

COMPENSATION 2023

TRENDS, STUDY, AND DISCUSSION

TOPICS AND DISCUSSION POINTS

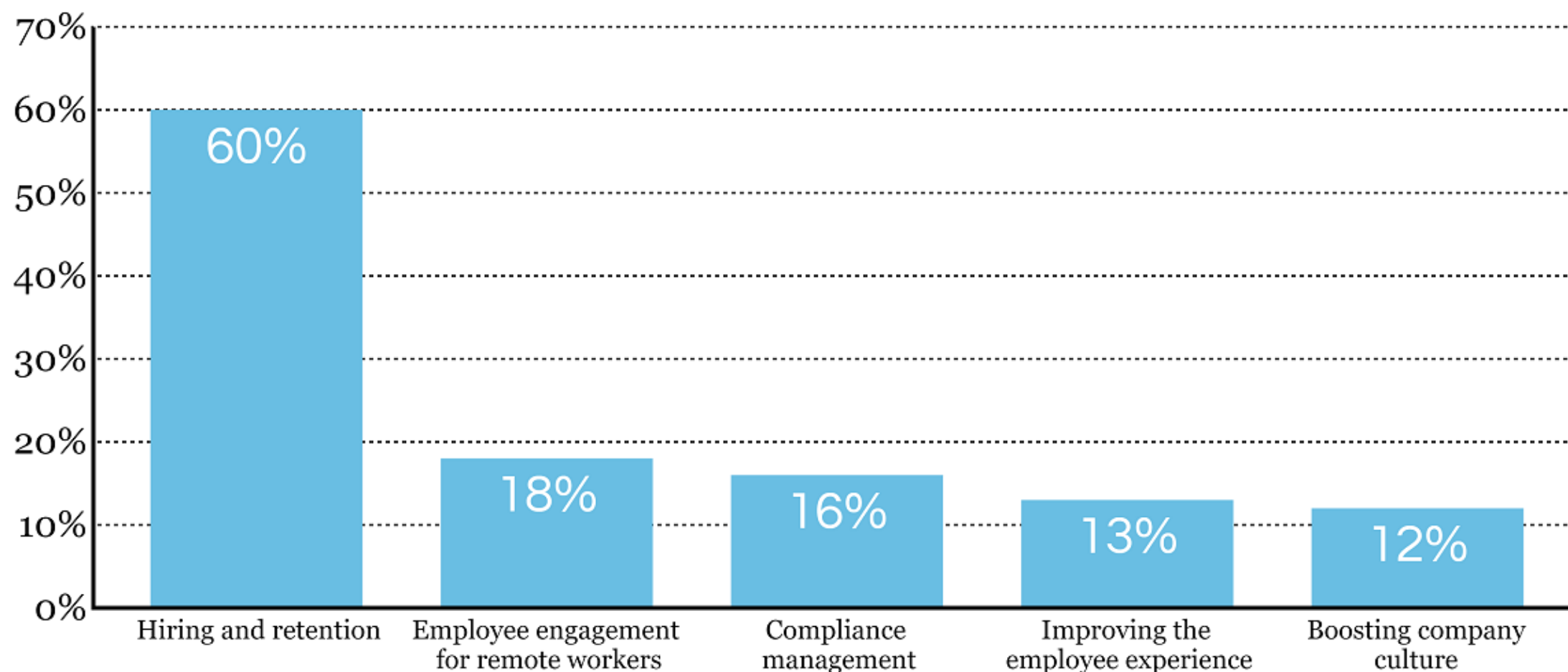
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- TRENDS AND OBSERVATIONS 2023
- CONDUCT AND IMPLEMENTATION OF STUDIES
- STRATEGIES AND IMPLICATIONS

Challenges ahead

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When asked, HR leaders say these are among the top hurdles facing their organizations today



Source: Human Resource Executive® What Keeps HR Up at Night survey

WHAT'S GOING ON OUT THERE

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- BUREAU OF LABOR STATISTICS REPORTS TURNOVER DOUBLED IN NEARLY ALL SECTORS FROM 2021 TO 2023
- SEVERAL CITIES WE POLLED IN 2023 INDICATE LOW TO MID 20% TURNOVER, INCLUDING OR PARTICULARLY IN BLUE COLLAR AND TRADES
- THE “GREAT RESIGNATION” IS REAL – JOB SEEKERS CONTINUE TO PURSUE FLEXIBILITY, REMOTE WORK, WORK/LIFE BALANCE

