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# **City of Manitowoc, WI Committee of the Whole Briefing**

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**March 31, 2014**

# Laws Affecting Employee Compensation

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- **Equal Pay Act**
  - prohibits sex-based wage discrimination ... who perform jobs that require substantially equal skill, effort and responsibility under similar working conditions
- **Title VII of the Civil Right Act**
  - prohibits employment discrimination based on race, color, religion, sex and national origin
- **Age Discrimination in Employment Act**
  - prohibits employment discrimination against persons 40 years of age or older
- **Americans with Disabilities Act**
  - prohibits ... employers ... from discriminating against ... individuals with disabilities in ... compensation, ... and other terms, conditions, and privileges of employment
- **Lilly Ledbetter Fair Pay Act**
  - Significantly alters the statute of limitations for filing discrimination claims
- **Fair Labor Standards Act (& Wisconsin Admin. Code 274)**
  - provides standards for equal pay, overtime pay, record keeping ...
- **Wisconsin Fair Employment Act**
  - unlawful for ... employers ... to ... discriminate against any individual in the terms or conditions of his/her employment based on certain protected classes

# Equal Pay Act: Affirmative Defenses

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## ○ **Seniority System**

- **applied fairly among all employees unless there are defined exceptions that are known and understood by the employees**

## ○ **Merit System**

- **an organized, structured procedure under which employees are evaluated systematically according to predetermined criteria**

## ○ **System of Quantity/Quality of Production**

- **comparable employee(s) receives more total compensation because they produces more value for the employer**

## ○ **Differential Based on Any Other Factor Other than Sex**

- **For Example: Education, Experience, Training, and Ability; Shift Differential; Job Classification Systems; "Red Circle" Rates; Temporary Reassignments; Market Factors**

## ○ **NOTE: The Employer's burden is heavy in defending wage claims, and the above defenses are not absolute.**

# Job Evaluation → Internal Consistency

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- **Evaluations based on documentation**
- **Objective analysis and application**
  - **Internal review and adjustments**
- **Five factors**
  - **Education & required experience**
  - **Decision-making**
  - **Thinking challenges**
  - **Communications**
  - **Working conditions**
- **Appeals following adoption**

# Market Comparisons

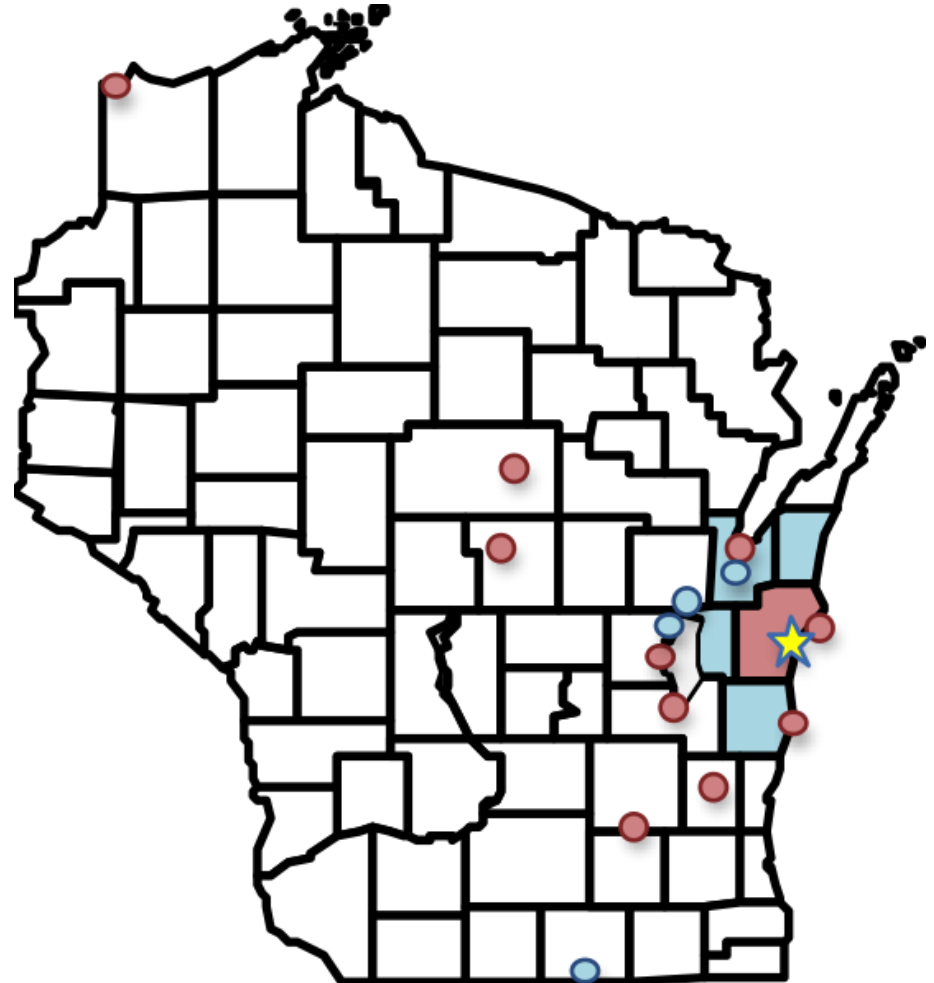
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## ○ **Public sector**

