

**The Town of Belmont
Compensation & Classification Study
Final Report**

Prepared By:

**DMG-MAXIMUS
9100 Purdue Road
Suite 209
Indianapolis, Indiana 46268
(800) 451-6747**

October, 2000

1.0 INTRODUCTION

The Town of Belmont, Massachusetts engaged DMG-MAXIMUS, INC. (DMG) to assist the Town in developing a comprehensive classification/compensation plan for a majority of the Town's employees. The project covered management positions as well as union and non-union employees within all Town departments, except uniformed personnel within Police and Fire. The focus of the study was to develop a pay administration program that would be:

- ❖ Internally equitable
- ❖ Externally competitive
- ❖ Affordable to implement

The study covered 197 individual employees in approximately 137 position classifications. This report presents the results of our efforts in developing a fair and manageable employee compensation program for the Town of Belmont. The report is divided into four sections following this introduction, as follows:

- ❖ Job Analysis and Evaluation
- ❖ Market Salary Survey and Pay Plan Development
- ❖ Pay Plan Implementation
- ❖ Project Summary

At the conclusion of the report narrative, we have attached two schedules which detail the results of the project.

2.0 JOB ANALYSIS AND EVALUATION

Developing an equitable and competitive pay plan entails a series of discreet steps. The services provided by DMG in accomplishing this objective are described below.

Orientation

DMG's project team first met with the Town of Belmont's Project Working Group to gain a more complete understanding of the Town's existing pay plan, the Town's compensation objectives and to finalize the project schedule. These meetings included employee orientation sessions and an explanation of DMG's Comprehensive Position Questionnaire (CPQ) that all employees covered by the study were asked to complete.

Job Analysis

The job analysis phase included gathering information from employees regarding their respective jobs and analyzing the inherent job content associated with each position classification. CPQ's were distributed to all Town employees covered by the project and employees were given approximately two weeks to complete the document. Supervisors and Department Directors were asked to review the completed CPQ's of their respective staffs for accuracy and thoroughness. After the supervisory review, completed questionnaires were returned to the Town's Personnel Director. Ultimately, all employee CPQ's were forwarded to DMG for analysis and evaluation.

Members of DMG's project team reviewed the CPQ's to become familiar with individual position tasks. DMG then conducted approximately 140 individual employee interviews. DMG's goal was to interview all management personnel and at least one employee from each position classification. The interview process enabled our consultants to further

understand job duties, responsibilities, required skills, organizational relationships and lines of communication.

Job Evaluation

The process by which the internal equity component of the proposed pay plan was established involved evaluating each applicable position classification using the Griffith/Archer Matrix Point Factor Job Evaluation System. This System is a copyrighted methodology developed by Earnest R. Archer, Ph.D., P.E., and supported by 25 years of research and testing. It is a highly reliable evaluation method because it uses well-defined criteria and verifiable job information. The Griffith/Archer System has been successfully applied and implemented in hundreds of public sector organizations throughout the United States.

The System employs universal job evaluation factors which address the primary work requirements, aptitude levels and responsibility components applicable to virtually all jobs. Each job classification covered by the study was evaluated using a combination of three (3) work factors, ten (10) distinct aptitudes (which apply to each work factor), and three (3) dimensions of employee responsibility.

DMG's proprietary job evaluation system was used to measure the following aspects of each job classification covered by the study. A few examples of comparative data are identified in parentheses.

Work Requirements

- ❖ Data Utilization (type of information, knowledge and concepts, what is done, how is it used, etc.)
- ❖ Human Interaction (who, why, for what purpose, level of interaction, etc.)

- ❖ Equipment, Tools and Materials Utilization (what types, for what purpose, how difficult, etc.)

Aptitude Requirements

- ❖ Verbal Requirements (basic or advanced; special knowledge, special language, etc.)
- ❖ Mathematical Requirements (basic math or advanced applications)
- ❖ Functional Reasoning Requirements (routine, structured, or regularly complex)
- ❖ Situational Reasoning Requirements (highly variable decision-making versus routine)
- ❖ Dexterity Development (what type of eye/hand/foot movement and agility is required)
- ❖ Physical Effort Requirements (stamina, strength and durability)
- ❖ Sensory Requirements (high or low level requirements-sight, sound, smell, taste, touch, dimension, etc.)
- ❖ Experience Requirements (what amount of day-to-day work-six months, 1-2 years, 5 or more years)
- ❖ Education Requirements (what amount of vocational knowledge-high school, college, bachelors, masters, special certification)
- ❖ Environmental Adaptability Requirements (what level- comfortable or high level exposure to dangerous conditions)

Responsibility Requirements

- ❖ Managerial Control (supervisory duties-one employee, ten employees, twenty employees; what type of supervision, etc.)

- ❖ Planning Requirements (normal and regularly-one week, one month, one year, more than a year; what type, how complex, etc.)
- ❖ Financial or Budgetary Responsibility (direct and/or indirect oversight of financial resources; budget preparation and control, accountability, etc.)

