

From: Stokes, Richard L
Sent: Thursday, May 24, 2012 11:37 AM

Subject: RE: Pay Plan issues

I don't necessary think it's such a bad idea. In many respects it is still a way to provide extra compensation to all employees in some fashion or another. While this situation is a bit different, we in HR "red circle" positions outside a pay range and only provide adjustments in the form of bonuses all the time, so the ideal of only providing salary adjustment to employees under a certain salary isn't new.

The city has already frozen pay increases in the past affecting the pay plan so I don't see any legal liability for the disparate treatment of employees given the fact that a pay plan was formally adopted by the board in order to compensate every employee equally and fairly. Sometimes different adjustments are necessary to ensure equality and fairness.

As I understand the plan, employees paid over \$40,000 would receive a \$500 bonus. From the salary survey it looks like this might affect at least 10 employees (mostly department heads). While the \$500 may appear to only be a token, it is still better than not receiving anything.

When we look at the impact on the other employees who would receive the 2% raise, we see the following:

1. Employees making less than \$25,000 would get from \$301 to \$500.
2. Employees making between \$25,001 and \$30,00 would get anywhere from \$500 to \$600
3. Employees making between \$30,001 and \$35,000 would get anywhere from \$600 to \$700
4. Employees making between \$35,001 and \$40,000 would get anywhere from \$700 to \$800

That's not a significant difference from where I sit. The only thing is that it would be re-occurring dollars for those employees under \$40,000.

It is not that unusual for organizations to give salary adjustments based on base salary with the justification being that employees with larger base salaries would receive large salary adjustments.

This could be viewed as an In Range Adjustments. In-Range Adjustments are quite often made in organizations attempting to maintain internal and external equity. Reasons for such increases in salary are generally limited to the categories of market, merit, retention, internal equity and workload adjustments. Decisions to make these type adjustments are generally made only after consideration of the impact to all positions within a department or larger unit. In-range salary adjustments are generally applied judiciously and with good and valid intent.

Types of In-Range Adjustments include:

1. Market Adjustments - An in-range salary adjustment is provided where an incumbent's placement within the pay range is not consistent with relevant market data.
2. Merit Adjustments - A merit adjustment is awarded if the responsible administrator/supervisor determines that an employee's performance is especially meritorious. Generally, a performance appraisal documents an exceptional level of performance.
3. Retention Adjustments - A retention adjustment may be awarded to counter a bona fide employment offer from outside the organization.
4. Internal Equity Adjustment - The intent of an equity adjustment is to provide consideration to critical and/or unusual pay administration problems. The application of equity increases may be appropriate in the following instances:
 - a. Retention of mission critical staff. This includes individuals with special skills or experience that are uniquely critical to the program or completion of high priority projects.
 - b. Restructuring within a department that results in an incumbent taking on additional staff and/or responsibilities that do not warrant an upward reclassification, but may result in an increased level of responsibility or direct reports that receive higher pay. Direct reports receiving more pay should not automatically be considered an inequity. For example, a Programmer may demand a higher pay level due to market considerations based on technical skills. If the supervising Manager does not possess the technical skills, an inequity in salary may not exist.
 - c. When the outcome of the collective bargaining process results in increases for staff causing compaction problems with supervisors/managers.
 - d. New hires being appointed at a higher salary rate than existing employees in the same classification within a particular unit, department, or division. Individuals' knowledge, length of service, performance, and experience should all be taken into consideration when ascertaining the appropriateness of an equity adjustment.
 - e. To correct an unacceptable internal salary inequity/compression which may have occurred in the rate of pay for work in positions which are of comparable value to the organizational unit and which require equivalent knowledge, skills, abilities, effort, and responsibility, absent differences caused by such factors as performance, market, or length of service.

- f. When the difference is not explainable by differences in qualifications, type or length of experience, the work itself, the value to the organization, performance/productivity, and/or market.
- 5. Workload Adjustments - Due to the elimination of positions and/or greater need to increase a unit's effectiveness and efficiency, it is sometimes necessary to increase an employee's workload. The assignment of higher level responsibilities may result in a reclassification to a higher classification (job code) for the incumbent.

As you can see there is precedence and justification that would support the pay adjustments proposed by your council.

I hope this information is helpful. Feel free to contact me if you have questions or I can be of any further assistance.

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