- Cities of Fond du Lac, Green Bay, Oshkosh, Sheboygan, Stevens Point, Superior, Two Rivers, Watertown, Wausau, West Bend, and Manitowoc County
- Selected Positions: Cities of Appleton, Beloit, De Pere, Neenah, and Brown, Calumet, Kewaunee, and Sheboygan Counties.

## ○ **Private sector**

- BLS, Northeast WI Chamber Survey, and Towers Watson.

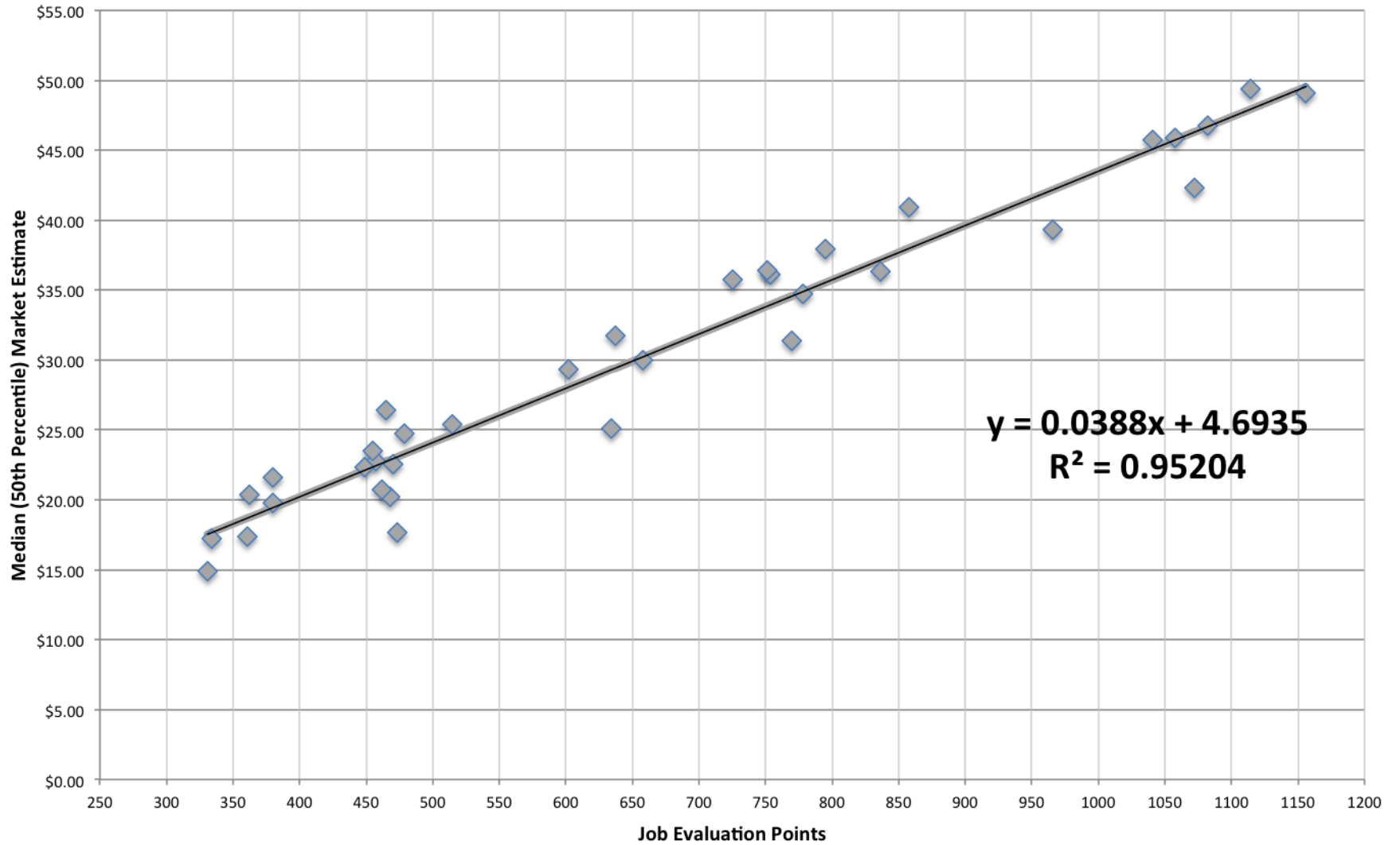


# Weighting the Data

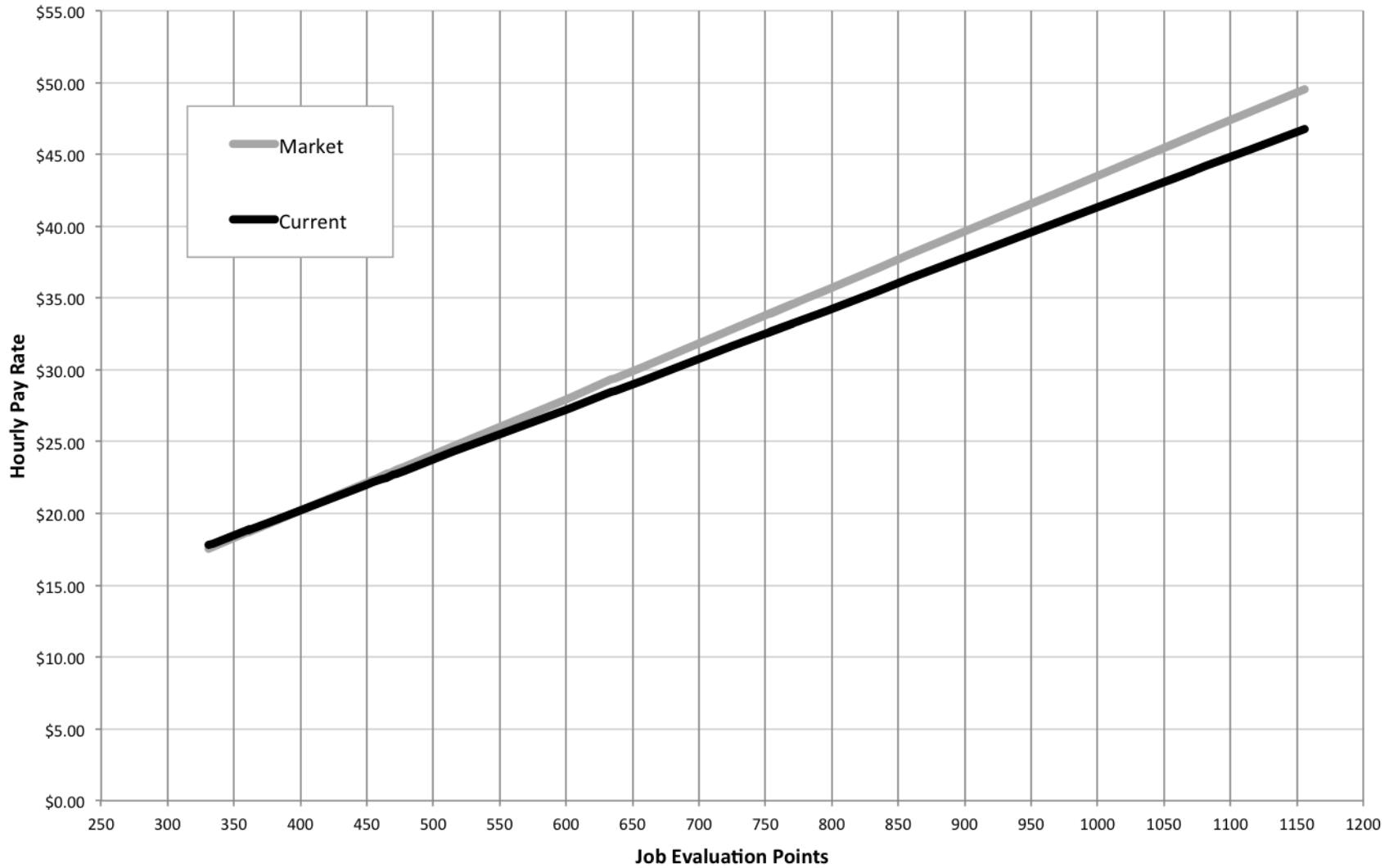
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| <b>JOB LEVEL</b>                                | <b>PRIVATE</b> | <b>PUBLIC</b> |
|---|----------------|---------------|
| Department Heads & Managers                     | 25%            | 75%           |
| Supervisors, Professionals & Advanced Technical | 50%            | 50%           |
| Non-exempt                                      | 75%            | 25%           |

