

Agenda Item Report



Winnebago County
The Wave of the Future

DATE: June 28, 2023

FROM: *Mark Habeck, Director of Human Resources*

RE: *Updates to Merit Pay Plan*

General Description:

A proposed update to the Merit Pay Plan is intended to provide two types of wage adjustments to employees. First, a schedule increase that would be applied to both the compensation schedule and employee wages for economic reasons. Any adjustment to the compensation schedule would also be applied to employee wages. Secondly, a merit pay increase that would allow employees to progress throughout the pay range.

Action Requested:

Approval of a resolution implementing a policy that allows two distinct methods to adjust employee pay.

Procedural Steps:

(Show each level of committee and board approval needed, with meeting dates.)

Committee of Jurisdiction: P&F

Meeting date: 07/06/2023

Action taken: Approved

Vote: 3-0

County Board

Meeting date: 07/18/2023

Background:

Compensation studies were conducted in 2016 and 2023 and each time recommendations had been made to implement both a cost-of-living adjustment (COLA) that would be applied to the compensation schedule and to employee wages. A second raise was also recommended so that employees would be able to progress throughout the pay range.

In 2016, a plan was presented to the County Board that would have provided the two types of raises described above. The County Board at the time chose to implement a system that only provided raises based on merit. Any adjustments made to the compensation schedule (COLA) to keep pay rates current with the market were only applied to the schedule – not to employee wages.

The result of merit-only raises, and the corresponding merit share system, created several issues, one of which was in-range compression. In-range compression was also identified as a concern in both 2016 and 2023. An example of this compression was that prior to the re-slotting completed earlier in 2023, there were 381 employees with 6 years or more of experience that are below the control point (which ideally should be reached within 3-5 years). The resolution approving re-slotting of employees significantly addressed in-range compression. However, the current merit share system, if left in place, will re-create some of the very compression issues that were just addressed.

A major issue, as concluded by Dr. McGrath was in-range compression. The range from minimum pay to the control point has been identified as the hiring range. However, those 381 employees with 6 or more years of experience are "clogging up" the hiring range, meaning that in order to avoid bringing new employees into the organization at a higher rate than long tenured employees, the full hiring range cannot be utilized. An artificially lower pay rate than what the market supports based on the new employees' knowledge, skills, and abilities, makes recruitment more difficult. In addition, not moving experienced employees up to the control point in a timely manner creates retention issues because their pay is not commensurate with the market rate, and employees are not experiencing timely progression in their rate of pay within the salary schedule.

Policy Discussion:

The proposed update to the Merit Pay Plan would address the following recommendation from the compensation study:

- It would develop a model of increase that allow the employee to reach the control point within three – five years.
- It would move employees with five (5) or more years in the position into the salary schedule between the Control Point and the Top of the Range.
- The compensation schedule would be adjusted (at least annually as part of the budget process) for economic reasons to keep a competitive, fair, and fiscally sound salary schedule.

In addition, the proposed update would:

- Minimize future in-range compression issues.
- Eliminate moving backward within a range (closer to the minimum).
- Allow flexibility to recognize fiscal constraints.
- Implement a system that is more easily understood, explained, and administered.

The proposed revisions seek to balance increasing future pay rates to be competitive in the market (helping with hiring) and providing a mechanism to move employees throughout the pay range (helping with retention) while staying within budget constraints.

Attachments:

The following attachments are included:

- Current Merit Pay Plan dated August 2020
- Edited and highlighted version of current Plan with changes
- Clean copy of proposed Merit Pay Plan dated July 2023
- Resolution to adopt proposed changes