

City of Charlottesville, VA

2022 Classification & Compensation Study

Final Report

Gallagher Human Resources & Compensation Consulting Practice
April 2023



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Project Background & Objectives

- The City of Charlottesville (the City) contracted with Gallagher Benefit Services, Inc. (Gallagher) to conduct a comprehensive classification and compensation study for approximately **225 job titles** within the City covering approximately 993 employees.
- The primary objectives of the study were to:
 - Evaluate jobs to determine relative worth, internal equity, pay ranges, and range progressions.
 - Review job classifications and recommend changes to hierarchical order.
 - Analyze and recommend changes to the City's current compensation structure.
 - Identify pay compression issues and recommend solutions.



Current System Assessment: SWOT

Classification System Issues

- Classification specifications out-of-date
- Inconsistent job descriptions and job titles
- Misalignment of jobs internally
- Excessive reclassification requests

Compensation Issues

- Perception that range minimums are too low
- Perception that current base salaries are too low
- Perception of pay compression issues
- Alignment with market trends



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Methodology Classification Study



Classification Study

Development of PDQs

- Position Description Questionnaires (PDQs) were utilized as the basis for the analysis of classification structure.
- Employee submitted PDQs were reviewed by supervisors and department heads
 - Approximately 679 PDQs completed by individuals and groups, represent 68% of the employee population.
 - PDQ's were reviewed for FLSA status.

Occupational Panels and Interviews

- Conducted 12 panels by random sampling of selected groups of employees across different functional areas and levels of work.
 - ~85 employees were included in the occupational panels



Classification Methodology and Results

- Developed classification structure defining job families, series and levels of work reviewed by Project Team
 - Review included condensing current job titles performing similar type and level of work where applicable
 - Similar “bodies of work” assigned to job family and series regardless of department where work is performed
 - ❑ 40 Job Families
 - ❑ 91 Job Series
- Facilitates career path and framework for job titles



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Methodology Compensation Study



Compensation Study - Methodology

Benchmark jobs selected by the City were reviewed by Gallagher to ensure representation utilizing the below 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

Compensation Study - Methodology



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Custom Survey

- 26 organizations were asked to participate; 4 organizations responded by completing the survey or providing data for Gallagher to make appropriate job matches (15% response rate). Gallagher data mined information for the remaining 20 organizations using published salary ranges and job descriptions on participant website. Resulting in 85% representation of the custom labor market.

Labor Market

List of Participant Organizations (26 Total)			
Cities		Counties	Towns
City of Alexandria	City of Richmond	Albemarle County	Town of Blacksburg
City of Danville	City of Roanoke	Arlington County	Town of Leesburg
City of Fredericksburg	City of Salem	Fairfax County*	
City Harrisonburg	City of Staunton	Fauquier County*	
City of Lynchburg*	City of Suffolk	Greene County	
City of Manassas	City of Williamsburg	Hanover County	
City of Petersburg*	City of Winchester	Henrico County	
City of Portsmouth		Loudon County	
		Prince William County	

* Did not participate

Compensation Study - Methodology

Published Survey Sources

- Utilized to collect private sector market data for benchmark jobs
- 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 from the published survey sources represent local, regional, and national geographic labor markets where applicable.

Published Surveys
CompData
Mercer
Willis Towers Watson
Economic Research Institute



Data Analysis

Aging Salary Data

- Survey data was aged to a common effective date, December 1, 2022 using the *WorldatWork* prevailing market trend of 4% per year for actual salaries, 2% for salary ranges.

Geographic Adjustments

- Survey data was adjusted geographically to reflect the “cost of labor” for Charlottesville, VA area as calculated by the Economic Research Institute (ERI).
 - “Cost of labor” refers to the difference in pay or labor market for a job from one location to another. The cost of labor is what a particular geographic market offers as the “going rate” or compensation for its jobs and reflects the local demand for and supply of labor.

Outlier Analysis

- Gallagher applied statistical tools to identify and review any outliers.
 - Data points which did not meet the job matching criteria, or identified as statistical outliers were excluded from the analysis.



Compensation Study

Market Comparisons

- Compared average or actual City salaries to market for 145 benchmark jobs.
- For each benchmark comparison, the percentage difference was 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:



- Benchmark jobs that had a greater than 15% difference with the market are not necessarily misalignment. Factors such as performance, turnover, longevity, and job change would impact actual salaries and might explain some of the differences between the City and the market actual salaries for individual jobs.

Compensation Study Findings



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Actual Salary Comparison to Market

- City's **current salaries** are **2.2% above 50th percentile** of **custom market**, which is considered highly competitive.
- City's **current salaries** are **5.6% below private sector market**.
- Overall the City's current salaries are **highly competitive** with the **combined market** at the 50th percentile – **within +/-5% difference** when compared to the 50th percentile rate.

Comparison to Market - Actual Pay			
	Custom Labor Market ¹ (# benchmark jobs = 54)	Private Sector Labor Market ² (# Benchmark Jobs = 93)	Combined Labor Market (# Benchmark Jobs = 145)
25 th Percentile	12.7% Potentially Misaligned	8.4% Competitive	10.3% Competitive
50 th Percentile	2.2% Highly Competitive	-5.6% Competitive	-2.3% Highly Competitive
75 th Percentile	-7.9% Competitive	-18.1% Misaligned	-14.1% Potentially Misaligned

¹ Custom Survey labor market includes data from custom survey only

² Private Sector Labor market includes private sector data cuts from published survey sources

³ Combined Labor Market includes and average of custom survey data and private sector data



Compensation Study Findings

Salary Range Comparison to Market

- Overall the City's **current salary ranges** are **5.5% below the combined labor market**, which is considered **competitive – within +/-5% difference**.

