

Change in Salary Structure

Case Study: Hennepin County Human Services and Public Health Department (HSPHD)

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I. Executive Summary

In recent years public organizations, with the federal government leading the way, have been undergoing “ higher level [of] staff salary restructure” in order to be more competitive against the private sector for staff recruitment while, at the same time, striving to retain existing employees. The Human Services and Public Health Department (HSPHD) at Hennepin County, Minnesota is leading the way within the county departments in this new salary restructure.

Due to a higher percentage of retirements among executive personnel, and stiff competition to recruit the best qualified staff, HSPHD leadership understands that a new salary structure maximizing monetary compensation will be one of the most efficient tools to address the issue of high level personnel recruitment and retention. This fact became clear during the department restructure of 2004, which caused fluctuations of the job responsibilities among organization managers and directors. Using salary benefits as a recruitment tool will put the county at a competitive strategic advantage against other public agencies in Minnesota and around the country.

This paper analyzes the current HSPHD managers’ salary structure to identify any discrepancies in the way managers in the organization are compensated. In addition, the

paper analyzes HSPHD managers' job complexity by identifying indicators and standards to be used in the pay structure.

Methodology to be used is based on qualitative comparative analysis. Data will be collected from organizations (mainly county governments) in the public sector, with traits similar to Hennepin County, HSPHD and will utilize data from early research with former colleagues (Kristi Lahiti-Johnson and Dr James Baxter) in order to seek and isolate best practices for use in manager salary structure, as a way for recruitment and retention.

One of the biggest problems in the existing organization's manager salary compensation is the assumption, by some managers and some in high authority, that pay inequity exists and ought to be eliminated if the organization is serious about keeping hard working staff, and recruiting the best managers. As a remedy, the organization must also adopt a new salary structure with emphasis on position broad-banding and pay-for-performance rather than basing pay solely on merit (seniority).

To abolish pay inequity, based on best practice, HSPHD must institute a compensation structure (monetary) with emphasis on pay-for-performance using broad-banding system. Variables for the new salary composition (other than education and experience), such as job complexity, and level of responsibility (including supervisory), should be considered in order to make sure equity and fairness are preserved. With proper foresight, HSPHD will achieve a pay structure that enhances competitiveness of the organization where recruitment and retention are concerned.

II. Introduction/Context

In January 2004, Hennepin County saw its first organizational restructure following many years of its existence. Many departments merged forming the Human Services and Public Health Department (HSPHD). Today, the department is composed of eighteen different business areas. The post re-organization business area units of HSPHD are:

- **Administrative Services Area (ASA)**
- **Child Support Services Area (CSA)**
- **Veterans Service Area (VSA)**
- **Public Health Protection (PHP)**
- **Children’s Mental Health (CMH)**
- **Front Door Services (FDS)**
- **Housing and Homeless Initiative (HHI)**
- **Case Management Integration (CMI)**
- **Out of Home Placement (OHP)**
- **Planning, Policy and Quality Assurance (PPQA)**
- **Aging and Disability Services (ADS)**
- **Financial Planning And Accounting (FPA)**
- **Children Youth and Families (CYF)**
- **Eligibility Support Services (ESS)**
- **Work Support Services (WSS)**
- **State and Federal Legislative Policy (SFLP)**
- **Special Project Service (SPS)**
- **Children’s Protection Services (CPS)**

Source: HC, HSPHD

Following the restructure, many managers’ job responsibilities skyrocketed while the responsibilities of others declined. Simultaneously, as job responsibilities were rising for some managers and declining for others, all continued to receive the same pre-restructure salary as if their job functions had not changed. Employees, habituated to the old department structure of dealing with single issues, were confronted with multiple challenges. This dramatic change led to a realization by HSPHD leadership that the

department reorganization had enhanced some managers' jobs causing them to be more demanding than they were previously.

For example, some program managers in the ASA saw an increase in the number of staff working under them, and thus took on more supervisory accountability. Managers in the Behavior Health Services (BHS) services saw their job functions shift toward dealing with state regulations and federal laws. Those managers had to learn state and federal law in order to comply with the new job requirements. In the newly created Adult and Disability Service (ADS) area, managers' functions extended to include the mastery of federal laws such as the "Health Insurance Portability & Accountability Act" (HIPAA) and the "Federal Deficit Reduction Act," as well as numerous other data privacy laws. In many of the service units, duties became multifaceted.

While most of the managers' job accountability increased significantly post-restructure, the organization's salary structure remained the same. Employees whose job functions increased and became more complex continued to receive the same pre-restructure salary. The salaries of managers with newly added job responsibilities did not differ from managers in equivalent positions, whose duties did not change following the formation of the new HSPHD.

Many in the organizations' leadership viewed the decision not to address the salary issue as a serious blow to the organization's reputation in terms of internal pay equity and fairness. Internal employee surveys showed a discontent from employees, particularly managers and directors, regarding overall satisfaction with pay. For that reason, some people in authority raised serious questions about the overall impact on the department's

employee morale, on future recruitment, and on the ability to retain the “best and brightest” employees -- predominantly in the highest echelons of the organization’s job structure.

