



Department of Employee Relations

November 30, 2016

Tom Barrett
Mayor

Maria Monteagudo
Director

Renee Joos
Employee Benefits Director

Vacant
Labor Negotiator

To the Honorable Committee
Finance and Personnel
Common Council
City of Milwaukee

Re: Common Council File # 161034 - Communication from the Department of Employee Relations relating to amending the Salary Ordinance - Part II, Section 4 - Salary Advancement and Salary Anniversary Dates and Section 5 - Special Pay Practices.

Dear Committee Members:

-SUMMARY-

This report recommends the necessary changes to Part II, Section 4 of the Salary Ordinance to continue the pay progression practices established in 2016 for employees of the City of Milwaukee who are not covered by pay practices stemming from labor bargaining agreements or hold a position that is part of an official career ladder established on or after Pay Period 2 of 2012. These changes will allow departments to continue assessing employees' performance based on predetermined standards and grant salary adjustments in 2017 through a program that is similar to the one approved by the Council for 2016.

This report also recommends changes to Part II, Section 5 of the Salary Ordinance to provide that when a pay range is restructured or redesigned in response to labor market considerations, the employee will retain his or her rate of pay unless the rate is below the minimum of the new range or a footnoted rate, when applicable. This change will ensure that pay range restructuring recommendations are not treated the same as promotions under the applicable provisions of the Salary Ordinance.

BACKGROUND – Part II, Section 4 of the Salary Ordinance

In December of 2015 the Common Council approved file #151209 authorizing the implementation of pay progression practices for city employees who were not represented by a certified bargaining unit or employees whose position is part of an official career ladder. Such salary adjustment practices were designed to assist the City compete for top talent in the labor market to fill vacant positions, improve retention rates of recent hires, reduce turnover rates of fully trained contributors, and minimize pay differentials created by years of frozen wages among employees performing similar work at comparable levels of proficiency.

This Common Council file allowed salary adjustments for eligible employees for the first time since 2010. Such adjustments continued the shift started in 2012 with the implementation of career ladders with pay progression practices based on measurable employee contributions, credentials, and performance in lieu of time in grade considerations.

The legislation authorizing pay progression last year created two categories of employees and two different methodologies to be used in determining an employee's eligibility for a salary adjustment. The first group of employees (referred to as Group A) included employees holding administrative support, service and maintenance, technical, paraprofessional, or skilled craft positions. Group A employees were eligible, based on the results of an employee assessment and a "good standing" status, for a salary increase of 2% of the minimum of the range (or the recruitment rate) to which their position was assigned. Such increases were effective Pay Period 1 of 2016.

The second group of employees (referred to as Group B) included employees holding professional or supervisory/management positions. Salary adjustments for Group B employees were based on performance reviews and merit principles and were limited to 2% or 4% of the midpoint of the range to which their position was assigned to, based on the employees' overall rating, as defined by guidelines established by the Department of Employee Relations (DER). Such increases were effective Pay Period 14 of 2016.

Feedback from department heads and personnel representatives regarding the impact of the salary progression practices implemented in 2016 reflect a positive outlook in terms of the City's ability to continue to compete for talent in filling current vacant positions. A summary of the feedback received is presented below.

- *The ability to explain to applicants for City positions that there is an opportunity for salary progression has made a difference in the success rate of departments when recruiting talent;*
- *The funding allocation at 2% of payroll as of the beginning of the year has worked out well and has provided adequate funding for the increases;*
- *The ability of the City to sustain a culture of pay progression in the long term is critical in replacing the significant number of employees who are now eligible to retire (1,001) and those who will be eligible within the next five years (2,327);*
- *Processes that required employee assessments relative to being in "good standing" or performance evaluations forced meaningful and necessary discussions between employees and their supervisors about performance standards, professional development needs, and career goals;*
- *Salary increases that are based on performance serve as a motivator and reward for employees who are outstanding contributors to their departments' mission and strategic goals;*
- *Employees recognize the importance of meeting the productivity, job knowledge, initiative, dependability, and interpersonal relationships standards required for eligibility for salary adjustments and being considered an employee "in good standing".*

