

# City of Richmond Classification / Compensation Phase 2 – Critical Needs

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APRIL 2021 – FOR FISCAL YEAR 2022 BUDGET CONSIDERATION



# Compensation - General Employees – Importance of Phase 2 Adjustments

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## How did we get here?

- Infrequent Pay Increases:

**Only four (4) pay increases in last 10 years:**

FY12 – 0%

**FY13 – 2%**

FY14 – 0%

**FY15 – 2%**

FY16 – 0%

FY17 – 0%

FY18 – 0%

**FY19 – 1%**

**FY20 – 3%**

FY21 – 0%

# Compensation - General Employees – Importance of Phase 2 Adjustments

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## Impacts of Infrequent Pay Increases:

- Highly unusual not to provide to remain competitive.
- Detrimental to attracting and retaining employees.
- **Sends a message** to employees they are **not valued** and **what to expect in the future.**

# Compensation - General Employees – Importance of Phase 2 Adjustments

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## **ISSUES WE NEED TO CORRECT:**

- Employees are paid below market rate.
- High vacancy and turnover rate.
- Retainment of skilled employees is diminished.
- Recruitment of skilled employees is VERY challenging

# Compensation - General Employees – Importance of Phase 2 Adjustments

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- **Issue: Employees Are Paid Below Market Rate**
  - In 2018 before Study, **81% of all General Employees were below Midpoint** (market rate)
    - 24.5% below Minimum of the new scale
    - 56.5% between Minimum and Midpoint of new scale
    - 19% above Midpoint of the new scale
  - Small improvements made in FY19 and FY20 (4% total) far from what was needed.

# Compensation - General Employees – Importance of Phase 2 Adjustments

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**A COLA (cost of living adjustment) will not fix this...**

In fact it could make it worse as a COLA adjusts employees without regard to who is underpaid and who is overpaid.

The only way to properly issue a COLA without causing further harm is to do at a rate consistent to the needed pay range adjustments for CPI.

More to come on this later in the presentation...

# Compensation - General Employees – Importance of Phase 2 Adjustments

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- **Issue: High Vacancy and Turnover Rates**

- **Vacancy Rates** for General Positions was 16.0% last fiscal year (Sworn was 4.3% last fiscal year).
- **Turnover Rates** for General Employees was 14.8% last fiscal year (Sworn was 5.4% last years year).

# Historical Turnover Rate, Vacancy Rates and Wage Increases (excludes 622 Constitutional)

	# EEs	%	FY20	FY19	FY18
<b>General Employees</b>	2,496	69.0%			
Turnover Rate			14.8%	14.2%	13.7%
Funded Vacancy Rate			16.0%	15.6%	13.4%
Average Increases			3.0%	1.0%	0.0%
<b>Sworn Police &amp; Fire *</b>	1,122	31.0%			
Turnover Rate			5.4%	7.5%	6.0%
Funded Vacancy Rate			4.3%	6.1%	6.7%
Average Increases			5.0%	3.5%	7.5%
<b>Total General &amp; Sworn</b>	3,618	100%			
Turnover Rate			11.8%	12.1%	11.3%
Funded Vacancy Rate			11.9%	11.9%	10.4%
Henrico Turnover			10.3%	10.2%	11.3%

- Institutional knowledge, experience and skills walking out the door
- Leaves more work for remaining employees = burnout = turnover.
- **High Turnover & Vacancies Negatively impacts service delivery.**



# Compensation - General Employees – Importance of Phase 2 Adjustments

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## ○ Issue: Retainment

- **Low Wages + High Experience = Easy Pickings** by Competitors
  - Competitors easily offer significant pay increases for the same job.
  - Because of low/no pay adjustments, newly trained employees gain experience and become **appealing to talent recruiters**.
- About **72% of all departing employees have five (5) or less years with the City.**

# Compensation - General Employees – Importance of Phase 2 Adjustments

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## ○ Issue: Recruitment

- Inexperienced applicants are hired because **experienced applicants do not accept our low paying offers.**
- Applicants ask for higher wages.
- **City can't offer a market wage** because it **compounds compression of existing employees** with more knowledge, skills, experience and time-in-job but draw less pay.

# Compensation - General Employees – Importance of Phase 2 Adjustments

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- **Implementing the Gallagher Study will:**
  - **Correct pay equity for employees below the midpoint (market rate) to align wages with experience** for a more appropriate placement in the pay range.

# Compensation - General Employees – Importance of Phase 2 Adjustments

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- **Implementing the Gallagher Study will:**
  - Increase retention of trained, experienced, knowledgeable and skilled employees (less turnover).
  - Lead to:
    - less recruitment costs
    - operational savings/ efficiencies
    - increased employee morale
    - speedier responses, higher accuracy, better service, improved processes, etc.

# Compensation - General Employees – Importance of Phase 2 Adjustments

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- **Implementing the Gallagher Study will:**
  - Reduce the complications of applicants with less experience commanding higher pay than our more experienced employees.