LIVING WAGE ESTIMATES

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Maricopa	\$18.48
Pinal	\$18.48
Pima	\$16.02
Coconino	\$19.44
Apache	\$15.31
Navajo	\$15.79
Santa Cruz	\$15.36
Yuma	\$16.45
Gila	\$16.85
Mohave	\$16.03

UPWARD GROWTH FOR MULTIPLE LEVELS

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- BUREAU OF LABOR STATISTICS, STATEWIDE AZ, 2020 VERSUS 2022:

Job Sample	Median		Change
	2020	2022	
Administrative Assistants	\$17.64	\$18.81	6.63%
Office Supervisors	\$26.81	\$28.54	6.45%
Accountants	\$33.02	\$36.87	11.66%
Financial Managers	\$56.25	\$63.13	12.23%
Laborers	\$17.84	\$19.10	7.06%
Labor Foreman	\$32.74	\$34.92	6.66%
"All Jobs"	\$19.35	\$21.77	12.51%

DISCUSSION AND SHARE

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**WHAT DID YOUR ORGANIZATION DO
FOR 2023-2024 SALARY INCREASES?**

SALARY BUDGETING FOR 2024

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- WILLIS TOWERS WATSON AND WORLD AT WORK REPORTING 2024 PROJECTED SALARY INCREASES OF 3.6% - 4.1%; (BLS SAYS 4.6% 2023)
- TRAILS INFLATION IN SOME AREAS BUT STILL STRONG WAGE GROWTH
- CIVILIAN WAGE GROWTH FINALLY A LITTLE CLOSER TO POLICE AND FIRE WAGE GROWTH
- MIXED ARIZONA REPORTS ON INFLATION: 4.4% (WAS 13% AUGUST '22)

PLAN MAINTENANCE – SALARY BUDGETING

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- THE LAST NEARLY 10 YEARS HAVE SEEN SALARIES GROW BASED ON COST OF LIVING, MARKET COMPETITIVENESS, MERIT, TIME IN JOB
- BUDGETING HAS BEEN “SOMETHING, PLUS SOMETHING” SUCH AS COLA PLUS MERIT, OR MARKET PLUS STEP
- **GREATEST TAKE AWAY**: BE SURE EXISTING EMPLOYEES BENEFIT FROM MARKET FORCES AS MUCH, OR GREATER, THAN NEW HIRES

NEW HIRE PRACTICES

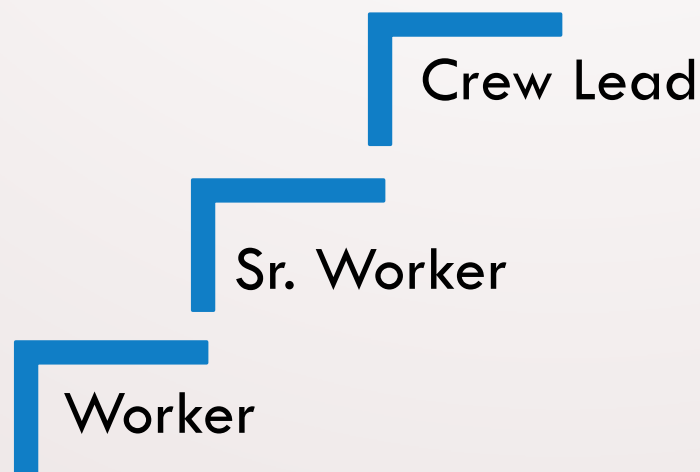
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- IN SOME AREAS, EMPLOYERS ARE NOW IGNORING THEIR FIRST FEW PAY RANGES OR FIRST FEW STEPS

