



## Personnel and Administrative Policy and Procedure

<b>SUBJECT:</b> Compensation System	<b>EFFECTIVE DATE:</b> July 1, 2003 <b>REVIEWED:</b> May 2011 <b>REVISED:</b>
<b>CATEGORY:</b> 200 <b>POLICY NUMBER:</b> 200.8	<b>CROSS REFERENCE:</b>

**Purpose:** To ensure that the organization's wage and salary rates are fair and competitive, comply with all legal requirements, and are designed to encourage and reward competent levels of performance.

### **Definitions:**

**Anniversary Date:** An employee's initial anniversary date will be the first of the month of hire if the actual date of hire occurs on or before the 15<sup>th</sup> of the month. An employee's initial anniversary date will be the first of the following month if the actual date of hire occurs on or after the 16<sup>th</sup> of the month. Changes to a classification resulting from promotions, demotions, transfers etc. will result in the establishment of a new anniversary date for consideration of merit increases, eligibility for end of probation, and seniority rights. (See Anniversary Date Administrative Policy and Procedure.)

**Demotion:** The movement of an employee from a position in one class to a position in another class having a lower salary range. A voluntary demotion is a demotion initiated by an employee. An involuntary demotion is a demotion initiated by an appointing authority.

**Merit Increase:** An increase in salary rate established in the salary plan that is granted to an employee based on their job performance.

**Promotion:** The movement of an employee from a position in one classification to a position in another classification having a higher salary range; however, movement from a non-confidential class to the equivalent confidential class is not considered a promotion.

**Salary Review Date:** The first day of the month in which an employee is eligible for a salary increase based on merit.

**Transfer:** The movement of an employee from one position to another position of the same class or of another class having the same salary range, involving the performance of similar duties, and requiring essentially the same basic qualifications.

**Scope:** The salary plans for City employees are developed through the collective bargaining process for represented employees. Salary plans for supervisor, management, and unrepresented employees are established by the Council after receiving recommendations from the City Manager and/or the HR Director.

**Policy:** The salary plans shall include for each class a minimum and maximum rate and such intermediate rates as are considered necessary and equitable. Flat rates may be used instead of salary ranges where appropriate. The rates are the gross rate of pay. The pay range assigned to each class shall reflect the difference in duties, responsibilities and job specifications between it and other classes; and shall take into

consideration wages paid for comparable work in comparable organizations, and other factors considered because of recruitment problems for a specific classification, other conditions of employment and the ability to pay the compensation recommendation developed using the above factors.

Salary increases are not automatic. They are based on merit and are measured and justified by a performance evaluation. Department Heads shall recommend to the HR Director merit increases only for those employees who have met appropriate standards of work performance.

## **Guidelines for Use**

### **Salary Administration**

#### **Salary Rates and Ranges**

The rate of pay may be hourly or monthly depending on the conditions of employment. Hourly rates for forty (40) hour workweek employees are determined by dividing the annual salary by 2,080 hours. Each employee shall be paid a rate of pay within the salary range for the class in which the individual is employed. Normal rates of pay are those established and published for each step in the salary range. A rate above the established top step in a salary range may be paid only when an employee is reclassified from a higher salary range to a lower salary range and the employee's salary rate is frozen at the amount earned before reclassification.

#### **Rate Paid at Appointment**

Normally an employee will be appointed at the minimum rate for the class. If an appointing authority believes it is necessary to make an appointment above the minimum rate, authorization must be obtained from the HR Director. In determining such requests, the HR Director shall give consideration to the qualifications of the candidate, availability of applicants, market conditions, previous contiguous employment with the City, and the resulting salary relationship with other similar positions. An employee, who does not meet the minimum requirements of the classification, may be hired at a rate below the minimum rate for the class for training purposes. If a department head believes it is necessary to make an appointment below the minimum rate, authorization must be obtained from the Human Resources Director.

#### **Effects of Personnel Actions on Salary**

- Supervisors should complete a performance evaluation prior to the employee receiving a merit increase.
- Merit increases may be withheld if an employee fails to meet performance standards.
- Supervisors should notify the employee and Human Resources, no later than the employee's anniversary date, when an employee will not receive a merit increase.
- An employee is eligible for a merit increase following satisfactory completion of six continuous months of employment. Thereafter an employee is eligible for an additional merit increase upon satisfactory completion of twelve full months of employment until the employee has reached the top step of the range for the position held.
- Exceptional performance may be rewarded by accelerated advancement through the steps of the range. This is a rare exception that may be made with approval by the HR Director. It is only granted in instances where the employee is clearly performing beyond the standard satisfactory level of performance expected of an employee having served in that classification.
- An employee whose probationary period is extended will not be eligible for a merit increase until the probationary period is satisfactorily completed.