A 2006 department workforce demographic showed Hennepin County HSPHD by 2011 losing over 80 percent of its baby boomer managers due to retirement and, in addition to that loss, experiencing an internal pay inequity created as a result of increased job responsibility for some managers. Looming retirements and internal pay equity issues became too pressing for the leadership to ignore -- particularly if the organization was going to be competitive and viable in the human services and public health service delivery realm.

The threat of losing any competitive advantage raised a red flag for HSPHD leadership. The Hennepin County “Strategic Management Leadership,” called for the organization to efficiently execute its mission and compete with similar organizations; however, the county was expected to accomplish that goal while still offering its managers and directors non-competitive salaries – creating a dichotomy between the goal and the means to attain that goal.

To address the problems created by the salary inequity and pending retirements, this research utilizes a comparative analysis of organizations of the same nature by benchmarking counties with comparable characteristics as Hennepin County, HSPHD. The analysis is based on a literature review of the way other counties have addressed the two issues facing HSPHD today – the issue of internal pay inequity, caused by variations

in the complexity of managers' and directors' jobs, as well as the anticipation of numerous retirements of managers and directors.

While all of the specific indicators leading to the conclusion that managers' jobs became more complex are not covered, after a literature review of the HSPHD managers' job descriptions and functions, this paper will identify the common key indicators of job complexity experienced as a result of the 2004 department restructure. Briefly, the paper will examine the impact of job complexity on post-restructure managers' salaries.

III. Methodology

Methodology to be used is based on qualitative comparative analysis. Data will be collected from organizations (mainly county governments) in the public sector, with traits similar to Hennepin County HSPHD. Data from my early research for Hennepin County, as a planning analyst, with former colleagues Kristi Lahti-Johnson and Dr James Baxter, will also be utilized in this study, with intent to compare, seek, and isolate best practices for use in manager salary structure, as a way for recruitment and retention.

Data from organizations (counties) with comparable traits, financials, population, per capita income, geographic size, budget size, and organization workforce will be compared to Hennepin County HSPHD during this study. The following counties possess analogous characteristics and will be used for comparison:

1. Monroe County, state of New York
2. Montgomery County, state of Maryland
3. King County, state of Washington

A. Hennepin County and Counties Used for Benchmarking: Brief Institutions Statistics:

	Hennepin County, Minnesota	Monroe County, New York	King County, Washington	Montgomery County, Maryland
Population:	1.3 million	730 thousand	1.8 million	930 thousand
2009 Operating budget:	1.3 billion	Around 906 million (annual)	5 billion (biennial); 2 billion annually	3 billion (annual)
Workforce in number:	10 thousand	6500 thousand	17 thousand	9 thousand
Geographic size:	556 square miles	1,0 square miles	2,130 square miles	495 square miles
Per capita income:	\$28 thousand	\$22 thousand	\$29 thousand	\$35 thousand

Source: US Census Bureau

Comparison scope will be expanded, where necessary, to federal agencies (Government Accountability Office - GAO, Homeland Security, United States Navy). A literature review of these organizations' manager salary systems is appropriate as they are introduced to this paper's analysis. Inclusion of the entities cited above is founded on the assumption that some of them, though not all county government organizations, might

have a like persona (staff size, budget, etc.) as that of HSPHD, consequently warranting a comparison study.

Analysis of these organizations' salary structures permits a wide range of solutions based on best practice in salary structure, recruitment, and retention in areas other than the county government sector. In short, this paper addresses managers' salary configuration, recruitment, and retention in these successive ways:

- 1) The paper will define and analyze the organization's (HSPHD) current salary formation, with emphasis on manager/director salary structure.
- 2) The paper will measure and assess salary structures of identified organizations with traits comparable to Hennepin County, HSPHD.
- 3) The paper proposes appropriate intervention and solutions by offering complexity standards and indicators that can be replicated when setting wage structure to Hennepin County's other departments.
- 4) Lastly, it will conclude with recommendations to HSPHD leadership on managers' best salary design based on best practice, and on how to use competitive salaries for managers as leverage in recruitment and retention of the best employees as the organization moves forward.

B. The Federal General Schedule Salary Plan – The Framework

The Office of Personnel Management (OPM) defines the Federal General Schedule (GS) wage structure as a pay system created in 1949 for federal white-collar workers. In 1949,

the United States Congress enacted into law the General Schedule salary structure by approving the “*Classification Act*.” Under the GS pay scale, federal government employees’ monetary compensation (with few exceptions) depends on length of service and the employee’s seniority in his or her respective work.

Many federal government departments and agencies utilize this system. It consists of 15 pay grades with 10 steps within each grade, and a 30 per cent pay range per grade.

Under the (GS) salary structure, there are 15 possible grades, with the additional grades 16-18 classified as “super-grades.” The 1978 Congress, in the “Civil Service Reform Act” eliminated grades 16, 17, and 18. They are, ever since, categorized as “Senior Level Pay Scale.” When first enacted, employee’s pay under the GS system was to begin at step one within their grade, regardless of prior professional experience or education. This provision has been removed. As of today, new employees with experience or higher education may start on a higher step depending on qualifications.

