

July 20, 2007

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

Dear Committee Members:

Over the past few years the Department of Employee Relations has been conducting a specific review of compensation and pay practices for employees in the City's Management Pay Plan. This review has included an analysis of pay practices in effect since 1988 when the original pay plan was created and further amendments implemented in 1995 when the City reverted to a step system. Since then, the primary emphasis for determining pay for management employees has been time on the job instead of performance, competence or skills.

Changes in the City's organizational structure, reductions in the number of management positions, changes in employee demographics, and shifts in the labor market have prompted the need for changes to the Management Pay Plan. It is important to understand that an organization's compensation philosophy drives its ability to attract, retain, and motivate employees. Labor unions have the ability to negotiate wages and other terms and conditions of employment for its members. Policy makers and elected officials have the authority and responsibility for establishing the same for employees in the Management Pay Plan. While making changes to pay plans in general is often challenging and controversial, we believe that the time is right for the City's Management Pay Plan to be updated in a way that will enhance our ability to attract and retain qualified talent, increase managerial accountability, and shift the emphasis for determining pay from time on the job to employee contributions.

In reviewing the Pay Plan, the Department of Employee Relations established a number of benchmarks derived from discussions with the primary stakeholders including department heads and appointing authorities, policy makers, elected officials, and management employees. The following goals were established to drive the recommendations for change:

1. Increased managerial accountability with a stronger emphasis on performance and contributions and reduced emphasis on time on the job for purposes of determining pay.
2. Increased emphasis on professional development and exceptional achievement/performance, and employee recognition.
3. Increased flexibility in pay practices for recruitment and adjustments needed to respond to shifts in the labor market.
4. Greater retention incentives to encourage transfers and promotions for employees within the Pay Plan.
5. Streamlined classification and re-classification processes.

The attached table summarizes the critical provisions of the current plan and the proposed changes for management employees. The new Pay Plan, if approved, will go into effect Pay Period 1 of 2008. In preparation, the Department of Employee Relations will develop administrative policies and procedures, will determine the rate of pay for each position within a new salary grade, will conduct training sessions, and will develop documentation forms to ensure a smooth implementation prior to the end of 2007.

Sincerely,

Maria Monteagudo
Employee Relations Director

Attachments:

- A. Table Summarizing Critical Provisions of New Management Pay Plan
- B. Comparison of Current vs. Proposed Salary Structures
- C. Proposed Salary Grades with 2008 Rates of Pay

C: Patrick Curley, Chief of Staff
Mark Nicolini, Budget and Management Dir
Marianne Walsh, Research & Analysis Mgr

Professional Development and Exceptional Achievement Awards	None	Lump sum, non-base building, pensionable awards for professional development (limited to job related professional designations or certifications) and exceptional achievement in open portion of salary range only (including employees at the max). These awards must be approved by DER after reviewing documentation prepared by the requesting department. Exceptional achievement must be measurable and consistent with the mission and objectives/outcomes established by policy makers for the departments.
Appointment Rate	Up to 7th step with approval of Chair of F&P and DER.	Up to "midpoint" of the new ranges with approval of Chair of Finance and Personnel and DER.
Salary Adjustments for Promotions and Transfers	<ul style="list-style-type: none"> ▪ Promotions are at least 3% over prior total pay ▪ Lateral transfers never result in salary adjustment. 	<ul style="list-style-type: none"> ▪ Promotion to a higher grade within group (P1 to P2) : 3% ▪ Initial Promotion into Professional Classification: 3% ▪ Initial Promotion into Management Classification: 5% ▪ Initial Promotion into Leadership Classification: 7% ▪ Lateral transfer to different job within the same grade may result in a 3% adjustment as determined by DER.
Reclassifications	Positions are reclassified to higher salary grades based on significant changes in scope of responsibility. This requires a thorough analysis of the changes by DER and approval from the CSC, Finance Committee, Council and the Mayor.	<ul style="list-style-type: none"> ▪ Pay adjustments of 3% within grade may be authorized by DER after administrative review. Departments must demonstrate significant changes in duties and responsibilities. ▪ When changes are such that a position must be upgraded from a professional position to a managerial or leadership position, process should remain the same and changes must be approved per current system.
Reallocations	Positions are upgraded to higher salary grades based on labor market and/or pay compression considerations.	Pay adjustments of 3% may be authorized via administrative review by DER in response to pay compression/labor market considerations. Higher adjustments would require Finance and Personnel Committee approval.
Across-the-Board Pay Increases	As approved by Common Council and Mayor.	As approved by Common Council and Mayor