Koff & Associates
Human Resources Consulting Since 1984

County of Mendocino
Market Compensation
and
Internal Equity Study

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Agenda

- ➢ Study Scope/Purpose
- ➢ Compensation Methodologies
- ➢ Study Process – Market/Internal Equity
- ➢ Observations
- ➢ Recommendations

Study Scope/Purpose

Base salary study for 150 classes in three phases

➢ Phase 1 Purpose

- to assess market competitiveness and evaluate market trends for selected benchmarks

- to assess effectiveness of point factor (Slavin) system

➢ Utilize findings to formulate recommendations and methodologies for the remaining two phases of the study.

Compensation Factors

Compensation plans are a combination of two components:

➢ Market pricing
➢ Internal equity

Pay strategy will drive how these two components are used in formulating the compensation plan.

Market Pricing

Evaluates external competitiveness

➢ Variables TBD

- Comparator agencies identified
- Benchmarks selected
- The median (or mean) of the data arrays are used to set salaries for benchmarks
    - Philosophy determined relative to median

Internal Equity

Two approaches:

- ➢ Market/Whole Job Analysis – K&A Model
  - ▪ Most common compensation model
- ➢ Quantitative (Point Factor)/Market – Slavin Model
  - ▪ Used in organizations where remote location or unique services mean there are few market comparators

Slavin Model
Internal Equity/Market Integration

Quantitative – multiple factors are evaluated and points are assigned to each class

- Points determine class placement relative to other classes, including those in the same job series and family
- Limited benchmarks are surveyed to regress market data and points; formulas (pay lines) are used to set pay for classes.
  - Pay can only be increased through adding more points.
  - Market pricing is a secondary driver of pay.

K&A Model
Market/Internal Equity Integration

Extensive benchmarking is conducted to anchor pay to market.

- Non-benchmark classes are aligned with benchmarks through whole job analysis/non-quantitative method
    - Similar factors as Slavin are considered for internal alignment, but no points are used
    - Standard percentage differences are applied among classes in the same job series/family for consistency
        - ❖ Market pricing is a primary driver of pay.

Pros and Cons –Quantitative Systems (Slavin)

Pros

➢ Properly designed; relatively reliable and objective

➢ Compensable factors are tailored to organization's needs

➢ Clear degrees of compensable factors to evaluate jobs

➢ Points can be integrated with market data through linear regression

Pros and Cons – Quantitative Systems (Slavin)

Cons

- ➢ Time consuming to build and maintain
- ➢ Not market sensitive; competitiveness loss
- ➢ Class specification content must be updated and accurate
- ➢ Without proper calibration, can be subject to "rater bias"
- ➢ Proprietary systems can be difficult to modify;

Study Process – Market Analysis

County Human Resources

- ➤ Selected 50 benchmarks
- ➤ Identified comparator agencies

K&A

- ➤ Collected supporting documentation from each agency
    - ➤ Classification specifications
    - ➤ Salary schedules
    - ➤ Organization charts
    - ➤ Position control documents

Study Process – Market Analysis

K&A

- ➢ Analyzed classifications from each agency to ensure matches meet 70% comparability threshold
- ➢ Prepared base salary findings for review and comment by Human Resources

Study Process – Internal Equity Analysis

K&A

- ➢ Examined the Slavin System design, factors and historic use by the County since its inception
- ➢ Conducted analyses to determine how salaries and internal relationships are impacted by using the Slavin model
- ➢ Compared Slavin outcome to K&A outcome
- ➢ Prepared a status report on findings for Phase I.

Study Observations

Over time the County has:

- ➢ Modified the number of pay bands to broaden ranges and incorporate new classes, but points have not changed
- ➢ Relied less on Slavin in favor of market realities, i.e.
    - ▪ Despite point values assigned, market trends require higher level pay to attract and retain staff

Sufficient comparator agencies exist to survey pay trends; conditions conducive to Slavin system method effectiveness do not exist.

Study Observations

When K&A integrated market pay into Slavin points:

- ➢ Significant market variances on data results among job classes

When using market/whole job analysis methodology in setting salaries:

- ➢ Differences in alignment among job classes in the same series between K&A outcome and Slavin outcome
- ➢ These differences can impact hiring rates, impacting candidate attraction

Method Variances

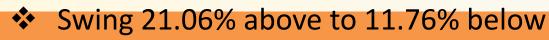## Market position- Koff Methodology

10% below Market Median w/ Cost of Labor adjustments

- Benchmarks within 5% = 21%

- Benchmarks above market > 5% = 23%

- Benchmarks below market > 5% = 56%

  ❖ Swing 27.6% above to 36.8% below

Point Factor – Slavin Methodology

Integrating market median

- Benchmarks within 5% = 38%

- Benchmarks above market > 5% = 27%

- Benchmarks below market > 5% = 35%

  ❖ Swing 21.06% above to 11.76% below

Cost of Labor Differences

Comparator Agency	Cost of Labor
City of Santa Rosa	12.40%
County of El Dorado/Placerville	8.50%
County of Humboldt/Eureka	0%
County of Lake/Lakeport	0%
County of Napa/Napa	13.80%
County of Nevada/Grass Valley	4.00%
County of Sonoma/Santa Rosa	12.40%
County of Sutter/Yuba City	4.30%
County of Yolo/Woodland	9.00%
Average Cost of Labor Difference	**7.2%**

Study Recommendations

If market competitive strategy is desired:

- ➢ Establish pay philosophy targeting desired relationship to the broader market
  - ➢ Incorporate regional pay differences by adjusting salaries from other agencies as necessary
  - ➢ Create a new range structure mirroring industry practice
  - ➢ Develop implementation strategy; multi-year
  - ➢ Establish/memorialize a practice of measuring the market to attract and retain staff

Study Recommendations

When setting the practices, the County is not compelled to pay at a certain level, e.g., the median, but should consider setting a standard.

➢ Economic realities may dictate a lower level of pay, such as a certain percentage below the market

Utilize the whole job analysis approach to internal equity

➢ Where necessary, the Slavin System can be used for jobs which are difficult to slot internally

Next Steps

- ➤ Next 50 benchmarks
- ➤ Utilize whole job analysis methodology
  - ▪ Cost of Labor
  - ▪ % to market median
- ➤ Target completion of June 30, 2019
- ➤ Consider incorporating total compensation