



## Class & Compensation Study

City of Tacoma | Human Resources  
Department  
Joint Study Session

October 5, 2021

0



## AGENDA




- Background
- Study Findings & Recommendations
- Next Steps

1

1

# BACKGROUND



- City Manager's 2018-2019 performance goals included request to conduct classification and compensation study
  - Goal to modernize/adjust current compensation system to attract/retain employees -with focus on pay equity
- Request for Proposal (RFP)
  - Focused primarily on Non-Represented classifications
  - Selected Gallagher Benefit Services
  - Engagement started in March 2019

2


2

## Gallagher Human Resources and Compensation Consulting

### City of Tacoma - Classification & Compensation Study: Presentation of Study Findings and Recommendations

**Ronnie Charles, Managing Director & Practice Leader**  
**Mike Verdoorn, Managing Principal**  
**Public Sector Practice**

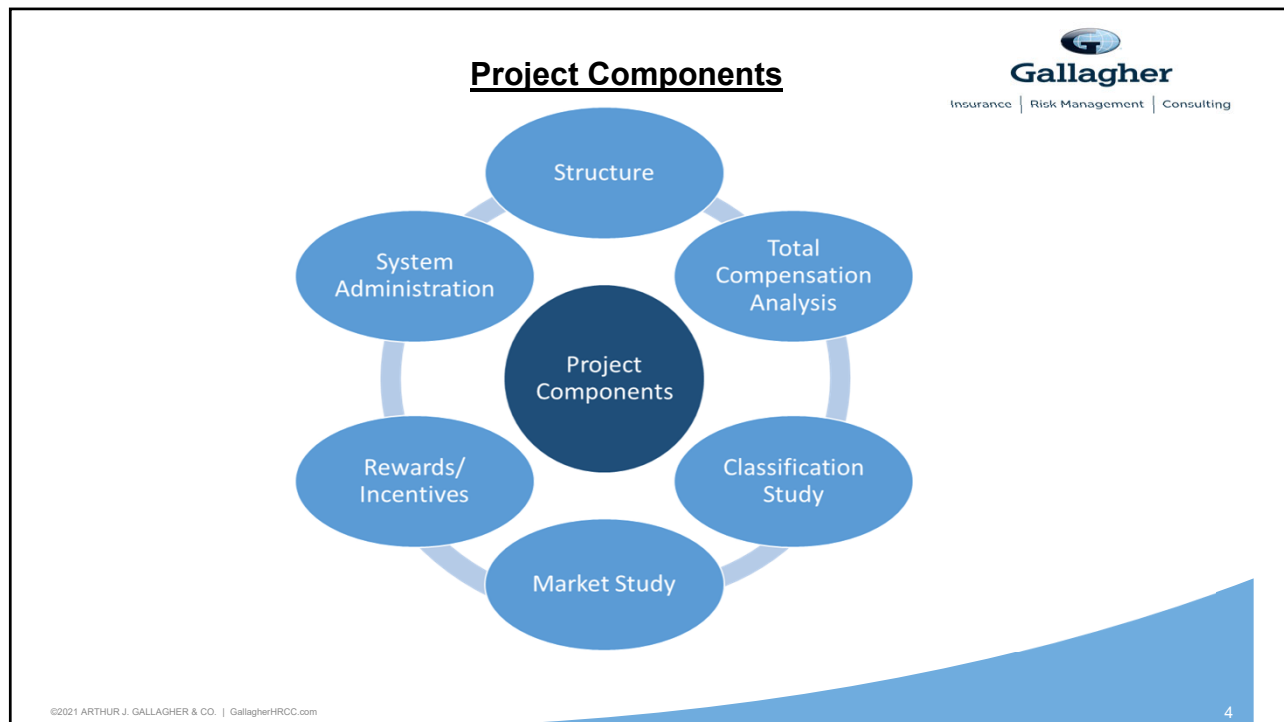
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3



4

### Key Definitions

#### **Internal Equity**

- Jobs comparable in responsibility, accountability, decision authority and impact to be paid similarly.

#### **External Competitiveness**

- Organization's compensation package competitiveness versus defined labor market.

#### **Total Compensation**

- Complete pay package for employees, beyond just salary.
- Includes all forms of money, benefits, services, and other "perks".

\*Source: <https://advos.io/resources/glossary-of-hr-and-benefits-terms/>

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5

## Key Definitions



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### Pay Equity

- Employees performing equal work and requiring equal skill/effort under similar working conditions paid equally.