In recent years, critics have labeled the federal GS system as inefficient due to its inability to pay competitive wages. For example, GS employees under similar steps but diverse regions would get the same pay even if the market pay and cost of living were different in each locality. Although this practice is being phased out, it hasn’t silenced opponents from finding other defects in the system.

Some of the opposition forces propose to do away with the GS system entirely, and replace it with a market driven “Pay-for-Performance” system rather than basing pay solely on seniority or length of service. Another projected solution is the replacement of the GS pay schedule with a broad-banding pay structure.

While still loosely based on the GS structure, a broad-banding system combines job classifications into fewer but broader pay ranges. By doing so, broad-banding offers more opportunity for pay increases that are not dependent upon promotion. This system encourages the development of skills among non-managerial employees, giving them incentive to strive for continued growth because non-management positions are more realistically compensated, and skill development is rewarded.

The broad-banding wage structure gives an organization's leadership flexibility in the management of positions, and parts way with pay entitlements by focusing instead, on the employee's actual job performance. However, there are those who believe that broad-banding plans increase organizations personnel cost, in terms of salaries. Some employers also reject these types of plans because of a tendency toward rapid staff advancement to the top pay grades (Rutzik, 2005). This upward pay grade tendency may occur because progress to a higher grade for employees in the broad-banding plan is not necessarily based on time-in, but on how successfully duties and responsibilities are performed.

Under a broad-band plan, staff movement within grades is unrestricted, as long as performance is judged successful; while in the GS-like plans, seniority tends to take precedent on how fast an employee moves from step to step or pay grade to pay grade. Another concern with broadband plans is that, due to unrestricted movement from grade to grade, it is possible to have many employees crowded at the top grade level which raises financial issues (costly to employer because of paying high salaries) and personnel problems (employees have no other grades or steps to climb).

Three out of the four counties' salary structures examined in this study were built in a comparable framework as the Federal Government General schedule (GS) pay structure. Through many reviews and studies, opponents of the system have demonstrated how ineffectual it has been for federal government white-collar workers since its implementation in 1949. GS wage configuration and other step based salary/wage structures, used as "best practice" for salary construction models, have been losing momentum in the private, non profit, and government sectors. Many government (federal) agencies and departments have, in recent years, opted out of GS pay structure in part or full, in favor of other types of wage structures such as; pay banding, cost sharing, and market driven pay-for-performance.

According to the Office of Personnel Management (OPM), the federal agency in charge of administering GS wage structure (sometimes called the "Federal Wage System"), there are many advantages that make the system useful when managing thousands or even millions of federal employees salaries. Advantages include ensuring equal pay for equal work, and the ability to offer variations of pay based on employee performance and contribution to his or her work.

However, for the past decade critics of the GS wage structure have been arguing that the system has become ineffective and outdated considering current workforce conditions.

One of the main *raison d'être* of GS was to emphasize an internal equity; yet many federal government employees in the system consistently, through OPM surveys, point out dissatisfaction when it comes to employee pay. Critics also label the "merit pay" system in the GS as a myth since seniority, with everything else considered, takes precedent as far as pay is concerned.

In her January 2007 article “Rating Benefits”, which can be found at www.governmentexecutive.com, Karen Ritzy puts forth that many federal government employees are dissatisfied with their pay in general, although dissatisfaction does vary by pay grade. Her findings are based on OPM surveys of federal government employees’ satisfaction with their benefits. Critics of GS like designed pay systems argued that the results such as those found in the OPM surveys of federal employees consistently have proven the ineffectiveness and failure of one of the system’s main objectives, which is to preserve “internal equity” pay in the federal government GS wage structure.

IV. Analysis and Findings

1.A. Current Hennepin County –HSPHD - Salary Structure

The Hennepin County salary system is structured similar to the framework of the federal government GS wage structure. The county grade and step structures, although slightly different, share many characteristics of the GS system. Because Hennepin County’s HSPHD step based salary structure is quite similar to that of the GS system, HSPHD is facing similar criticism to other agencies of local and state government that still use a GS-like pay system. Many county leaders, employees, and other stakeholders are dissatisfied with the system (Employee survey, 2008). They view it as ineffective, believing that it leads to non-competitive wages, therefore harming recruitment and retention.

Underpaid employees have no incentive to work harder or smarter, consequently leading to inefficiency in the organization’s services. HSPHD strategic leadership has

recommended to the executive board that, as the organization moves forward, it reassess the pay structure with an emphasis on managers' salaries.

Hennepin County HSPHD managers' wage structure is adopted by the county Human Resources Board and must be approved by the County Board. Any retroactive adjustment to the salary range must be approved by the Human Resources Board as well as the County Board (HC, HR section5). The compensation plan to be discussed in this research will focus primarily on monetary financial compensation (salaries). No attempt to include benefits (health, pension, and other non-monetary benefits) in the plan will be made. However, in order to address issues of retirements, recruitment and retention, it is imperative to recommend that the Hennepin County – HSPHD broad compensation plan, be structured to increase continuing education benefits, training, and the ability to partner with outside vendors (Universities and other learning institutions) in an effort to build a stronger workforce from within its own ranks.