**City of Manitowoc  
Regression of Median Market Pay on Job Evaluation**



### City of Manitowoc Comparison of Current and Market Regression Lines of Best Fit





# Core Recommendations

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- **A single pay plan with 19 pay ranges.**
  - **Step-based pay plan with a range-spread of 32%.**
  - **12 pay steps (2.5%) from pay range minimum rates to maximum rates.**
- **Progression below C/P would occur annually, provided employee performance at least meets expectations.**
  - **Progression above C/P would occur biannually.**
- **Implementation cost of ± \$50K (<1% of payroll)**
  - **Employees < minimum placed at the range minimum upon implementation (n=11).**
  - **Employees between minimum and maximum would move to the step of the new plan that provides an increase on July 1, 2014 (n=83).**
  - **Employees > maximums would have their pay frozen, or “red-circled”.**
- **Appeal process following adoption.**

# Other Recommendations

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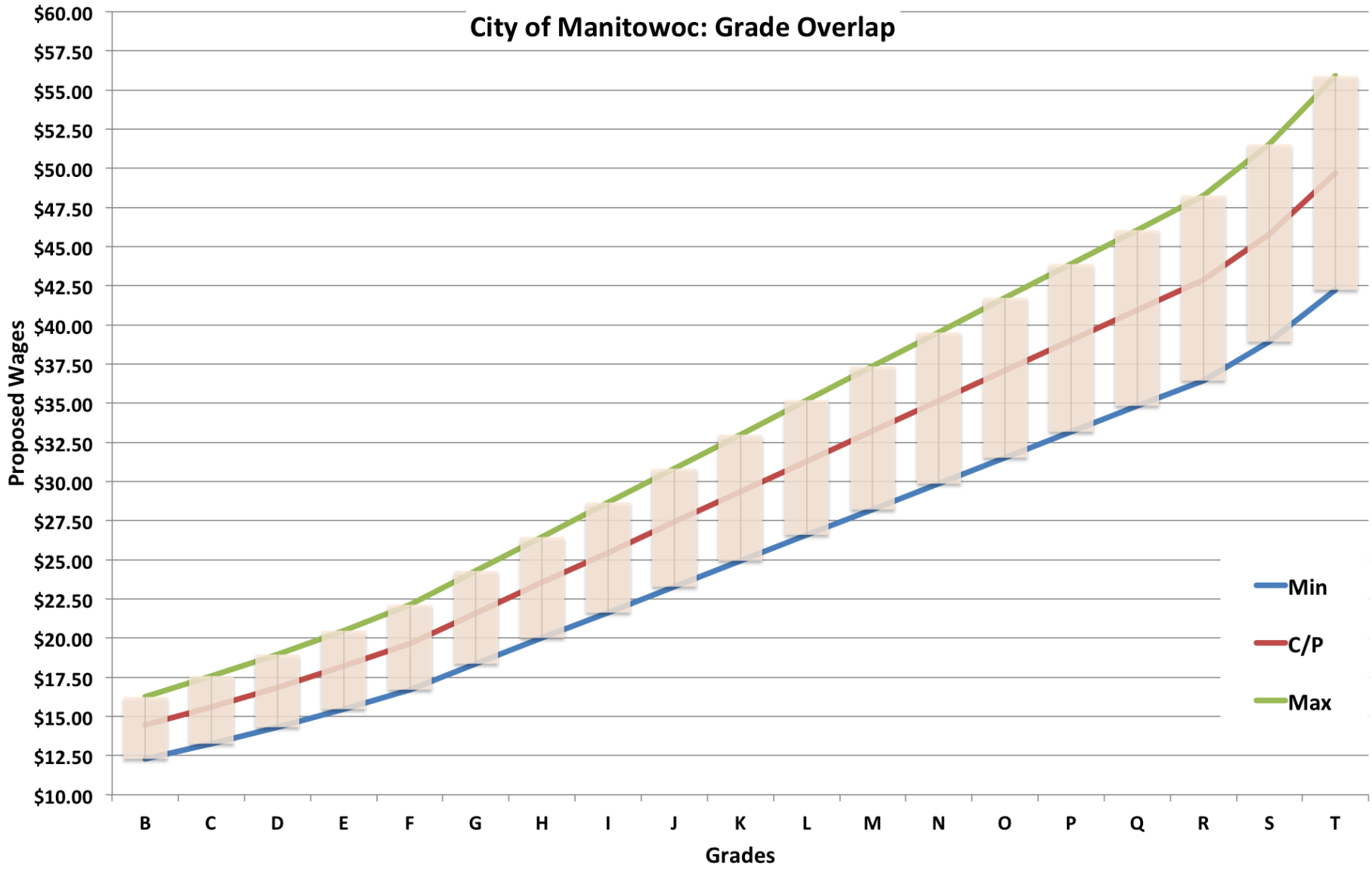
- **Move to “Combo Plan” in fiscal year 2017**
- **Annual review of pay structure for adjustment based upon market conditions, changes in the cost-of-living, and the City’s ability to pay.**
- **Annual classification review (June) based on substantial changes.**
  - **To be effective following January if approved.**
- **Regular market testing to maintain relevancy.**
- **Policy Changes:**
  - **New hires**
  - **Promotions**
  - **Interim Assignments**