### Pay Compression

- Employees with differing experience, skills, level or seniority with similar or equal pay.

### Salary Structure

- Salary ranges (minimums & maximums) representing all job families and levels of work.
- Reflects a balance of external market rates and internal equity.

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6

6

## Compensation Philosophy



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### New total rewards compensation philosophy:

- **Adopted December 17, 2019**
- **Informed by City's Equity and Empowerment Framework**
- **Guided scope, analysis, and recommendations of study**

“Our goal is to attract, retain and motivate committed, hard-working, creative and thoughtful employees who support the City's mission to meet and exceed expectations, and who reflect the diverse community we serve, not only in service delivery and responsible stewardship of public resources, but also in realizing our vision for Tacoma to be an inclusive and equitable place to live, work and play.”

Committed to: “Providing a competitive total rewards and incentives program that is internally and externally equitable”

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7

7

## Current System Assessment: SWOT



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- Key themes/concerns emerged from stakeholder meetings during project initiation phase.

### Classification System Issues:

- Classification **specifications out-of-date**
- Inconsistent **broad & narrow job descriptions**
- **Misalignment** of jobs internally
- Excessive **reclassification requests**
- Perception **job progression does not exist**

### Compensation Issues:

- **Narrow range** spreads
- Perception that **range minimum is too low**
- **Movement** to pay range max too quickly (~5 years)
- Perception of **pay compression issues**
- Lack of clearly defined **methodology for determining pay**

### Goals:

- Clear identification of levels within **career ladders/paths**
- **Standardization** in titling, leveling, definitions
- Determining **competitive salary ranges & connect to actual pay in the market**
- Increase **range widths**
- **Increased pay equity and reduced compression** through standard pay range progression rules

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8

8

## Classification and Job Evaluation Methodology and Results



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### Development of PDQs

- Position Description Questionnaires (PDQs) to collect job information
- 1,000+ PDQs completed by employees.
- Reviewed by immediate supervisors and department heads

### Occupational Panels & Interviews

- 36 occupational panels sampling selected groups of employees.
- 540 employees in the occupational panels.

### Individual Department Head Meetings

- Reviewed draft classification structure with department management

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9

9

## Classification and Job Evaluation



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### Methodology and Results

- Developed classification structure defining job families and levels of work reviewed by Project Team and Department Heads.
- Review included allocation of current job titles to proposed classification levels.

#### General Characteristics of Classification Structure

- Work described more clearly than current systems (split broad classifications, streamlined classifications where appropriate)
- Similar "bodies of work" assigned to job family and series regardless of department where work is performed
- Facilitates visual career path

235 Classes

Old System

49 Families

65 Series

243 Classes

New System

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10

10

## Classification and Job Evaluation



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### Methodology and Results

- Decision Band Method® (DBM®):
  - Formal job evaluation methodology was applied to classification structure levels to define:
    - Internal equity.
    - Job value hierarchy.
    - Assignment to pay grades.
    - Evaluation of new or changed jobs.
- DBM® applied and reviewed by Gallagher and City and achieves:
  - Pay equity that is gender and race neutral.
  - Compliance with legal and testing requirements.
  - Comprehensive use of market data.
  - Consistent ongoing implementation and maintenance of system.

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11

11

## Decision Band Method® – 3 Step Analysis



### STEP 1: Determine appropriate band

BAND A: Defined	BAND B: Operational	BAND C: Process	BAND D: Interpretive	BAND E: Programming	BAND F: Policy
Determines manner and speed to perform defined steps of an operation	Determines how and when to perform steps of processes	Develops and selects appropriate process to accomplish operations of programs	Interprets programs into operational plans and deploys resources	Plans strategies, programs and allocates resources to meet goals	Determines organization scope, direction, and goals

### STEP 2: Determine appropriate grade

### STEP 3: Determine appropriate subgrade

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12

12

## Compensation Study



- 98 benchmark jobs identified utilizing below representative criteria:

Representative of significant portion employee population	Representation across all levels	Common in marketplace
High incumbent count	Representative of all functional areas	Difficult to recruit and/or where high turnover exists

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13

13

## **Compensation Study**



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### **Custom Survey**

- Survey participants identified using consistent, defensible, and best practice criteria to develop comparator list, including:
  - Geographic location, population, services provided, among others.
- Participants were discussed and reviewed by Project Team.
- 37 organizations asked to participate; 23 organizations responded (63% response rate).
- 2019 Market data collected updated through custom survey refreshed in 2021.
- Data aged to effective date of January 1, 2022.
- Market data geographically adjusted to Seattle-Tacoma-Bellevue metropolitan statistical area (MSA).