Grade	1	2	3	4	5	6	7	8	9	10	11	12
1	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51	\$13.91	\$14.33	\$14.76	\$15.20	\$15.66	\$16.13	\$16.61
2	\$12.60	\$12.98	\$13.37	\$13.77	\$14.18	\$14.61	\$15.05	\$15.50	\$15.96	\$16.44	\$16.93	\$17.44
3	\$13.23	\$13.63	\$14.04	\$14.46	\$14.89	\$15.34	\$15.80	\$16.27	\$16.76	\$17.26	\$17.78	\$18.31
4	\$13.89	\$14.31	\$14.74	\$15.18	\$15.64	\$16.10	\$16.59	\$17.08	\$17.60	\$18.13	\$18.67	\$19.23
5	\$14.59	\$15.02	\$15.47	\$15.94	\$16.42	\$16.91	\$17.42	\$17.94	\$18.48	\$19.03	\$19.60	\$20.19
6	\$15.32	\$15.77	\$16.25	\$16.74	\$17.24	\$17.75	\$18.29	\$18.84	\$19.40	\$19.98	\$20.58	\$21.20
7	\$16.08	\$16.56	\$17.06	\$17.57	\$18.10	\$18.64	\$19.20	\$19.78	\$20.37	\$20.98	\$21.61	\$22.26
8	\$16.89	\$17.39	\$17.91	\$18.45	\$19.00	\$19.57	\$20.16	\$20.77	\$21.39	\$22.03	\$22.69	\$23.37
9	\$17.73	\$18.26	\$18.81	\$19.37	\$19.95	\$20.55	\$21.17	\$21.81	\$22.46	\$23.13	\$23.83	\$24.54
10	\$18.62	\$19.17	\$19.75	\$20.34	\$20.95	\$21.58	\$22.23	\$22.90	\$23.58	\$24.29	\$25.02	\$25.77

COMPRESSION CAN BE A CLASSIFICATION ISSUE

- PAYING OUR ENTRY LEVEL POSITIONS WHAT WE USED TO PAY OUR JOURNEY AND SENIOR LEVELS
- IMPACT ON CREW LEADERS AND ABOVE
- ADDRESSING COMPRESSION FOR DIFFERENCES LIKE CERTIFICATIONS



WHY CONDUCT A COMPENSATION STUDY?

- To ensure your ideal or desired competitive position
- To strategically address recruitment & retention within budget
- To validate classification and job titling practices with market data, internal equity, and best practices
- To establish and maintain a market philosophy for all jobs
- To provide decision makers with objective data for planning/budgeting

WHAT FACTORS INFLUENCE PAY DECISIONS?

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Compensation Philosophy or Necessary Market Position		
Sample Factors	Conservative → Aggressive	
Talent Supply	Abundant	Limited
Mobility	Limited	Portable
Staffing Level	Robust	Lean
Geography	Isolated	Metropolitan
Competition	Minimal	All Around!
Turnover	Minimal	Moderate / High

THE “RIGHT” COMPENSATION PLAN?

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- ✓ SHOULD TAKE INTO ACCOUNT THE FACTORS THAT MOST INFLUENCE YOUR ORGANIZATION’S ABILITY TO ATTRACT AND RETAIN DESIRABLE AND TALENTED STAFF.
- ✓ SHOULD MATCH UP WITH YOUR ORGANIZATION’S DESIRE OR ABILITY TO PROMOTE FAIR AND EQUITABLE TREATMENT AND BE COMPETITIVE IN YOUR MARKET.
- ✓ SHOULD CONSIDER BOTH SALARY AND BENEFITS, AND COULD BE INTERNAL EQUITY-BASED, EXTERNAL MARKET-BASED, OR A COMBINATION OF BOTH.