**CITY OF MANITOWOC**

**RECOMMENDED 2014 STEP STRUCTURE - HOURLY FORMAT - 50th PERCENTILE**

|       |       |      | 85.0%   | 87.5%   | 90.0%   | 92.5%   | 95.0%   | 97.5%   | 100.0%  | 102.5%  | 105.0%  | 107.5%  | 110.0%  | 112.5%  |
|-------|-------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Grade | Start | End  | Min.    | Step 2  | Step 3  | Step 4  | Step 5  | Step 6  | C/P     | Step 8  | Step 9  | Step 10 | Step 11 | Step 12 |
| T     | 1100  | 1199 | \$42.33 | \$43.58 | \$44.82 | \$46.07 | \$47.31 | \$48.56 | \$49.80 | \$51.05 | \$52.29 | \$53.54 | \$54.78 | \$56.03 |
| S     | 1000  | 1099 | \$39.00 | \$40.15 | \$41.29 | \$42.44 | \$43.59 | \$44.73 | \$45.88 | \$47.03 | \$48.17 | \$49.32 | \$50.47 | \$51.62 |
| R     | 950   | 999  | \$36.50 | \$37.57 | \$38.65 | \$39.72 | \$40.79 | \$41.87 | \$42.94 | \$44.01 | \$45.09 | \$46.16 | \$47.23 | \$48.31 |
| Q     | 900   | 949  | \$34.83 | \$35.86 | \$36.88 | \$37.91 | \$38.93 | \$39.96 | \$40.98 | \$42.00 | \$43.03 | \$44.05 | \$45.08 | \$46.10 |
| P     | 850   | 899  | \$33.17 | \$34.14 | \$35.12 | \$36.09 | \$37.07 | \$38.04 | \$39.02 | \$40.00 | \$40.97 | \$41.95 | \$42.92 | \$43.90 |
| O     | 800   | 849  | \$31.50 | \$32.43 | \$33.35 | \$34.28 | \$35.21 | \$36.13 | \$37.06 | \$37.99 | \$38.91 | \$39.84 | \$40.77 | \$41.69 |
| N     | 750   | 799  | \$29.84 | \$30.71 | \$31.59 | \$32.47 | \$33.35 | \$34.22 | \$35.10 | \$35.98 | \$36.86 | \$37.73 | \$38.61 | \$39.49 |
| M     | 700   | 749  | \$28.17 | \$29.00 | \$29.83 | \$30.65 | \$31.48 | \$32.31 | \$33.14 | \$33.97 | \$34.80 | \$35.63 | \$36.45 | \$37.28 |
| L     | 650   | 699  | \$26.50 | \$27.28 | \$28.06 | \$28.84 | \$29.62 | \$30.40 | \$31.18 | \$31.96 | \$32.74 | \$33.52 | \$34.30 | \$35.08 |
| K     | 600   | 649  | \$24.84 | \$25.57 | \$26.30 | \$27.03 | \$27.76 | \$28.49 | \$29.22 | \$29.95 | \$30.68 | \$31.41 | \$32.14 | \$32.87 |
| J     | 550   | 599  | \$23.17 | \$23.85 | \$24.53 | \$25.22 | \$25.90 | \$26.58 | \$27.26 | \$27.94 | \$28.62 | \$29.30 | \$29.99 | \$30.67 |
| I     | 500   | 549  | \$21.51 | \$22.14 | \$22.77 | \$23.40 | \$24.04 | \$24.67 | \$25.30 | \$25.93 | \$26.57 | \$27.20 | \$27.83 | \$28.46 |
| H     | 450   | 499  | \$19.84 | \$20.42 | \$21.01 | \$21.59 | \$22.17 | \$22.76 | \$23.34 | \$23.92 | \$24.51 | \$25.09 | \$25.67 | \$26.26 |
| G     | 400   | 449  | \$18.17 | \$18.71 | \$19.24 | \$19.78 | \$20.31 | \$20.85 | \$21.38 | \$21.91 | \$22.45 | \$22.98 | \$23.52 | \$24.05 |
| F     | 350   | 399  | \$16.51 | \$16.99 | \$17.48 | \$17.96 | \$18.45 | \$18.93 | \$19.42 | \$19.91 | \$20.39 | \$20.88 | \$21.36 | \$21.85 |
| E     | 325   | 349  | \$15.26 | \$15.71 | \$16.16 | \$16.60 | \$17.05 | \$17.50 | \$17.95 | \$18.40 | \$18.85 | \$19.30 | \$19.75 | \$20.19 |
| D     | 300   | 324  | \$14.13 | \$14.54 | \$14.96 | \$15.37 | \$15.79 | \$16.20 | \$16.62 | \$17.04 | \$17.45 | \$17.87 | \$18.28 | \$18.70 |
| C     | 275   | 299  | \$13.08 | \$13.47 | \$13.85 | \$14.24 | \$14.62 | \$15.01 | \$15.39 | \$15.77 | \$16.16 | \$16.54 | \$16.93 | \$17.31 |
| B     | 250   | 274  | \$12.11 | \$12.47 | \$12.83 | \$13.18 | \$13.54 | \$13.89 | \$14.25 | \$14.61 | \$14.96 | \$15.32 | \$15.68 | \$16.03 |