As indicated above, applying the Griffith/Archer Job Evaluation System involves determining the degrees of difficulty associated with each work requirement as well as the degrees of difficulty associated with each aptitude requirement. The degrees of difficulty associated with the work and aptitude requirements ultimately determine the evaluation points for individual jobs within the organization. This process is the foundation for developing the position classification hierarchy.

However, in addition to the work and aptitude requirements, a responsibility factor is also applied to each job evaluated. The responsibility factor is a multiplier which enhances the difficulty points as the various levels of responsibility are determined. Responsibility is considered a pervasive element, and not just a separate aptitude requirement or separate work requirement factor. Because of these particular relationships, all jobs within an organization, and in this case within the Town of Belmont, are evaluated against the same set of universal criteria. The advantage of using a single evaluation system is that the Town can compare all positions within its employee pay plan using a common measurement instrument.

3.0 MARKET SALARY SURVEY AND PAY PLAN DEVELOPMENT

DMG developed a salary survey instrument, reviewed the format and discussed potential survey participants with the Town's Working Group, contacted and requested the

cooperation of various organizations within the Town of Belmont's job market, and distributed the survey document. Along with questions applicable to general pay practices, the survey contained specific questions relating to the pay scales of 38 benchmark jobs from the Town of Belmont's existing employee pay plan. The survey also contained summaries of each benchmark classification's duties and responsibilities. These were included so that clear comparisons could be made to specific job requirements as opposed to only job titles.

As a result, DMG collected and analyzed salary survey data from a total of ten (10) entities, including comparable town governments, certain quasi-governmental agencies and a private employer. Listed below are the organizations which responded to the salary survey:

- ❖ Town of Arlington
- ❖ Town of Wellesley
- ❖ Belmont Public Schools
- ❖ McLean Hospital
- ❖ Massachusetts Institute of Technology
- ❖ Town of Watertown
- ❖ Town of Lexington
- ❖ Town of Concord
- ❖ Town of Needham
- ❖ Town of Reading

In addition to analyzing the reported salaries of each participant, DMG reviewed each entity's pay plan practices and other pertinent information regarding the management of employee compensation. It should be noted that employee benefits were not part of the scope

of this study and information relative to fringe benefits was not compiled as part of the market survey.

Pay Plan Design

The basic structure of a compensation plan consists of grouping jobs into pay grades based on internal equity relationships, and developing corresponding salary ranges based on external labor market demands.

Upon the return of the survey forms, DMG analyzed the salary survey results for comparability. Although the survey instrument requested data for a total of 38 benchmark job classifications, only 26 benchmark classifications were ultimately selected for pay plan design. This is because the survey participants did not all have the same position classifications as the Town of Belmont, and therefore, they did not report on every identified benchmark job. Further, some entities reported salary data for certain jobs that was significantly disparate with data reported by the other respondents. Nevertheless, the final number of benchmark classifications selected were determined to be representative of all position classifications covered by the study.

In order to develop an acceptable pay plan, the relationship between internal equity (job evaluations) and external equity (salary survey) needs to be reviewed for reasonableness. This is accomplished statistically through regression analysis.

Regression analysis compares the two sets of data (job evaluations and salary survey) and distinguishes the relativity of each to the other, i.e., higher job evaluation points should result in greater compensation, and vice versa. DMG statistically regressed the salary survey's average midpoints against the job evaluation point scores for the selected benchmark classifications. The line drawn through the data points is called the "line of best fit." In

addition, a measure of the correlation between job evaluation point scores and the market survey results must be made. This statistical measure of the tightness of the fit is called r^2 , or the “index of determination.” For the Town of Belmont this equals .986, which can be interpreted to mean that 98.6 percent of the variance in market data correlates with the differences in job evaluation scores. This is a very high correlation measure and it means that we could rely upon the statistical relationships established from the regression analysis to derive a pay plan for the Town of Belmont.

In designing the Town’s pay plan, DMG grouped all of the proposed job classifications determined through our evaluations into sequential and equal 50-point pay grades (point spreads). This created a classification structure of Grade 1 (lowest) through Grade 25 (highest). To establish the pay range midpoints, we substituted the middle point value of each pay grade interval into the regression equation.

It is also desirable to have a pay range “around the midpoint” to reflect the range of pay values in the marketplace. This allows the Town to pay new employees less than the average market value estimate, and to pay more experienced or high performing employees at or above the average in the marketplace. The salary ranges DMG developed for the Town of Belmont have a forty percent (40%) spread between the minimum dollar value and the maximum dollar value within each range.

4.0 PAY PLAN IMPLEMENTATION

Technical Considerations – Minimum, Midpoint and Maximum Pay

Although a new pay plan will ultimately be based on what the Town of Belmont can financially afford, the technical aspects of pay plan design incorporate a few basic

requirements for implementation. One basic requirement is to bring all employees' salaries to at least the minimum of the recommended salary ranges. However, in many cases, this basic requirement is limiting because it does not address individual employee equity, which is defined as the relative difference in employees' actual salaries within a given pay range. Therefore, a more comprehensive strategy for adjusting employee compensation is necessary.