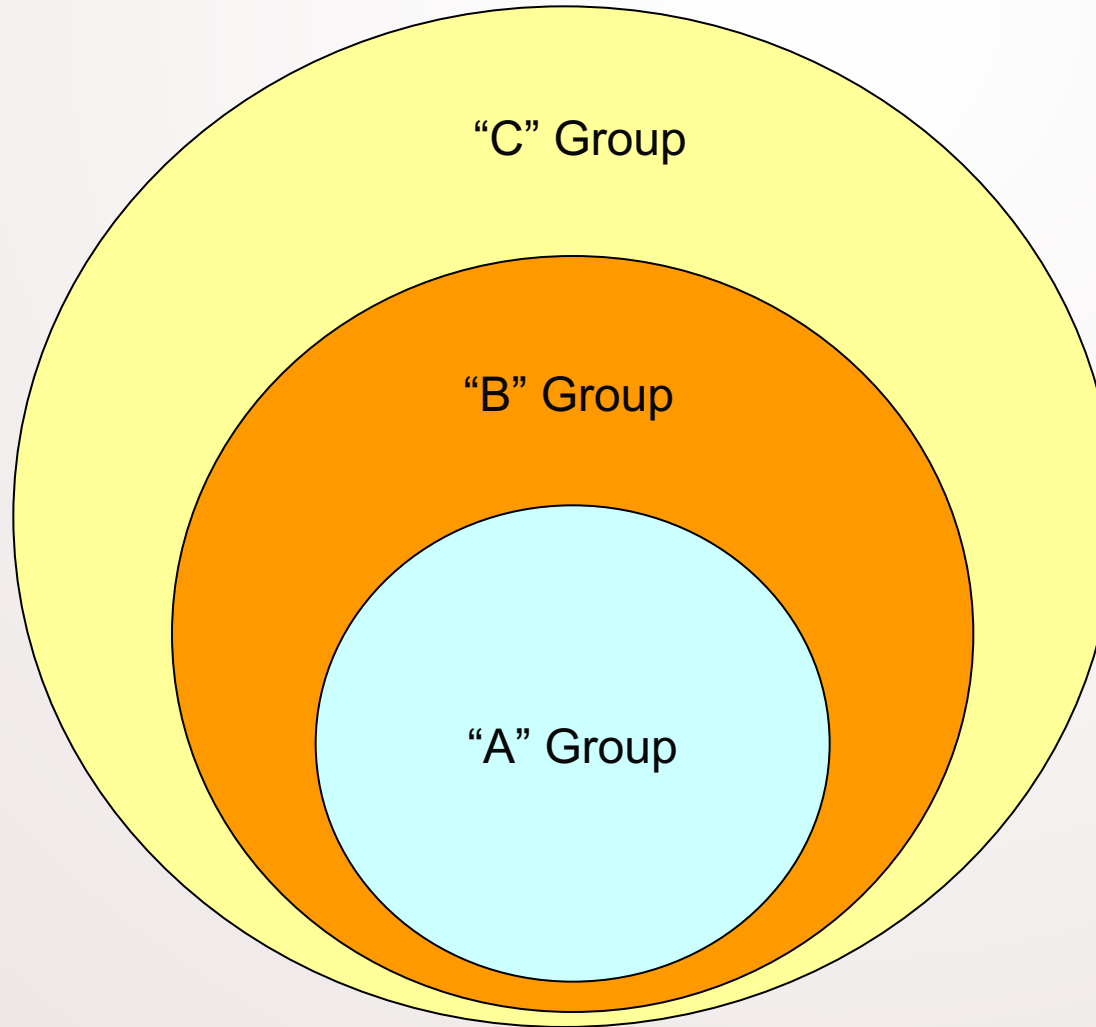
Q: WHAT IS A COMPETITOR EMPLOYER?

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- ✓ ANY EMPLOYER WITH WHOM AN AGENCY COMPETES FOR SKILLED EMPLOYEES IN THE LABOR MARKETPLACE.
- ✓ COMPETITORS MAY HAVE LARGER OR SMALLER TAX OR CUSTOMER BASE, MORE OR FEWER EMPLOYEES, LIKELY AT LEAST SOME OF THE SAME SERVICES OFFERED TO CUSTOMERS OR CITIZENS.
- ✓ EMPLOYERS AND EMPLOYEE GROUPS TEND TO SELECT COMPARATORS FAVORABLE TO THEIR CAUSE.

BUILDING A SURVEY MARKET MODEL

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C: Senior Management
- Size-Sensitive
- Wider Recruitment