The recently approved 2017 City of Milwaukee Budget includes adequate funding to continue pay progression practices in 2017. This file recommends the necessary amendments to Part II, Section 4 of the Salary Ordinance to continue pay progression in 2017 with the following modifications:

1. Group A employees who otherwise meet the eligibility criteria established by DER shall be eligible for a 2% salary adjustment on their salary anniversary date. The adjustment is to be calculated based on the employee's biweekly rate instead of the minimum of the pay range to which the position is assigned.
2. Group B employees who otherwise meet the eligibility criteria established by DER shall be eligible for a salary adjustment of 2%, 3%, or 4% based on the employee's overall performance rating effective on the employee's salary anniversary date. This change creates greater flexibility for

departments to distinguish performance using three performance levels instead of two. The adjustment is to continue to be calculated based on the midpoint of the pay range.

BACKGROUND – Part II, Section 5 of the Salary Ordinance

Generally, when there is a pay range change (a position is assigned to a different pay range through a reallocation) or when the pay range to which the position is assigned is restructured based on labor market considerations, the transaction is treated as a promotion and incumbents are eligible for salary adjustments per provisions from Part II, Section 5(A) of the Salary Ordinance.

However, we believe that when the pay range of a position is restructured based upon recruitment and retention challenges documented by a labor market analysis, the “transaction” should not be considered a promotion. A promotion implies a change in the nature of the job, the level or complexity of its duties and responsibilities, and/or a change in minimum requirements.

This report recommends that the rate of an employee in a restructured pay range only change when it falls below the minimum of the new range or a footnoted rate, when applicable. This change will ensure that pay range restructuring recommendations are not treated the same as promotions for employees in the restructured pay ranges.

ACTION NEEDED

In the Salary Ordinance, under Part II, delete the narrative under SECTION 4 – SALARY ADVANCEMENT AND SALARY ANNIVERSARY DATES and substitute with the following:

Salary advancement above the rate of initial appointment shall be as authorized in this Ordinance. Salary advancement in this section refers to pay progression practices within a pay range. Some City Departments are authorized to implement salary adjustments for employees in specific employee groups based on employees meeting core competencies, certification credentials and/or performance standards per approved Career Ladders effective Pay Period 2, 2012 or later.

Except for practices stemming from labor bargaining agreements in full force and effect or provisions approved in conjunction with the implementation of Career Ladders approved by Common Council action, salary advancement practices in 2017 will fall under one of the following categories:

Group A

Employees holding positions in one of the Sections identified below and who are in “good standing” as defined in guidelines developed and administered by DER.

Section 3 – Technicians

Section 5 – Paraprofessionals

Section 6 – Administrative Support

Section 7 – Skilled Craft

Section 8 – Service and Maintenance

Group B

Employees holding positions in one of the Sections identified below and who, based on merit principles, achieve an overall minimum performance rating of “meets performance expectations”, per guidelines developed and administered by DER.

Section 1- Officials and Administrators

Section 2 - Professionals

Section 4- Protective Service (management sworn)

A. Amount of Salary Adjustments: In 2017 salary adjustments for eligible employees will be as follows:

Group A

Eligible employees shall receive a salary adjustment of 2% of the employee's biweekly rate of pay effective on the employee's salary anniversary date.

Group B

Eligible employees shall receive a salary adjustment based on their overall performance rating as specified below under a performance merit plan established by DER.

- 2% of the midpoint of the pay range the position is assigned to when the employee receives an overall rating of "meets performance expectations", or
- 3% of the midpoint of the pay range the position is assigned to when the employee receives an overall rating of "often exceeds performance expectations" or for Legislative Assistants in the Common Council – City Clerk's Office provided they are otherwise eligible, or
- 4% of the midpoint of the pay range the position is assigned to when the employee receives an overall rating of "consistently exceeds performance expectations."

