

City of Minneapolis

Appointed Staff Compensation

Salary Limit Adjustment Requests

History

Over the years, most employees at the City of Minneapolis have formed or joined collective bargaining organizations for purposes of negotiating pay, benefits and conditions of employment. A core group of management employees has remained outside of bargaining units. These employees, known as Appointed Officials serve at the will of the Mayor and City Council. Some of the incumbents in these leadership roles are recruited from across the country and from private industry or public sector backgrounds. Others are long-term employees who have worked their way up through the ranks. The diverse experience of this group helps to focus the creative energy of the organization toward more effective and efficient service to the public. A common characteristic of this group is a sense of pride and accomplishment regarding their public service. Pay is not usually the primary concern of this group, but nevertheless is a consideration when individuals are faced with making career decisions.

Since 1962, the City of Minneapolis has used a job evaluation system (Cresap) developed with the assistance of an outside consulting firm based in Chicago. The evaluation system predates Minnesota Pay Equity by more than two decades. Over the years the system has been successfully used to rank jobs for compensation purposes and today serves as the underlying tool for implementation of pay equity. In 1993 the City hired an independent consulting firm, the Stanton Group, to survey other public jurisdictions, both local and national, to determine the prevailing market for appointed positions. Following the survey, the City retained the same consultant to update all job evaluations using the Cresap system. The reevaluation was then used, in conjunction with the market study, to develop a new pay plan for appointed staff that was approved in late 1994. The plan included an implementation feature that brought all pay into the targeted ranges and steps within the next three years.

The Minneapolis appointed pay plan uses a narrow band of pay for each job, centered on a rate determined by inserting job evaluation points into a regression formula. The regression predicted rate for each job is the one-year rate. The start rate is 95% of the one-year rate and the maximum is 105% of the one-year rate. The result is a highly structured and controlled pay program that operates under the assumptions that appointed staff are expected to be at full performance within a year of appointment because of their previous education and experience, as well as proven ability. The maximum is possible after six years, if performance meets expectations. Steps can be withheld if performance needs improvement. Six years was chosen as the time to reach the range maximum because of its similarity in length of time to a number of bargaining-unit step progression schedules. Similarity between male and female dominated job classes, in the length of time it takes an employee to reach maximum pay, is an objective that the Department of Employee Relations (DOER) measures when testing pay equity. One intermediate step is provided at three years.

This narrow range approach replaced a more traditional merit based system that used a midpoint as the point of attachment to the market. The system included a minimum that was 80% of the midpoint and a maximum that was 120% of the midpoint, thus producing a 50% spread from minimum to maximum. The traditional merit system had the unintended effect of creating real or perceived disparity in the compensation of employees, due to the wide range of possible pay delivery.

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The current formula originally developed in 1994 is derived from a regression analysis using market rates paired with evaluation points for each job. Each year the formula is adjusted in keeping with the pattern of increases given to all jobs employed by the City. In 1997, a second market study was completed in order to determine whether any adjustments to the formula were necessary for competitive reasons. The finding at that time was that, in the aggregate, the City remained competitive with other public jurisdictions and that no unusual adjustments were necessary.

The market study was repeated in 2000 and was performed by the same consultant, George Gmach, who is now at the Employers Association. The 2000 study again showed that the City appointed pay plan, when viewed in the aggregate, was competitive with comparable public jurisdictions. In 2003 Minneapolis would have normally studied the appointed jobs again to determine whether any re-indexing of the formula was appropriate. Due to the freeze on pay it was decided that a study would be moot. Thus, a study is now due as soon as conditions are favorable.

Pay Administration Issues and Requested Adjustments

In 2000 the City's consultant recommended that administrative or legislative relief should be pursued in order to allow the pay plan to work as designed. The Mayor and City Council authorized staff to submit a request for administrative relief as provided for in the state statute. The relief was sought because:

- Minneapolis was experiencing salary compression as the overall mass of jobs continued to increase in pay and certain higher-level jobs were limited by the Governor's salary cap. Prolonged failure to relieve this compression discourages promotions to jobs with greater demands.
- Internal equity is compromised when jobs of higher point value (job content) can't be paid more than jobs of lower point value (job content) because of the Governor's salary cap
- Recruiting and retention is adversely affected when the prospect of receiving future increases is limited to the uncertain event of an adjustment in the Governor's salary cap

In 2000 the City of Minneapolis approached DOER with a request for 14 modest waivers from the governors' cap for a broad group of jobs that would be affected by the cap within the following three years under normal administration. At that time DOER provided some relief for five of the fourteen jobs. The criterion used in determining the amount granted to each job was the market study, with no weight given to the internal equity implications of the waivers. A strict interpretation of the statute was made that links waivers to market, recruiting and retention, but not internal equity. The statute does not contemplate internal pay equity as a reason for waivers. This is a fault in the statute and is not the fault of DOER. It is fair to say that the entire process of administrative relief at DOER in 2000 was relatively untested and evolving. The concept of approaching DOER for waivers adequate to facilitate 3 future years of future administration was unprecedented. The City was told that forward-looking waivers would not be granted and that it was acceptable to come back with additional requests whenever the market data supported increases to individual jobs. Due to the economy, no further increases were requested until November 2003, when an exception was requested and granted for the Chief of Police.

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There remain several jobs in the City where both internal equity and external market indicate that a waiver should be considered.

What is a Reasonable Administrative Guideline for Cap Waiver Requests?

Typically the Mayor and Council approve pay policy and thus control pay for all jobs. However, for those jobs that are impacted by the cap, the State of Minnesota must waive its statutory control before adjustments can be made through the normal process. This makes for a more complicated process, since the Mayor and Council must act twice on the request rather than just once as is the case with all jobs not impacted by the cap.

It is reasonable to set a standard that when market is clearly over the cap by a noticeable amount, a request for relief would be administratively taken to DOER. The threshold could be that when market reaches 110% of the cap (or \$125,717) a request would be carried to DOER. If DOER approves an adjustment, then the City could allow its compensation plan to work as designed and a pay adjustment could be granted administratively. If a pay increase were treated as a market exception and the amount requested causes pay to fall outside the approved City plan, then Mayor and Council approval would be required.

What is a Reasonable Limit on Market Exceptions?

Pay equity discourages major deviation from the overall pay plan. However, the DOER test is constructed in such a way that some exceptions are workable. We recommend that the impact on pay equity tests should be a required element of an exception request, since too many requests of this nature could adversely impact the overall test outcome.

Another reasonable limit may be that no job can exceed 120% of the one-year rate under the plan. Thus, if the one-year rate under the plan were \$120,000, the limit would be \$144,000 (provided the cap waiver is approved at that level). The basis for this limit is that 120% of midpoint is the typical maximum of a merit range. Midpoints and one-year rates in the Minneapolis plan are essentially the same with respect to the market.