B: Public Sector Specific
- Not Size-Sensitive
- Local or Regional Area

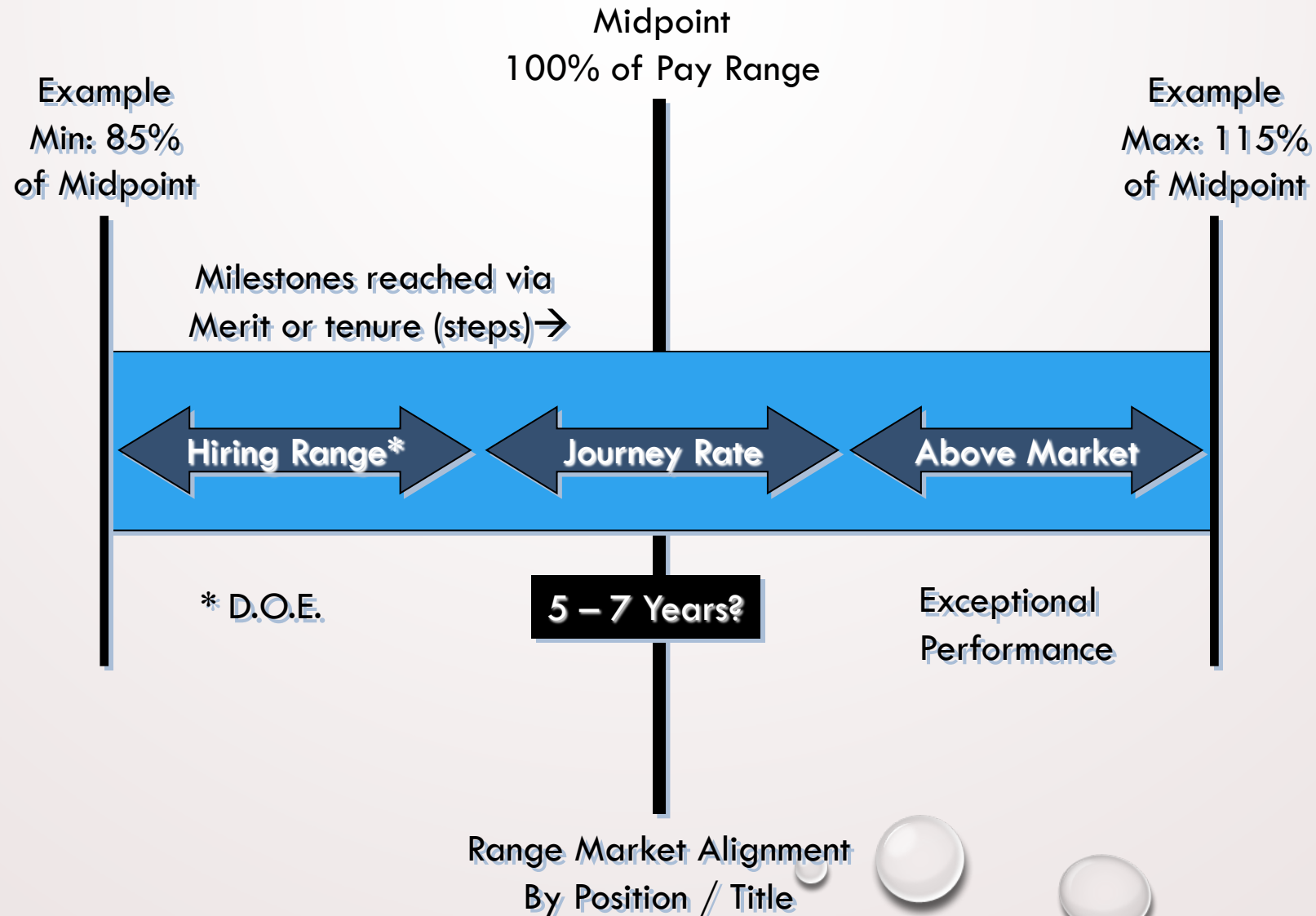
A: Entry and Support
- Not Size-Sensitive
- Locally Recruited

Q: WHAT DATA IS COLLECTED?

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- ✓ ACTUAL SALARY: THE ACTUAL AMOUNTS RECEIVED BY INCUMBENTS IN THE BENCHMARK JOB CLASS; MAY REFLECT INDIVIDUAL TENURE AND JOB PERFORMANCE OR THE VALUE OF AN INCUMBENT.
- ✓ SALARY RANGE MIDPOINT: THE AMOUNT CALCULATED BY ADDING A FORMAL RANGE MINIMUM AND MAXIMUM AND DIVIDING BY TWO; THE MOST STABLE AND RELIABLE PART OF A FORMAL SALARY RANGE.