The HC monetary compensation plan, like that of the federal government's GS plan, states that the minimum rate of pay for a class must be paid at the initial hiring of an individual to a respective class and step. Exception to this provision exists when an individual (new hire) possesses justifiable qualification to be started at a salary above the minimum rate for that class and step. The county Human Resources' (HR) rules explicitly indicate that approval for a new hire to start at a higher rate must come from an "appointing authority," and must be offered in writing (HC, HR section 5.2c).

Salary promotion is accrued in steps. Most promotional increases will be no more than one step above the previous salary. Some exceptions can permit an employee to receive a

salary increase above one step, however, there exists a predetermined salary range that any promotion, whether one step or more, must not surpass.

In the interest of the organization, a salary can be reallocated to a class in a lower or higher range. For example, if a salary is reallocated to a higher range, an employee whose qualifications, experience, and background is judged to be highly desirable, might be started at a step or more above the starting salary step.

Although any salary increase is usually tied to an individual's length of service and seniority, Hennepin County Human Resources' rules stipulate (HR section 13.1) that an employee's salary increase may also be influenced by job performance. An annual review is conducted to assess employees' performance. If judged satisfactory, an employee receives the designated salary increase of one step. Employees still under the probation period may not receive even that. This exception is true for managers and non-managers alike. To be given a salary increase, such employees must obtain permission from the Human Resources Director, be at the top of their salary scale, and/or be transitioning out of the probationary period.

If job performance is deemed "Highly Commendable" or "Outstanding," with authorization from a manager, the supervisor may grant an increase of up to two steps. However, with all things considered, seniority remains the central factor in determining an employee's salary increase.

Hennepin County's HSPHD compensation structure covers other aspects of salary as well. These alternatives include: salary for an acting appointment, salary on demotion or alternative placement, total remuneration, overtime pay, outstanding performance bonus,

severance pay, deceased employee's payment of wages and severance, and compensation adjustments.

The scope of this paper is limited to analyzing Hennepin County's HSPHD compensation structure and highlighting how that structure affects the organization's competitiveness in recruiting managers, directors, and other highly sought after staff possessing quality skills. An analysis of the organization's salary structure is a first step toward making sound recommendations on how best to reform the structure and what details should remain unchanged in the wake of the organization's merger (2004) of business units into a single department -- HSPHD.

Beyond the system construction, the main philosophical reasons underlying the Hennepin County Pay system is to safeguard internal equity within the system, offer equal pay for equal work, and preserve the hierarchal order for reporting purpose. However, as the organization's mission and structure change, and with increasing variation in workforce needs, these standards may lose their relevance

With many organizations decentralizing services (contracting to outside organizations), the need for hierarchal reporting does not carry the same weight that once it did. Intergenerational differences between the "baby boomers" generation and the "post-baby boomers" generation (generations Y born between 1965-1980 and X born after 1980) can create a strategic failure for organizations attempting to hold onto to a pay structure that does not capture the needs of the entire workforce. An organization wage restructure must mirror changes in workforces needs, including those of intergenerational differences.

The kind of compensation plans that worked to attract and retain employees of a baby boomers' generation might not work with generation Y or X. New wage structure plans that reflect old and the current generational trends in terms of wage structure are warranted if HC-HSPHD is to recruit/retain the best employees in the current and future workforce.

In their study (2007), on "Workforce Flexibility" the Center on Aging and Work, at Boston University, indicates that some employers perceive young employees (generation X and Y) to be more interested in training and promotions while baby boomer 's generation employees have a propensity to be disinterested in promotions and are likely to yearn for quick retirements. While designing HSPHD new wage structure, leadership must take into consideration those differences of workers of different generations, in order to maximize wage satisfaction for both, as well as recruitment and retention.

In the case of Hennepin County, previous reorganization warranted an immediate change in pay structure. As employees' jobs responsibilities changed, becoming more complex following the 2003 reorganization of its former multiple department system into a single department known today as "Human Services and Public Health Department," county leadership has expressed broad support in overhauling managers' pay structure with the intention to replicate the outcome to other Hennepin County departments.

Even if there is extensive support within HSPHD for a complete managers' wage restructure, emphasis must be put on addressing more than just internal pay equity; they must also provide leadership training and other appropriate training in order to retain and recruit the best staff. And they must achieve these goals while recognizing the impact on

the workforce of such a large reorganization, and not focus only on the single issue of re-establishing internal pay equity.

Before addressing the broader issues emanating from the HC-HSPHD reorganization and the looming retirements of many of its most experienced workers, it is essential to establish complexity standards and indicators. Once established, those standards can then be replicated across all service and business units within HSPHD and for Hennepin County's other departments (Public Works, Correction, Audit, etc.), pending managers pay structures.

Job complexity indicators, based on managers' (program managers) and directors' jobs and responsibilities, are identified for future reference while designing pay models.

These indicators will allow Human Resources or any appropriate authority to be able to determine the level of complexity of current managers' and directors' jobs.