# City of Manitowoc: Grade Overlap



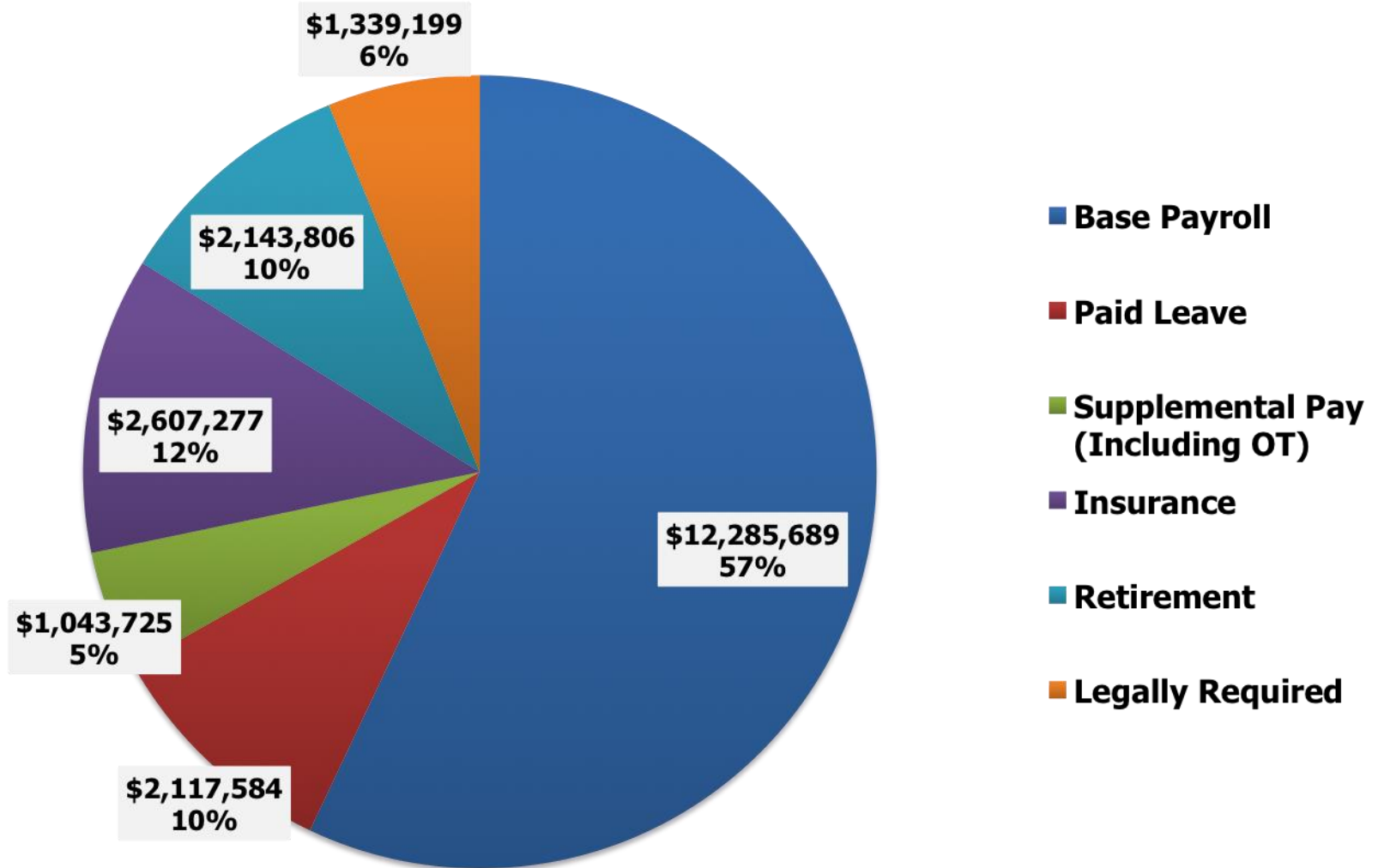
# Implementation Distribution

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|              | Number of<br>Employees |     |
|--------------|------------------------|-----|
| Step 1       | 11                     | 9%  |
| Step 2       | 4                      | 3%  |
| Step 3       | 6                      | 5%  |
| Step 4       | 8                      | 7%  |
| Step 5       | 11                     | 9%  |
| Step 6       | 15                     | 13% |
| Step 7       | 2                      | 2%  |
| Step 8       | 13                     | 11% |
| Step 9       | 6                      | 5%  |
| Step 10      | 5                      | 4%  |
| Step 11      | 6                      | 5%  |
| Step 12      | 7                      | 6%  |
| Above        | 25                     | 21% |
| <b>Total</b> | <b>119</b>             |     |