COMMON PAY RANGE ANATOMY IN PUBLIC SECTOR



Salary Survey Illustration

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Current Job Class	Survey Job Class	Participant Organization	Current Midpoint	Market Midpoint	Variance	
					\$	%
Accountant			\$62,556	\$70,674	-\$8,118	-11.49%
	Accountant	Comparator 1		\$72,057		
	Accountant	Comparator 2		\$69,763		
	Accountant	Comparator 3		\$69,510		
	Accountant	Comparator 4		\$67,442		
	Accountant	Comparator 5		\$66,895		
	Accountant	Comparator 6		\$65,666		
	Accountant	Comparator 7		\$65,540		
	Accountant I	Comparator 8		\$65,382		
	Accountant I	Comparator 9		\$65,376		
	Accountant	Comparator 10		\$59,947		
	No Match	Comparator 11		-		
		Individual Employer Rate:		<u>\$66,758</u>		
	Accountant	Regional Private Sector		<u>\$74,590</u>		
		Published Survey Rate:		<u>\$74,590</u>		
		Prevailing Rate:		<u>\$70,674</u>		

DEFINITIONS AND KEY TERMS – PAY PLANS AND PEOPLE²⁰

PAY PLANS

- COST OF LIVING ADJUSTMENT OFTEN MOVES AN ENTIRE PAY SCALE
 - SOMETIMES ALSO CALLED MARKET ADJUSTMENT
- MARKET RATE SHOULD BE USED TO DESCRIBE “GOING RATE” FOR A JOB
- MARKET ADJUSTMENT CAN ALSO BE EXCLUSIVE TO JOBS THAT SURVEY LOW

PEOPLE

- “MERIT” FOR OUR PURPOSES IS MOST OFTEN WITHIN A PAY RANGE
- COMMON TO SEE STEP INCREASES OR GENERAL SALARY ADJUSTMENTS WITHIN A PAY RANGE

MARKET-BASED COMPENSATION PLAN

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- ✓ A METHOD OF ALIGNING AN ORGANIZATION'S COMPENSATION PLAN TO THE PREVAILING PRACTICES FOUND AT OTHER PUBLIC AND / OR PRIVATE EMPLOYERS IN A DEFINED AREA, REGION, OR INDUSTRY BY CONDUCTING COMPENSATION SURVEYS.

- ✓ UTILIZES EXTERNAL SURVEY MARKET DATA TO:
 - 1) COMPARE THE LEVEL OF COMPETITIVENESS OF AN ORGANIZATION'S SALARY AND BENEFITS OFFERINGS, AND
 - 2) TO MAKE INFORMED ADJUSTMENTS TO YOUR SALARY AND BENEFITS PLANS ACCORDING TO A DESIRED PHILOSOPHY.

BUILDING THE COMPENSATION PLAN

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- ✓ USING THE RESULTS OF JOB EVALUATION SCORING AND / OR EXTERNAL MARKET DATA TO ESTABLISH THE SALARY GRADES OR RANGES FOR EACH JOB CLASSIFICATION.
- ✓ ALIGNING THE COMPENSATION PLAN WITH THE BUDGET, THE COMPETITIVENESS PHILOSOPHY OR POLICY, AND THE EMPLOYMENT ENVIRONMENT.
- ✓ MAY INCLUDE OR GIVE CONSIDERATION TO “TOTAL COMPENSATION” INCLUDING BENEFITS AND PERKS.

MARKET-BASED RANGES

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Salary Range	Minimum	Midpoint	Maximum
20	\$39,058	\$47,847	\$56,637
21	\$41,011	\$50,240	\$59,469
22	\$43,061	\$52,752	\$62,442
23	\$45,214	\$55,389	\$65,564
24	\$47,475	\$58,159	\$68,842
25	\$49,849	\$61,067	\$72,285
26	\$52,341	\$64,120	\$75,899
27	\$54,958	\$67,326	\$79,694
28	\$57,706	\$70,692	\$83,678
29	\$60,591	\$74,227	\$87,862
30	\$63,621	\$77,938	\$92,255
31	\$66,802	\$81,835	\$96,868
32	\$70,142	\$85,927	\$101,712
33	\$73,649	\$90,223	\$106,797
34	\$77,332	\$94,735	\$112,137
35	\$81,201	\$99,471	\$117,742
36	\$85,258	\$104,445	\$123,631
37	\$89,524	\$109,667	\$129,810