Increases granted under this section shall be base building up to the maximum of the pay range. Any salary adjustment granted to employees near or at the top of the pay range will be capped by the pay range maximum. Any excess adjustment due to the employee will be awarded via a non-pensionable lump sum payment consistent with guidelines developed and administered by DER. Employees who are above the maximum of their pay range as a result of the pension offset authorized by Common Council File #110740 shall be eligible to receive such non-pensionable, lump sum payments provided that they meet all other requirements and conditions.

B. Salary Anniversary Dates and Timing of Salary Adjustments: A determination regarding an employee's eligibility for a salary adjustment will be made near or on the employee's salary anniversary date. The salary adjustment resulting from that process will be effective the pay period of the employee's salary anniversary date. Lump sum payments due to eligible employees will be paid in accordance with guidelines developed and administered by DER.

An employee's original salary anniversary date is based on 26 pay periods after appointment. A new salary anniversary date is established upon promotion or demotion. A salary anniversary date shall be adjusted for unpaid time off.

C. Eligibility Considerations: an employee's eligibility for salary advancement after the initial appointment or promotion is contingent upon the completion of 26 biweekly pay periods of active service. To be eligible for salary adjustments, non-probationary employees in Group A must be in good standing as documented in an "Employee Assessment" form to be completed by their supervisor. Employees who are subject of a performance improvement plan (PIP) or have received discipline during the 12 month period immediately preceding their anniversary date shall be ineligible for a salary adjustment.

Non-probationary employees in Group B must receive a minimum "meets performance expectations" rating as part of a performance merit plan established by DER. Employees who are under a performance improvement plan (PIP) or have received discipline during the 12 month period immediately preceding their salary anniversary date shall be ineligible for an adjustment.

The Department of Employee Relations shall develop guidelines and procedures to administer pay progression practices authorized in this section, including establishing administrative review procedures for non-probationary employees who are deemed ineligible to receive a salary adjustment.

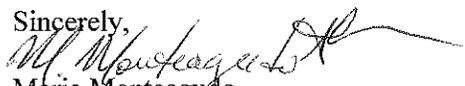
D. Funding: salary increases shall be limited to the funding allocation established by the Budget and Management Division for each department.

E. Exceptions and exclusions: the following positions are not eligible for salary adjustments established under this section.

- 1) Positions in approved Career Ladders - salary adjustments or pay progression practices shall be consistent with the terms and conditions established for the Career Ladders.
- 2) Assistant City Attorney positions in the City Attorney's Office - incumbents who are subject to pay progression practices per an approved performance merit plan are subject to the conditions and restrictions of that plan. The City Attorney is authorized to create a performance merit pay with salary adjustments that shall not exceed 4% of an eligible employee's salary. Salary adjustments for eligible employees shall be contingent upon the availability of funds within the City Attorney's Office budget as determined by the Budget and Management Analysis Division.
- 3) Positions in the Employee Retirement System with a footnote authorizing their compensation to be at any rate in the pay range upon approval of the Annuity and Pension Board.
- 4) Sworn Represented positions in SECTION 4 –Protective Services
- 5) Positions in SECTION 9 – Hourly, Part-time, Intermittent.
- 6) Positions in SECTION 10 - Boards and Commissions.
- 7) Positions in Section 11 - Elected Officials.

Under Part II, Section 5, delete the first paragraph under “A. Promotions, Reclassifications, and Reallocations” and substitute the following.

- A. Promotions, Reclassifications, and Reallocations: promotion after a reclassification (title and pay range change), promotions after under-fill (appointment at a lower level than that authorized in the Positions Ordinance), and promotion after reallocation (position is assigned to a different existing pay range) shall be at 5% above the rate received prior to the promotion, or the minimum of the new pay range, or the footnoted minimum recruitment rate whichever is greatest. When an existing pay range is restructured based on labor market considerations as determined by DER, the employee will retain his/her rate of pay unless it is below the minimum of the new pay range, or a footnoted rate, when applicable. Appointment to a position in a pay range with a lower maximum rate but with a higher minimum rate may be considered a promotion for pay administration purposes as determined by Employee Relations.

Sincerely,

Maria Monteagudo
Employee Relations Director