In this paper, we look at indicators and standards that were developed by Program, Policy and Quality Assurance (PPQA) service area and HSPHD's Administrative Services Area (ASA), as a guide to the leadership and to the Human Resources director in order to determine complexity level of manager/director jobs. These indicators and standards (**see concluding remarks**) were created based on HSPHD strategic objectives, balance score card, and changes in workload and difficulties for managers and directors positions, following the department reorganization (2004). They (indicators) are to be used for the proposed managers' wage structure.

Complexity as a variable in the managers' and directors' pay structure model creates an added value to these positions. Internal equity pay is preserved when complexity, as a variable, is added to the pay model, therefore increasing the value of a managerial position. Increased salaries have a significant effect on an employee's morale as far as retention, recruitment, and work performance are concerned.

The next pages, examines wage structure of other comparable counties (Monroe County – NY, Montgomery County – MD, and King County – WA) to Hennepin County – HSPHD in order to understand “best practice” as far as wage structure for county government are concerned. By analyzing these counties wage structure, HSPHD can utilize in its new managers' wage structure what worked best for other similar organizations (counties).

1.B. Monroe County: State of New York

Monroe County is located in western New York. Its main offices and the county executive offices are situated in the city of Rochester. Monroe County takes its name from James Monroe, the fifth president of the United States of America.

Over the years, Hennepin County has utilized Monroe County for benchmarking several projects and as a point of reference for organizational or program change. Projects such as public health programs, labor relations negotiation techniques, and studies regarding

organizational change have all been, at one time or another, compared to similar projects at Monroe County.

According to the US census of 2000, the population of Monroe County is estimated to be at around 730,000. The county's 2009 proposed budget is estimated to be in the neighborhood of \$906 million (refer to Monroe County 2009 budget book). Monroe County is among New York's counties with the highest number of adults living below the federal poverty line (US Census Bureau, 2000).

The workforce of the county is, according to its Human Resources Department, estimated to be around 6500. Even with the current economic crisis, county legislature passed a balanced budget in 2009, and has indicated that the county will not put a freeze on its hiring. At the 2009 budget announcement ceremony, county executives indicated that Monroe county, unlike most counties in the state of New York, has consistently operated with a balanced budget over the last few years without any reduction in services offered, number of staff employed, or employees' wages.

Monroe County employees' (managers and non-managerial staff) pay scale follows a similar structure to that of the Federal Government GS schedule. The Monroe County pay structure consists of grades and steps. An employee's standing on grade and step is the greatest influence on any pay increase he/she attains. Seniority takes precedent in determining salary boost while pay-for-performance comes in second. Very often, a performance-based pay increase is dependent on budget availability. It is usually rewarded as an annual bonus for the individual with a high performance rating rather than as a salary increase.

1.C. King County: State of Washington

King County encompasses the suburbs of Seattle, Tacoma, and Bellevue. It is one of the largest and richest (per capita income) counties in the state. The county population, based on US Census Bureau (2000), is estimated to be around 1.7 million people -- a population very similar to that of Hennepin County at 1.3 million. Per capita income is nearly as high as Hennepin County at \$29,000. With over 1 million people living in the county, the King County workforce is around 17,000.

The annual operating budget of King County, from the proposed 2009 budget, is around \$5 billion. This amount includes the biennial budget for transit and transit CIP (KC Executive Budget, 09). This sum (annually) is identical to the budgets of other counties used by Hennepin County for benchmarking, planning organizational change, or other policy reforms. The average budget among all other counties used is \$1.5 billion, annually.

It is important to remark that King County employees, particularly managers and above, attain salaries that are amongst the highest in the nation for county government. Critics and supporters attribute these high wages, besides normal salary attributes and characteristics, to the role unions play in salary structure at this county. Union represented employees earn a high wage, thus positively affecting the salaries of managers, directors and other employees in higher positions.

It is therefore essential to examine the current salary structure for King County employees in order to understand better their current wage distribution. The scope of this

analysis will be limited to understanding the wage and salary structure of some types of managers, directors, and other employees in the pay construction.

The King County employee salary and wage is structured under the “10 Steps-Squared Table” with numerous ranges, depending on the type of position, the nature of the work, and whether the position is union represented or not. A quick scenario to illustrate how this works is: an employee -- let’s say a paralegal at range 41 -- is a union represented worker. Because of that union representation, this employee will be paid between \$20 (step 1) and \$29 (step 10). The Union plays a big role in how these salaries are structured. Most of positions on the 10 Steps-Squared Table are union-represented.

Non-represented positions (managers and directors) also figure on the 10 Steps-Squared Table. According to King County human resources, employees in these positions at the same classification, receive comparable salaries to those that are union represented, as long as both appear in the same salary range on the squared table.

1.D. Montgomery County: State of Maryland

Like Hennepin County in Minnesota, Montgomery County is one of the largest counties in the state of Maryland. According to the United States census of 2006, the Montgomery county population is estimated to be around 930,813. The Operating budget for Fiscal Year (FY) 2008 was estimated to be over 3 billion dollars (\$3,770,119,839). Current county workforce statistics indicate there are over 9 thousand people who work directly for the county government. Due to its “Management Leadership Service Program,” Montgomery County has made its mark in the world of compensation design.