Example: Accountant Market Value of \$70,674, Nearest Range is Range 28

Salary Plan Illustration

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Current Job Titles	Draft Proposed Titles	Current Range	-- Recommended --			
			Salary Range	Minimum	Midpoint	Maximum
<u>FINANCE</u>						
Chief Financial Officer	Chief Financial Officer		49	\$160,773	\$196,946	\$233,120
Assistant Chief Financial Officer	Assistant Chief Financial Officer	40	42	\$114,259	\$139,966	\$165,674
Financial Services Manager	Financial Services Manager	35	36	\$85,258	\$104,445	\$123,631
Comptroller	Controller	40	40	\$103,636	\$126,953	\$150,271
Chief Accountant	Chief Accountant	31	31	\$66,802	\$81,835	\$96,868
Accounting Supervisor	Accounting Supervisor	29	30	\$63,621	\$77,938	\$92,255
Senior Accountant	Senior Accountant	27	29	\$60,591	\$74,227	\$87,862
Budget Analyst	Budget Analyst	26	28	\$57,706	\$70,692	\$83,678
Accountant	Accountant	26	28	\$57,706	\$70,692	\$83,678
Senior Accounting Technician	Senior Accounting Technician	21	23	\$45,214	\$55,389	\$65,564
Accounting Technician	Accounting Technician	19	21	\$41,011	\$50,240	\$59,469
Payroll Administrator	Payroll Administrator	23	24	\$47,475	\$58,159	\$68,842
<u>PURCHASING</u>						
Purchasing Manager	Purchasing Manager	33	34	\$77,332	\$94,735	\$112,137
Contract Administrator	Contract Administrator	27	29	\$60,591	\$74,227	\$87,862
Purchasing Analyst	Purchasing Analyst/P Card Administrator	26	28	\$57,706	\$70,692	\$83,678
Senior Buyer	Senior Buyer	25	27	\$54,958	\$67,326	\$79,694
Buyer	Buyer	22	24	\$47,475	\$58,159	\$68,842

Pay Plan Management

SALARY ADMINISTRATION

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- ✓ HOW SALARIES MOVE THROUGH OR WITHIN A DEFINED PAY RANGE, PAY GRADE, OR SET OF PAY GRADE STEPS.
- ✓ MIGHT BE LONGEVITY-BASED, PERFORMANCE-BASED, MARKET-BASED, CPI OR COLA-BASED, OR ANY COMBINATION THEREOF.
- ✓ SALARY ADMINISTRATION MAY VARY BASED ON THE TYPE OR LEVEL OF JOB, EXEMPT / NON-EXEMPT, CIVIL SERVICE, AND MAY EVEN FLUCTUATE FROM YEAR TO YEAR.

SALARY ADMINISTRATION

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- ✓ WHAT MANY ORGANIZATIONS CALL COLA OR CPI IS REALLY AN ACROSS-BOARD ADJUSTMENT FOR ALL JOBS.
- ✓ ACTUAL SALARY ADJUSTMENTS HAD BEEN NATIONALLY AVERAGING 4.5%-5% FOR FY 2023; THIS IS A COMPOSITE NUMBER OF ACTUAL SALARY AND SALARY RANGE GROWTH OR MOVEMENT USING THE PREVAILING RATE INDEX (PRI).
- ✓ TRY TO ANNUALLY BUDGET FOR PLAN MAINTENANCE OF SOME KIND, AND CONSIDER WORKING TOWARDS A “RAINY DAY” FUND TO BE TAPPED IN LEANER YEARS.

COMPRESSION

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- ✓ IN JOB CLASSES WHERE THERE ARE MULTIPLE INCUMBENTS (POLICE OFFICER, MAINTENANCE WORKER), WHERE SALARIES FOR NEW HIRES, 3 YEAR, AND 5 YEAR EMPLOYEES ARE THE SAME OR TOO CLOSE TOGETHER.
- ✓ IN A DEPARTMENT OR JOB FAMILY, PAY OF A SUPERVISOR OR MANAGER TOO CLOSE TO THE PAY OF THOSE THEY SUPERVISE.
- ✓ CAN RESULT FROM SEVERAL ACTIONS, INCLUDING PAY FREEZES, IMPLEMENTATION OF NEW PLANS OR PAY RANGES, OR LACK OF CLEAR PROMOTIONAL GUIDELINES.