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14

14

## **Compensation Study**



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### **Published Survey Sources**

- Published sources utilized met following criteria:
  - Conducted by reputable salary survey firm
  - Conducted on continual basis
  - Data not self-reported
  - Data sources reported, effective date identified, and data tested to ensure accurate matches
- Market data collected in 2019 and updated with 2020/2021 sources.
- Data aged to January 1, 2022.
- Market data geographically adjusted to Seattle-Tacoma-Bellevue metropolitan statistical area (MSA).

#### **Published Surveys**

CompData
Mercer
Willis Towers Watson
Milliman Northwest Utilities
Western Management Utilities
American Public Power Association
American Water Works
Economic Research Institute

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15

15



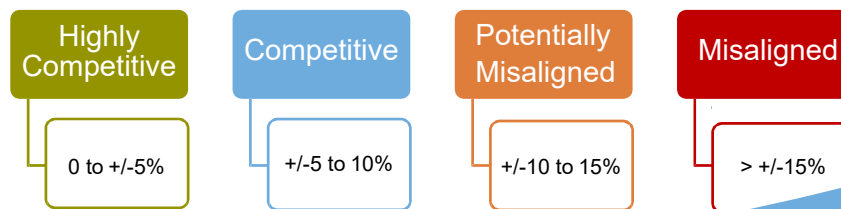
## Compensation Study Findings



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### Market Comparisons

- Compared average or actual City salaries to market 60th percentile for 98 benchmark jobs
- For each benchmark comparison, percentage difference calculated between City's actual salary and market:
  - Positive (+) figures indicate City pays above market.
  - Negative (-) figures indicate City pays below market.
- The following guidelines are used when determining competitive nature of current actual compensation:



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16

16

## Compensation Study Findings



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### Comparison to Market

- City's **current salaries** 0.2% above 60th percentile of full market (including public and private sector), which is considered **highly competitive**.
- The **current salary structure** ranges from +8.5% above to -3.7% below full market range minimum at 60th percentile, and overall is considered **competitive**.

Actual Salaries	Salary Range Minimum	Salary Range Midpoint	Salary Range Maximum
+0.2%	+8.5%	+0.8	-3.7%
Highly Competitive	Competitive	Highly Competitive	Highly Competitive

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17

17

## Salary Structure Development



### Recommended Salary Structure

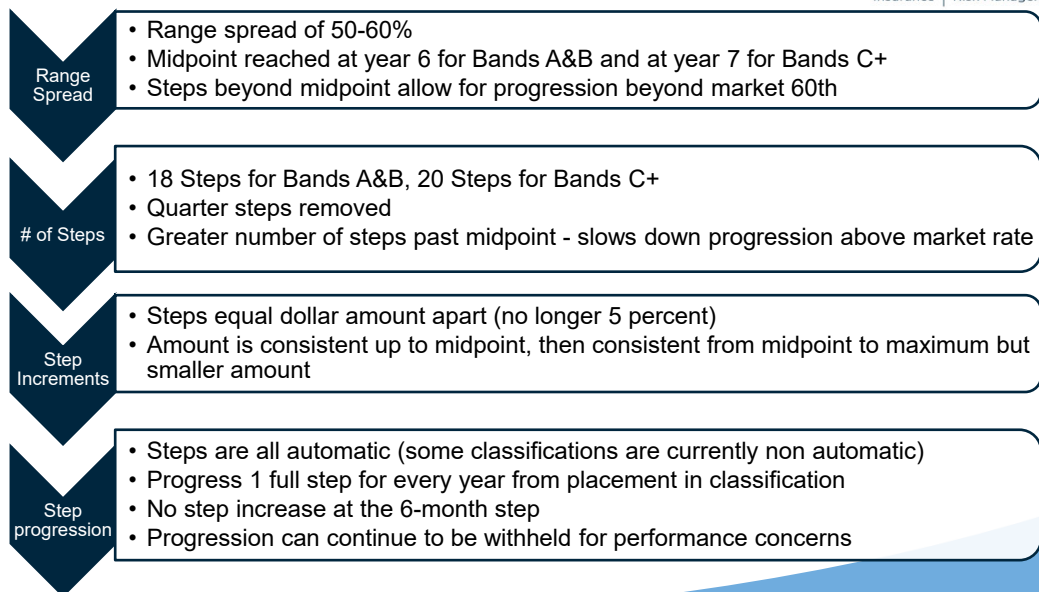
- Market salary data combined with DBM® evaluations to develop trend lines (lines of best fit) through regression analysis.
- Salary structure anchored at 60th percentile of full market
  - Facilitates development of a competitive salary range around the market for recruiting and retaining employees.
- Comparisons made across different job functions identified significant market trend differences resulting in two proposed City of Tacoma salary structures:
  - General Structure
  - Power Technical, All Engineering, Rail Structure