# Total Compensation

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| <b>PPO Plan</b>                 | <b>Family Premium</b> | <b>Employer %</b> | <b>Employer Cost</b> | <b>Employee Cost</b> |
|---------------------------------|-----------------------|-------------------|----------------------|----------------------|
| Kaiser Avg. (200+ Employees)    | \$16,860              | 73%               | \$12,312             | \$4,548              |
| Kaiser Avg. (Midwest)           | \$16,656              | 71%               | \$11,820             | \$4,836              |
| Kaiser Avg. (State/Local Gov't) | \$15,792              | 73%               | \$11,532             | \$4,260              |
| <b>City of Manitowoc</b>        | <b>\$16,308</b>       | <b>87.5%</b>      | <b>\$14,269</b>      | <b>\$2,038</b>       |

| <b>PPO Plan</b>                 | <b>Single Premium</b> | <b>Employer %</b> | <b>Employer Cost</b> | <b>Employee Cost</b> |
|---------------------------------|-----------------------|-------------------|----------------------|----------------------|
| Kaiser Avg. (200+ Employees)    | \$6,108               | 81%               | \$4,944              | \$1,164              |
| Kaiser Avg. (Midwest)           | \$5,928               | 79%               | \$4,680              | \$1,248              |
| Kaiser Avg. (State/Local Gov't) | \$6,204               | 88%               | \$5,460              | \$744                |
| <b>City of Manitowoc</b>        | <b>\$6,648</b>        | <b>87.5%</b>      | <b>\$5,817</b>       | <b>\$831</b>         |

# Health Insurance Changes: Sample

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| <b>Benefit</b>                                    | <b>2011 Plan Year</b> | <b>2014 Plan Year</b> |
|---|-----------------------|-----------------------|
| Annual Deductible                                 | \$600 / \$1,200       | \$1,500 / \$3,000     |
| Employee Premium Contribution                     | 10.0%                 | 12.5%                 |
| ER Co-Pay   | \$100                 | \$200                 |
| Office Visit, Chiropractic, & Urgent Care Co-Pays | \$25                  | \$50                  |
| Pharmacy Co-Pay (Generic)                         | \$12 / \$30 / \$45    | \$24 / \$60 / \$90    |



# Total Compensation Comparison

| Components of Total Compensation | City of Manitowoc (Total) | City of Manitowoc (General) | City of Manitowoc (Union) | City of Manitowoc (Library) | City of Manitowoc (Police / Fire Supervisor) |
|----------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|--|
| <b>Wages &amp; Salaries</b>      | <b>57.0%</b>              | <b>60.9%</b>                | <b>54.0%</b>              | <b>64.3%</b>                | <b>51.6%</b>                                 |
| <b>Benefits</b>                  | <b>43.0%</b>              | <b>39.1%</b>                | <b>46.0%</b>              | <b>35.7%</b>                | <b>48.4%</b>                                 |
| Paid Leave                       | 9.8%                      | 9.8%                        | 9.9%                      | 9.5%                        | 10.0%  |
| Supplemental Pay                 | 4.8%                      | 4.4%                        | 5.2%                      | 2.4%                        | 6.9%   |
| Insurance                        | 12.1%                     | 13.1%                       | 11.6%                     | 12.7%                       | 10.5%  |
| Retirement                       | 10.0%                     | 5.6%                        | 13.3%                     | 4.5%                        | 14.1%  |
| Legally Required                 | 6.2%                      | 6.3%                        | 6.0%                      | 6.6%                        | 6.8%   |

# Final Analysis –Pay Plan Makes Sense If..

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- **Plan is internally equitable**
- **Pay ranges reasonably reflect what employees can earn in your labor market performing similar duties**
- **Supports employee development**
- **Employees have opportunity to make more based upon contribution**
- **Can be funded and maintained consistently**

# Employee Appeals

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- **After adoption of recommendations based on ...**
  - **Error in position classification**
  - **Substantial changes to original JDQ**
- **Information on rating levels provided to City and employees assuming non-disclosure documentation is on file.**
- **Review by Department Head and City to verify substance and merits.**
- **Analyzed by Carlson Dettmann with recommendations to the City.**
- **Knowing you can appeal improves accuracy and builds integrity**
  - **May be the best possible method of creating employee acceptance**

# An Employee Appeal is NOT ...

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- ... a review of the pay structure adopted by the Common Council
- ... a review of the market comparisons established by the Common Council
  - ... nor is it a review of the weighting of the data.
- ... a review of the implementation strategy (i.e. placement on the steps) as adopted by the Common Council.
- ... a review of any other policy decision approved by the Common Council.

# Questions

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