The Management Leadership Service (MLS) program was designed as a county merit system for fair compensation.

The theory behind the MLS formula is that certain functions within the organization play an influential role in accomplishing goals, objectives, and in meeting the mission of the organization. Therefore, by designing a distinct salary structure for managers, or staff in highly compensated positions, the employees have been given incentive to work hard to make sure the organization efficiently executes its mission.

Some of the positions represented in the MLS are:

1. Agency directors
2. Deputy directors
3. Division chiefs
4. Section chiefs and team leaders
5. Other senior staff level positions

Source: MC Human Resources

Some of the main objectives of MLS are to:

- facilitate retention and recruitment of highly competitive employees (those assumed to be in prominent positions);
- increase the organization's capacity in service delivery by hiring and retaining knowledgeable employees;
- ensure staff internal mobility and educational opportunities
- integrate corporate "esprit de corp" in the county in order to do away with the culture of entitlement.

Performance based compensation and broad-banding of positions (jobs classifications) are key characteristics of MLS positions. All positions in MLS are grouped into three

bands; “Manager I, Manager II, and Manager III.” Its level of complexity, scope, and delegated level of authority define each band. Because of access to continued education and career training, experience gained due to staff internal mobility assignments, employee’s skills as well as performance increase. According to MC leadership, increased performance saves time and money and, those savings help to augment salaries therefore, allowing the organization to remain competitive. Best employees are retained and recruited and the county’s mission is efficiently executed.

Additional attributes in the MLS program are comprised of the employee’s access to continued education, career training, leadership preparation, and the opportunity for the employee to create joint ventures with private organizations, non-profits, or other government entities. These options exist at HSPHD, but are not necessarily considered part of a compensation plan. Employees are simply encouraged to seek more career training or seek more opportunities in higher education.

The MLS program is non-exclusive. According to the Montgomery County Human Resources, qualified employees have the ability to enter the program at any time following an evaluation by the appropriate authority.

2. Comparison Analysis of Pay Structure of Hennepin County – HSPHD to Other Comparable Counties

As observed, some organizations -- particularly Montgomery County -- analyzed in this research have made it a priority to design pay plans geared towards enhancing the organization's ability to retain and recruit high skilled employees in the managerial, supervisory, and executive positions.

In order to undergo comparison analysis between Hennepin County-HSPHD and other counties cited in this study, we established criteria that will be used to make such comparisons. The first comparison criterion is on the "flexibility" of each county's wage structure. By flexibility, the paper focuses on the ability of each county wage plan to include programs/plans (with the exception of health and pension plans), that increase flexibility in wage structure, as well as plans/programs that enhance the organization's capability to recruit and retain best employees, by offering competitive recruitment and retention bonuses. Flexibility permits the leadership to expand wage structure; by including non-salary plans (continuing education, better salary management, etc.) into the overall wage structure.

The second criterion used in this comparison analysis of county wage plans is the plan's ability to reward results" based on staff performance. Some of the organization's salary plans, as seen in previous paragraphs, award results based principally on seniority (employee time-in), performance, or a combination of seniority and performance.

Awarding results based on performance other than seniority (with other things considered) is important because it can enhance performance and pay equity. The paper

examines, using comparison analysis, how Montgomery County with other counties salary plans, cited in this study, are stacked up with given criteria.

Montgomery County's MLS (managers' pay structure) is designed to ensure that internal equity pay among positions (division chiefs, deputy directors, agency directors, section chiefs, team leaders and other senior staff level) integrated in the system, exists and is maintained at all times for these positions. However, greater responsibility falls on the plan's flexibility to highlight retention and recruitment of employees whose skills and competencies are thought to be indispensable to the organization's objectives and mission. Contrary to GS designed plans, such as those of Hennepin and Monroe counties, the MLS plan parts way with the "culture of entitlement or seniority" as well as structured hierarchy.

Hierarchy tends to produce positions that focus on administrative functions alone rather than creating job classifications that are geared towards the organizational objectives and mission (HRM, 02). Flexibility criterion boosts the establishment of job classifications, based on the organization's needs (adoptability).

The MLS plan is not perfect, it is currently accessible only to staff already in higher positions. However, it accomplishes the objective of allowing the organization (Montgomery County) the flexibility to manage employee functions and salaries through jobs reclassifications. The county is able to quickly respond to changes in labor inclinations. For example, by recognizing generation shifts the county is able to hire and

recruit employees by considering both the needs of the demand (potential recruits) and supply (HC-HSPHD) side.

Flexibility is one of the major attributes of Montgomery County's managers' pay structure (MLS). Whereas counties such as Monroe County, New York, and King County, Washington – counties often used by Hennepin County as a point of reference, this flexibility is lacking. These counties, particularly Monroe county, still rely heavily on the framework of the Federal government's GS pay structure for their employees' pay structure design, even though the development in wage design has been pointing in a different direction for a long time (National Center on Performance Incentives, 2008).

