- There is no market data for most positions
- Salary ranges are not developed in a consistent manner
- Pay compression is problematic throughout the organization
- Due to represented employees receiving increases negotiated through the collective bargaining process and non-represented employees not receiving increases for a period of time, pay compression between the two groups has become much greater and has led to morale issues

Next Steps

- PRC reviews and approves report from AJG
- PRC develops a priority list of initiatives to implement as recommended by AJG
- PRC defines governance body to oversee all changes
- PRC creates an implementation schedule
- PRC communicates planned changes and implementation schedule
- PRC reviews progress and success of changes made one year following implementation
- PRC adjusts changes as appropriate



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Thank You

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