A pay range maximum is intended to be the top salary available for a position classification assigned to a particular pay grade. To the extent that the Town may have some employees who are currently paid above the proposed pay range maximums, we recommend granting lump-sum payments (bonuses) that do not increase the base pay. If increases in base pay are given, the pay plan becomes skewed and its consistency begins to erode. This will ultimately impact the Town's ability to properly administer the plan in the future.

Conceptually, the range midpoint is the market rate and is intended to be the salary paid to a fully qualified employee who is meeting the Town's performance expectations for his/her position. The midpoint rates are provided as "target" rates, and, generally, employees should reach their range midpoints within 5 years of assignment to their positions (assuming satisfactory performance).

Recommendations

An analysis of employees' salaries after implementing a pay plan which only addresses the basic (minimum) requirement will often show a bunching or compaction of employees' salaries around the minimum of each pay range. Also, in many cases, most of the employees receiving significant increases in salary will be those who have been recently hired, or those

who are at, or close to, the minimums of the salary ranges. Employees who are in the middle to upper portions of the proposed ranges, and correspondingly receive relatively minor increases in salary through such a strategy, often view this approach as unfair. Therefore, DMG has developed a series of recommendations which go beyond the basic requirement of pay plan implementation. These alternatives are discussed in the following sections.

Employees whose current salary is below the midpoint of the recommended salary range

As stated above, an employee should be fully qualified to perform his/her job in 5 years and should be compensated accordingly (market rate or midpoint). As a result, DMG is recommending that employees whose current rate is below the midpoint of the recommended salary range, should be placed within the new salary range based on time in job. This produces the following schedule:

<u>Time in Position</u>	<u>Placement in Range</u>
Less than 1 year	minimum
1 year but less than 2 years	20% of midpoint
2 year but less than 3 years	40% of midpoint
3 year but less than 4 years	60% of midpoint
4 year but less than 5 years	80% of midpoint
5 years or more	midpoint

Employees whose current salary is above the midpoint of the recommended salary range

Since the midpoint is the market rate, employees whose current salary is above the midpoint are already being compensated appropriately. DMG recommends that these employees be placed in the new salary range at their current rate. These employees should be eligible for

normal “cost of living” and/or performance adjustments as long as their adjusted salary does not exceed the range maximum.

DMG feels that through this process, the Town of Belmont will establish a more balanced and more equitable compensation program.

The philosophy behind this strategy is based on the following factors:

1. Those employees who are currently paid below the minimum of the proposed pay range for their job should be adjusted to the minimum of the applicable range.
2. Individual employees (whether below, at, or above the minimums of the proposed pay ranges) should be compensated for their efforts based on years of service.
3. The mid-point of the pay range is often considered the “average market rate of pay.” However, it is customary and practical to establish pay ranges which reflect relative market rates, i.e. those which fairly compensate both entry level and high performing employees.
4. Those employees who are currently paid at or above the mid-points of the recommended pay ranges are being compensated fairly in relation to the market. However, they too should be recognized for their service contributions up to certain limits.
5. Those employees who are currently paid above the maximums of the proposed pay ranges should not receive an adjustment in pay unless the Town wishes to recognize their efforts through bonus compensation.

Future movements through the pay ranges could be based on employee performance or through a similar application of the percentage of mid-point dollar amount(s) methodology or both. Further, all pay ranges should be adjusted upward in a consistent manner on an annual basis dependent on economic conditions. This process assures the Town of continued competitive pay rates with those of the external job market, and allows for the above methodology to be used consistently in the future.

5.0 PROJECT SUMMARY

DMG has completed a comprehensive analysis of the Town of Belmont's compensation program for a majority of its employees. The study involved administration and review of 197 employee questionnaires, conducting 137 employee interviews, application of the Griffith/Archer Job Evaluation System in establishing 137 job classifications, administration and analysis of a market salary survey, application of standard statistical procedures in designing a classification/compensation plan, and development of pay plan implementation recommendations.

DMG statistically regressed the results of a market salary survey against the Town of Belmont's job evaluation point scores to determine an appropriate pay grade structure and for developing representative pay ranges. The recommended employee compensation plan consists of 137 full-time and part-time position classifications within 25 separate pay grades. The corresponding pay ranges have a 40% spread between the minimum dollar values and maximum dollar values applicable to each.

The remainder of this report includes the following exhibits which illustrate the specific results of our analysis.

- ❖ Job Classification List – Grade Order (Full-Time and Part-Time Positions)
- ❖ Salary Grades and Ranges

CONCLUSION

DMG-MAXIMUS, INC. wishes to thank the Town of Belmont for affording us the opportunity to assist you in this valuable endeavor. We also wish to thank the Project Working Group, all department directors and the employees who participated in this study for their time and cooperation. Finally, we wish to offer our special thanks for the coordination efforts of Ms. Cynthia H. Gallagher, Personnel Director.

We hope that the professional services and work products provided by DMG in this engagement will continue to benefit the Town of Belmont for many years to come.