The King County (WA) wage structure, although similar in many ways to that of the Federal government GS (pay ranges and 10 steps that focus on seniority, hierarchy, and merit pay), allows unions to have a significant role in salary design. This liberal inclusion of the unions is not as extensive in the design of the GS or of the Hennepin County salary organization. Because of the unions' role in wage construction, government employees in King County are considered to be some of the most well paid employees in the state (Seattle Post-Intelligent, 2004).

While higher wages are good for employees (attracting the best and brightest), a salary construction such as that of King County, with heavy involvement of unions in some of the "represented" positions' wage negotiations and function designs, can easily allow an oversight of what is important for the organization as a whole. An organization's mission takes second or even third place when job functions are designed solely with the intent to maximize pay.

The Ten Steps-Squared Plan underlines why change is indispensable in the federal, state, and local governments wage designs. Seniority rather than market driven salary models like pay-for-performance and others, plays a powerful role in the way an employee moves within the Step-Squared table. The plan is rigid; it lacks flexibility in salary management and job reclassification. In addition, by stressing mainly internal equity pay, the organization loses sight of, and fails to detect, labor trends that are essential to the accomplishment of its goals and mission.

Like the Hennepin County step-based wage structure, King County Ten Steps-Squared Plan is characterized by its rigidity and lack of focus on the organization's mission by concentrating too heavily on internal pay equity. Another attribute calling for change that the two plans named above and the Monroe County plan share, is the promotion of hierarchical structures that lead to an unnecessary creation of positions for the sole purpose of providing employees higher pay grades. In addition, these two plans take away the power from managers to classify jobs for their specific areas, within which, they know best what functions need to be performed. That authority is placed into the hands of Human Resources specialists who might not be familiar with the job. Flexibility is reduced under these plans this last attribute alone should suffice as justification for a salary redesign.

To be competitive both in providing competitive wages, in retaining and recruiting the "brightest and best" employees, the following items are recommended for Hennepin County's new wage structure that emphasizes both in boosting salary flexibility and in recruiting and retaining valuable employees.

V. Recommendations and Conclusion to Hennepin County, Human Services Public

Health Department (HSPHD) leadership:

- For HSPHD manager and director wage structure, HSPHD should create a plan based on Montgomery County's MLS plan, by utilizing broad banding (for program managers, area directors, and other executive positions) as the general framework rather than other than GS like system.
- HSPHD leadership should adopt a new wage structure with "job complexity" as the new variable in the wage current wage equation, to increase salary competitiveness, primarily for managers. In the box below is the proposed wage model equation, including job complexity as the new variable:

Manager Wage = f (education, experience, *position complexity*, and other characteristics)

The proposed, above, wage formula is different from current one because of the addition of “position complexity” which is currently omitted in current HC-HSPHD wage equation. Depending on Budget availability, some in the leadership at Hennepin County’s HSPHD have suggested that the new “complexity” variable in the manager’s wage equation would increase manager’s base salary by 5 percent.

Below is the currently used wage equation:

$$\text{Manager Wage} = f(\text{education, experience, and other characteristics})$$

The new proposed variable “position complexity” in the manager’s equation is measured based on established indicators and standards (see page 33). A manager’s position that meets complexity standards is to be remunerated, in addition to his/her experience, education, and other characteristics. The proposed way of measuring complexity is subjective. It is almost impossible to quantify complexity as variable. Manager’s supervisor is responsible to make sure that complexity standards are met in order to receive compensation.

A certain percentage (5 percent as proposed) or a number of standards, 3 out of 4, can be established as a base for complexity compensation. Ultimately, it is up to the discretion of

appropriate authority (manager's supervisor) to institute effective and efficiency ways to measure position complexity.

Hennepin County Human Services and Public Health Department, in order to install pay equity and be able to recruit and retain the best and brightest employees (with the emphasis on managers, directors and other positions at the executive level), must ensure that a new wage structure is founded on "best practice" as far as manager and director salary models are concerned (particularly in the public sector).

The new HSPHD manager director wage plan must be designed with the intent to be replicated in other departments (Correction, Public Works, Finance, and others). It should be applicable to manager and director salary plans across the county, as requested by the Hennepin County Executive Board.

HSPHD must move away from its current salary plan, or any plan parallel to those of Monroe and King counties and move away from the framework of the federal government's GS schedule (except as it is applied in the Management Leadership Service at Montgomery County). Wage designs currently in use at Hennepin County HSPHD, Monroe County, and Washington County focus excessively on internal equity pay alone while failing to fully pay attention to other personnel issues facing the organization. At Hennepin County HSPHD, those issues are recruitment and retention. Recruiting good employees and then keeping them, by offering flexible salaries and providing rewards

based on performance, is imperative to the achievement of the organizations' overall goal and objectives.

Added complexity variable to HSPHD manager's equation as well as created position complex indicators and standards increases salary flexibility thus affecting, positively, recruitment and retention.

Below are some of the indicators and standards that can guide HSPHD leadership in determining job complexity.