Comparison to Market – Salary Range			
	Custom Labor Market ¹ (# benchmark jobs = 54)	Private Sector Labor Market ² (# Benchmark Jobs = 93)	Combined Labor Market (# Benchmark Jobs = 93)
Minimum	-11.9% Potentially Misaligned	-9.6% Competitive	-10.2% Potentially Misaligned
Midpoint	-6.5% Competitive	-5.5% Competitive	-5.5% Competitive
Maximum	2.4% Highly Competitive	6.9% Competitive	4.9% Highly Competitive

¹ Custom Survey labor market includes data from custom survey only

² Private Sector Labor market includes private sector data cuts from published survey sources

³ Combined Labor Market includes and average of custom survey data and private sector data

Compensation Study Findings



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Compared to the market 50th percentile

- 26 job titles have salaries that are significantly below (- 49.3% to -16.1%) salaries reported for market comparable jobs.
- 15 jobs titles have salaries that are significantly above (15.7% to 43.4%) salaries reported for market comparable jobs.

Comparing the City's pay range midpoint to market 50th percentile

- 40 jobs titles have salaries that are significantly below (- 39.6% to -15.4%) salaries reported for market comparable jobs.
- 21 jobs titles have salaries that are significantly above (15.9% to 42.4%) salaries reported for market comparable jobs.
- Job titles to be reviewed more closely by City HR to confirm appropriate salary range placement based on a combination of external competitiveness and internal equity.



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Recommended Salary Structure & Implementation Cost

Proposed Salary Structure Considerations



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Goals of the Proposed Salary Structures

- Comply with the City's strategy to stay competitive with the combined market at the 50th percentile.
- Develop a 20 pay grade structure.
- Maintain appropriate midpoint differentials to avoid cross grade compression.
 - Market best practice suggests midpoint differentials between 8% to 15% and up to 25% total midpoint differential between supervisor and subordinates would be efficient
- Minimum range starts at \$15/hour or \$31,200/year (2,080 hours).
- Starting pay for Transit Operators to be \$21/hour or \$43,680/year (2,080 hours), which is 14.3% above the market 50th percentile.

Proposed Recommended Structure

- The proposed structure was developed using actual salary data at the 50th percentile of the combined labor market to determine the midpoints of the new structure. Minimums and maximums were calculated based on midpoints.
- Proposed structure has 20 pay grades.
- Midpoint differentials of 10% is implemented across grades.

Implementation Method & Cost

- The proposed salary structure based on the 50th percentile of the market was run through two cost implementation options:
 - Bring to Minimum: Identifies any employees below the minimum and determines the cost to move all employees to the new minimum.
 - Bring to Midpoint: If an employee is at the midpoint of the current structure, the calculation maintains them at the midpoint of the new range.

All Groups	Count of Employees	Cost Projection	% of Salary Budget
To New Minimum	202	\$665,752	0.9%
To Range Midpoint	666	\$7,446,482	9.7%



Implementation Cost

General Government	Count of Employees	Cost Projection	% of Salary Budget
To New Minimum	140	\$548,936	0.7%
To Range Midpoint	410	\$3,623,784	4.7%

Transit	Count of Employees	Cost Projection	% of Salary Budget
To New Minimum	0	\$0	0%
To Range Midpoint	73	\$560,841	0.7%

Public Safety	Count of Employees	Cost Projection	% of Salary Budget
To New Minimum	62	\$116,816	0.2%
To Range Midpoint	183	\$3,261,857	4.3%



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Pay Practices and Benefits Summary

Pay Practices and Benefits Summary



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- Overall, the City is consistent with the market in its compensation philosophy, compensation administration and benefits.
- Some differences include:

Medical Coverage:

For EE only coverage, the City's employer contributions are greater than the comparator organizations and for **and EE + Children** employee contributions are slightly higher than comparator organizations.

For EE + Spouse and Family coverage, the City's employer and employee contributions are the same as the comparator organizations.

Pay Practices and Benefits Summary



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Dental Coverage:

For all levels of coverage, the City's employer contributions are greater than the comparator organizations.

For all levels of coverage, the City's employee contributions are less than the comparator organizations.

Vision Coverage:

For all levels of coverage, the City's employer and employee contributions are consistent with comparator organizations.



Pay Practices and Benefits Summary

Paid time off (Vacation and Sick Leave)

- Based on years of services, the City offers more sick and vacation leave than comparator organizations.

Paid time off (Holiday)

- The City offers more paid holidays provided to employees leave than comparator organizations.



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Recommendations

Recommendations



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- Implement the proposed salary structure.
- Select an implementation option for updating employee salaries.
- The salary structure should be adjusted by a structure movement trend factor every year to remain competitive with the market.
- In addition to adjusting the salary structure each year to keep pace with the market, the City should continue to conduct a comprehensive compensation study at least every three years.
- Revise and modernize the City's Pay Policies and Practices to promote compensation best practices, support employee retention and recruitment objectives.



On-Going System Management

Pay Administration Guidelines

- Pay administration guidelines should be implemented for placing and moving employees through the structure, Gallagher recommends the following:
 - The hiring range should be from the range minimum for minimally acceptable qualified individuals to the first quartile (25th percentile) for well qualified individuals.
 - Appointment above the first quartile should require the approval of Human Resources; Appointment above the midpoint should require the approval of the City Manager/Designee.
- The City should annually review its internal alignment and classification of jobs to ensure proper leveling between jobs.
- Individual salary advancement (base pay increase) through the ranges should be based on competent performance in the job class.
- Individual salary should increase at a higher rate than the salary range adjustment.
 - If the City increases the salary ranges for 2% for 2022, employees' base salary increase should be higher than 2%. E.g., 2.5% or 3%.

Thank you!

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