COMPRESSION

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- ✓ TRY TO BE CONSISTENT WITH INTERNAL PAY PRACTICES TO AVOID GIVING MORE CREDIT TO OUTSIDE SERVICE THAN YOU HAVE BEEN ABLE TO MAINTAIN INTERNALLY. EXAMPLE, WHAT HAS BEEN YOUR AGENCY'S 5-YEAR SALARY HISTORY? AVERAGE OF ___% PER YEAR? TRY TO APPLY THAT SAME AVERAGE FOR HIRING PLACEMENT.
- ✓ CONSIDER PROMOTIONAL GUIDELINES THAT RESULT IN SUPERVISORS OR MANAGERS BASE PAY BEING AT LEAST 5% OR 10% GREATER THAN HIS / HER HIGHEST PAID SUBORDINATE.

SUMMARIES

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- ✓ AN ORGANIZATION'S APPROACH TO COMPENSATION PLAN DEVELOPMENT AND SALARY ADMINISTRATION SHOULD CONSIDER ENVIRONMENTAL FACTORS SUCH AS MARKET REALITIES, INTERNAL EQUITY, AND BUDGET CONSTRAINTS.
- ✓ COMPENSATION PLANS AND SALARY RANGE STRUCTURES CAN BE DEVELOPED USING A COMBINATION OF SEVERAL RELIABLE AND ESTABLISHED METHODS.
- ✓ COMPENSATION PLANNING METHODS MIGHT BE CONSISTENT FROM YEAR TO YEAR, WHILE SALARY ADMINISTRATION PRACTICES MAY VARY ANNUALLY.

SUMMARIES

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- ✓ CONSIDER CONDUCTING FOCUS GROUPS WITH SAMPLES OF EMPLOYEES, SUPERVISORS, AND MANAGERS TO HELP DETERMINE WHAT YOUR ORGANIZATION WILL OR SHOULD VALUE IN ITS COMPENSATION PLANNING, AS WELL AS TO MEASURE THE WORKFORCE'S LEVEL OF UNDERSTANDING OF YOUR COMPENSATION PLAN.
- ✓ INCLUDE DECISION MAKERS AND POLICY MAKERS EARLY WHEN MAKING SIGNIFICANT CHANGES TO YOUR PLAN.
- ✓ AS BUDGETS AND STAFFING LEVELS SHRINK, BE SENSITIVE TO THE IMPACT ON JOB DESCRIPTIONS AND HOW THAT MAY IMPACT YOUR POLICY OR PHILOSOPHY.

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PUBLIC SECTOR PERSONNEL CONSULTANTS

OCTOBER 2023



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“POSITION CLASSIFICATION”

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- ✓ IDENTIFYING OR STUDYING THE NUMBER, TYPE, AND LEVEL OF DISTINCT JOB CLASSIFICATIONS OR OCCUPATIONS WITHIN AN ORGANIZATION.
- ✓ TYPICALLY PERFORMED IN ADVANCE OF COMPENSATION PLANNING TO ENSURE UP-TO-DATE DOCUMENTATION OF JOB DUTIES (JOB DESCRIPTIONS) AND ACCURACY IN INTERNAL OR EXTERNAL COMPARISON.
- ✓ **POSITION** REFERS TO AN INDIVIDUAL EMPLOYEE OR BUDGETED UNIT. **CLASSIFICATION** IS A BROADER TERM FOR A COMMON SET OF JOB DUTIES OR ESSENTIAL TASKS.

“POSITION CLASSIFICATION”

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- ✓ TO ASSIST HUMAN RESOURCES IN PROMOTING COMPARABLE TREATMENT OF INDIVIDUALS WITHIN AND ACROSS DEPARTMENTS (EQUAL PAY FOR EQUAL WORK).
- ✓ TO MAXIMIZE THE USE OF A FORMAL STRUCTURE FOR USE IN RECRUITMENT, SELECTION, ASSIGNMENT AND STAFF UTILIZATION AMONG DEPARTMENTS.
- ✓ TO PROVIDE A SYSTEMATIC METHOD OF DETERMINING COMPENSATION IN RELATION TO THE DIFFICULTY AND COMPLEXITY OF THE WORK PERFORMED.