Indicators	Standards
<p>Understanding Performance Management: HSPHD managers' ability to understand and improve efficiency of his/her service area</p>	<p>Following increased staff supervision, managers and directors must possess sufficient skills to effectively undertake added responsibility for decision-making. They must use <i>performance management</i> practices to increase efficiency in their business units day to day operations</p>
<p>Finance: Familiarity with budget formulation and an understanding of complex budget issues. Ability to communicate budget proposals to different audiences</p>	<p>Managers and directors must have an understanding of HC-HSPHD <i>finances</i> with an emphasis on knowledge of budget procedures, as well as the ability to clearly explain and present the budget to different audiences.</p>
<p>Leadership: Knowledge of laws and regulations pertaining to the business area. Competence to lead employees, while working within those laws, to accomplish common tasks and the county mission</p>	<p>HSPHD managers and directors must show <i>leadership</i> in understanding all federal, state laws and regulations pertaining to their jobs. They must also be able to apply those laws and regulations to their specific work area when compulsory.</p>
<p>Risk Management: Managers use available information to assess risk and are clever and creative enough to propose collective action to reduce such risk and able to forecast project risk</p>	<p>Managers and directors must utilize <i>risk assessment plans</i> to reduce risk in day-to-day operations. In addition, they must have the competence to propose and implement collective action solutions as a way to reduce risk.</p>

For any job to be considered complex it must have some if not all the indicators prescribed in the above paragraph. In addition, employees shall be required to meet all standards regarding job complexity for them to be compensated as such. Indicators and standards are not fixed; fluctuation or variation in job responsibility requires some flexibility as to what constitutes the indicators and standards. HR director or HSPHD leadership, (in consultation with the employee whose job complexity is being studied), should reserve the right to judge the specific jobs or positions according to recommended indicators and standards, as appropriate.

Based on increasing complexity in some of the managers' and directors' day-to-day workload, a new salary model must be created with "job complexity" as a variable. A salary model with complexity as an added variable (as shown on page 30) is required. In addition, HSPHD leadership should mandate a salary plan that capitalizes on a market driven pay-for-performance model with a broad-banding of all manager and director positions. This type of plan, as utilized in the Montgomery County plan, addresses various problems including competitive pay, training, recruitment, retention and others, whereas the current Hennepin County pay plan and other analyzed plans tend to focus only on the single issue of base pay. HSPHD new broadband performance pay plan needs to be tied more also to the issue of retention and recruiting new the "best and brightest" workers as retirements of baby boomers loom.

A market driven pay-for-performance model not only guarantees that all staff covered in the plan are compensated according to the complexity of their job, but also that they are in fact guaranteed pay equity both internally and locally.

HSPHD leadership should adopt or create a plan comparable to that of Montgomery County's MLS (Management Leadership Services). The MLS plan links pay for performance to how successfully managers, directors, and other executive level staff execute their duties.

Compensation under this plan is based on the scale, complexity, and nature of work performed by employees. In addition, the plan gives county leadership (supervisors, directors, managers) or any other appropriate authority the flexibility to redesign employee job descriptions as time and technology change. Other essential personnel issues such as continued education or training opportunities, that affect the accomplishment of an organization's mission, such as recruitment and retention of the best employees, are highlighted under the Montgomery County managers' wage structure.

As a bonus to HSPHD leadership, by expanding the educational and training opportunities to its employees in lower ranks (non-managerial positions) – unlike Montgomery county – HC HSPHD could create a steady flow of movement within their ranks by advancing well qualified employees to higher positions consequently improving, in the long-run, the retirement dilemma faced by the organization.

Hennepin County HSPHD will be able to restore pay equity in its rank of higher positions by adopting or designing a wage plan like that of Montgomery county that effectively addresses pay problems, education, training, retention, and recruitment. The organization new wage plan will increase its competitiveness in attracting and retaining employees (by

offering competitive recruitment and retention bonuses) that are vital to the accomplishment of its mission.

Appendix:

E. Other Agencies

Some government agencies and departments such as Homeland Security, the Defense Department, GAO (Government Accountability Office), and others have been restructuring their own pay system using pilot projects and other experiments to reflect changes in job descriptions. Pay structures that consider the agency's mission and increase job flexibility for managers and directors have been considered and adopted by those entities. The most famous pilot project experiment on wage restructure was done by the Department of Navy. The project is known as the "China Lake Project."

The project successfully tested a "Broadbanding" system within the GS wage structure at the Department of Navy's two laboratories, in Southern California. The test included 5 career paths (scientists, engineers, senior staff, technicians, administrative specialists, technical specialists, and general personnel) instead of 15 grades as with the GS. Within each career path, was included many types of jobs each containing its own career ladder. The Navy attempted to improve competitiveness of salaries for scientists and engineers by broadbanding careers into different paths (Broadbanding system) and by linking pay increases to each individual's performance rating.

Although the project proved that Broadbanding improved job competitiveness (salary increase), it is also known to have its own disadvantages. It can be exceedingly costly for employers by increasing wages. It can also lead to the removal of an established hierarchy that might be damaging for organizations in which hierarchy plays a great role in management and leadership. At China Lake, hierarchy was flattened, due to "the 5

career paths” system thus allowing, unlike within the GS schedule, non-promotional pay increases and career growth for scientists and engineers, two chosen careers that were part of China Lake pilot project.

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