# Compensation – General Employees - Cons of Doing a COLA Instead

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- A COLA **WITHOUT** a corrective market adjustment:
  - **Would not correct those paid below the appropriate placement** in the pay range.
    - *Example:* The Employee paid near the minimum of the pay range who has 10 years of experience would move up by the COLA rate (ex. 1% or 5%), but should move up by as much as 25% to create parity among peers.
  - **Would increase the problem for those who are paid appropriately or overpaid** when comparing their years of experience.
    - *Example:* In contrast to the employee above, an employee with two years of experience paid at midpoint (market and adequately paid) would still receive a [1%] increase. **(i.e. Some agencies where the pay plan was previously implemented such as DHS.)**

# Direct Impact to Departments

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## Department of Social Services

- Implemented Gallagher Study in March 2021

*“...To think that you find me worthy of this increase is humbling. I know that social services is often overlooked, ignored and not touted enough. My peers and I often work long, hard and difficult hours often at the expense of our personal lives and families. At the end of the day we would do it all over again...To be lauded, appreciated and understood, was a breath of fresh air...So I thank you all, thank you for allowing me to work with this agency and recognizing the hard work that we do. ”*

-DSS Employee

**52% of DSS employees received 10% or more to achieve market parity.**

# Direct Impact to Departments

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## Citizen Service and Response

Customer Care representative with **23.5 years of experience is paid \$9,756 below the mid-point** and only \$2,699 above the minimum.





# Impact to Departments

## Department of Information Technology

Person 1

Service	18 years
Below midpoint	14.7 percentile points
Raise to meet midpoint	9%
	\$ 4,216

Person 2

Service	23 years
Below midpoint	16.3 percentile points
Raise to meet midpoint	10%
	\$ 9,066

Person 3

Service Years	13 years
Below midpoint	14.2 percentile points
Raise to meet midpoint	10%
	\$ 7,876

Person 4

Service Years	11 years
Below midpoint	23 percentile points
Raise to meet midpoint	18%
	\$ 14,675

Ex. 4 **Employees with 11 – 18 years experience** are paid between **9% - 18% BELOW Midpoint / Market**. This Agency currently has a **13% vacancy rate**.

# Impact to Departments

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## Planning and Development Review

- **Midpoint for Planners:** \$66,590... Salaries are approx. \$60,000 (10% below)
  - A 5% raise will not get them to where they should be.
- **Midpoint for Inspection Field Supervisors:** \$70,000... Salaries are \$57,700 - \$63,000
- **Midpoint for Property Maintenance and CE Inspectors:** \$57,300... Salaries are approx. \$47,000 (many have 10+ years experience)

# Compensation - General Employees – Importance of Phase 2 Adjustments

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**A COLA will not fix this...**

In fact it could make it worse as a COLA adjusts employees without regard to who is underpaid and who is overpaid.

The only way to properly issue a COLA without causing further harm is to do at a rate consistent to the needed pay range adjustments for CPI.

The following options are offered for Council consideration...

# Scenarios for Pay Plan Implementation **AND** a COLA:

		OPTION 1	OPTION 2
		General Fund Cost	
Order of Implementation		5% COLA Then Phase 2 to Midpoint	3.25% COLA Then Phase 2 to Midpoint
Step 1	*COLA for eligible Employees:	\$ 5,278,000	\$ 3,465,000
Step 2	**Pay Plan Phase 2 Implementation to Midpoint:	3,110,000	3,680,000
TOTAL ANNUAL COST:		\$ 8,388,000	\$ 7,145,000
PRORATED IMPLEMENTATION TO 10/9/21:		\$ 6,291,000	\$ 5,358,750
% Employees Receiving:			
\$0 to Less Than Full COLA		6.1%	3.4%
COLA Only		61.6%	60.2%
COLA + Pay Plan Adjustment		32.3%	36.3%
		100%	100%

\* Excludes new hires employed after Oct. 1, 2020 unless an increase is required to reach the revised minimum; Caps all increases to the maximum of the range; Assumes the adjustment of the 2019 minimum / midpoint / maximum ranges by 3.25% for CPI shifts that have occurred since Pay Plan adoption.

\*\* Excludes new hires after 4/1/21; Excludes employees with documented severe performance issues/ PIP's within 12 months prior to 10/1/21; Excludes provisional employees unless paid below revised minimum; Excludes Sworn and Constitutional Offices; Complies with \$13 living wage minimum; Includes an estimate of \$750K to accommodate the unknown yrs of experience in job outside City.



# Recommendation for the "Win..Win"

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## 1. Adopt an Ordinance to:

- a. **Adjust the Pay & Classification minimum / midpoint / maximum ranges by 3.25% for the annual CPI's** that have occurred since the FY 19' Gallagher Study adoption to achieve current status.
- b. Adopt a Policy Ordinance to **annually adjust the Pay & Classification minimum / midpoint / maximum ranges and employee compensation by the CPI** to maintain a current Pay Plan each budget year.

## 2. Implement Option 2 (3.25%) Effective 10-9-2021 to synchronize to the CPI adjustments.

## 3. Calculate the next Phase 3 implementation cost to adjust the remaining employees (those at or above midpoint) to complete the compression corrections.