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18

18

## SUMMARY SALARY STRUCTURE DESIGN CHANGES



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19

19

## Salary Structure - Example



### PROPOSED STRUCTURE - 50% Range Spread

	MIN						MID						MAX						
Step	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	\$27.27	\$28.41	\$29.55	\$30.68	\$31.82	\$32.96	\$34.09	\$34.66	\$35.23	\$35.80	\$36.37	\$36.93	\$37.50	\$38.07	\$38.64	\$39.21	\$39.77	\$40.34	\$40.91
Step %	n/a	4%	4%	4%	4%	4%	3%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%
Step \$	n/a	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57

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20

20

## Salary Structure - Implementation & Cost Options



- Implementation options will be provided to the City for consideration in placing employees into the pay ranges of the new structures
- Study data reflects some employees' current pay being both under and over the new proposed salary structures.

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21

21

## Equity Review



- A pay gap comparison by gender and race/ethnicity was conducted for all proposed non-represented classification titles for cost implementation models.
- The City's gender pay gap and race/ethnicity pay gap results (utilizing the implementation models/ recommendations) is lower than national trends published by Bureau of Labor Statistics for 2020.
- **The application of internal job value and transition to the new salary structures are not inadvertently causing pay disparities.**
- Application of implementation models into the new salary structures improves pay equity.

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22

22

## Compression Review



- Compared proposed salary structure across the City to examine potential pay compression
  - **Structure comparison:**
    - Compared range maximums of all pay ranges to review at a structure level.
  - **Detailed comparison:**
    - Performed calculations to identify any instances where the difference between employee top step and supervisor proposed range maximum was less than 5%.
- No evidence of compression requiring redesign of proposed salary structures.

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23

23



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## **Total Compensation Review**

- Analysis consisted of salary, incentives, and benefits at the City compared to market.
- Overall the City has a comparable blend of offerings with some variations
- However, market total cash compensation (base pay and incentives) represent a larger portion than at the City.

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24

24



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## **Incentives & Rewards**

Responding to retention, reward, and recruitment needs

### **Current Approach**

- Limited flexibility (i.e. discretionary funds available) – Incentives defined in code
- Inconsistent programs (e.g. Incentive Days, Employee Service Awards) between General Government and Utilities.

### **Compensation Solutions:**

- Increase current allotted one-time incentive amount and ability for City leadership to make determination
- Move more than one step in pay structure
- Project based incentives linked to timing and success
- Cost saving incentives, employee receives percentage or flat rate on achievement

### **Non-Compensation Solutions:**

- Additional PTO upon hire, faster accrual rate, or individual day(s) as reward
- Student-loan repayment
- Health based incentives (e.g. money to purchase health related equipment)
- Transfer education benefits not used by employee to dependents

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25

25

## **System Administration**



### **Changes to Tacoma Municipal Code:**

- Required for adoption of recommended classification and compensation system. (Example: salary structure design)

### **Other Recommendations:**

- Maintain system (methods and best practices to be provided by Gallagher)
  - Maintain internal equity through holding reclassification processes at defined periods.
  - Maintain compensation system through regular salary structure updates and compensation studies
- Designate Human Resources as administrative authority to maintain classification structure and ensure equity and legal compliance.
  - Clarify authority of the City Manager and Utilities Director to ensure that decisions related to compensation are equitable.

## **Consultant Next Steps**



Gallagher assist in finalizing costing and implementation options

Gallagher draft and deliver final narrative report

Gallagher draft and deliver classification specifications

## Thank You

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28

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## City Next Steps



Evaluate final costing data and implementation options.

November 2, 2021  
Mid-Mod Budget Request.

\*Note: Final Class & Compensation Report will be available prior to this date.

Year-End Ordinance to include salary table and code changes.

29



## **Class & Compensation Study**

City of Tacoma | Human Resources Department

**Joint Study Session**

**October 5, 2021**