#### **D. Effects of Personnel Actions on Compensation**

**Promotion:** An employee who is promoted will receive a pay increase to a rate equal to a one (1) step increase in the employee's current salary range, unless such increase is not sufficient to place the salary within the new salary range, in which case the salary will be advanced to the first step of the new range. If a rate equal to a one (1) step increase is between the steps of the new salary range, the employee may be placed at the step in the new salary range which is closest to but above the rate equal to a one (1) step increase. If it is believed to be appropriate, the employee may be placed at whatever higher rate in the range is determined by the department head and HR Director to be appropriate based on the exceptional experience and qualifications of the employee. The employee will be placed on probation to the classification. The length of the probationary period shall be no less than three (3) full months of continuous service. Exception: those in the Police Service may be required to complete eighteen (18) full calendar months of probation.

Upon satisfactory completion of the probationary period and conclusion of a minimum of six (6) full continuous months of employment, the employee will be eligible to proceed based on satisfactory performance to the next step of the salary range and every twelve (12) months thereafter. The employee's anniversary and seniority dates to the classification shall be adjusted to the effective date of the promotion.

**Demotion:** If an employee is demoted to a class having a lower salary range for reasons unrelated to the employee's work performance but for organizational reasons, the salary rate shall not be reduced as long as the rate is within the salary range of the lower classification. If the rate is not within the salary range of the lower classification, the salary rate may be reduced to the top step of the new range or to whatever rate in the range is determined by the department head and HR Director to be appropriate based on the experience and qualifications of the employee. The employee's anniversary and seniority dates to the classification shall be adjusted to the date of the demotion.

**Demotion for Cause:** Demotion for cause will result in a reduction in salary to any step in the salary range of the lower class determined by the department head and approved by the HR Director. The employee's anniversary and seniority dates to the classification shall be adjusted to the date of the demotion.

**Reclassification:** An employee whose position is reclassified to a higher classification will receive a pay increase to a rate equal to a one (1) step increase in the employee's current salary range, unless such increase is not sufficient to place the salary within the new salary range, in which case the salary will be advanced to the first step of the new range. The employee will not be placed on probationary status. When an employee's position is reclassified to a lower classification, the salary may be decreased if the salary is higher than the highest step of the new salary range or the salary may be frozen until the new range reaches the employee's present pay level. The employee's anniversary and seniority dates to the classification shall be adjusted to the date of the reclassification.

**Lateral Transfer:** When an employee is transferred from one classification to another classification having the same salary range, the employee's pay will remain the same. The employee will be placed on probation to the classification if he has not previously served a probationary period in the classification. The employee's anniversary and seniority dates to the classification shall be adjusted to the date of the reclassification.

**Modified Work Assignment:** When an employee is temporarily assigned modified or alternative work due to a work related illness or injury, the employee will receive all pay and benefits as though the employee continued in his/her normal assignment, less any premium payments for which the employee is no longer eligible because of duties s/he is not performing while on limited duty. When an employee is temporarily assigned modified or alternative work due to a non-work related illness or injury, the employee's rate of pay will generally remain the same less any premium payments for which the employee is no longer eligible because of duties s/he is not performing while on limited duty; however, the rate of pay may be reduced or increased to the classification most similar to the modified duties of the employee based on length of anticipated duration in the modified assignment.

**Police Recruit:** The hiring of Police Recruits provides a unique situation, as this is a training classification for Police Officer. To acknowledge this situation, those employees hired as Police Recruits shall be eligible to advance as follows:

- An employee hired as a Police Recruit at Step A shall be eligible to move to step B after six (6) months of satisfactory continuous employment.
- An employee who is either a Police Recruit at Step "A" or step "B" Shall be moved to Police Officer Step "A" upon receipt by Human Resources of documentation that the employee has satisfactorily passed the Oregon DPSST Basic Academy.
- No employee hired as a Police Recruit shall be eligible to advance to Police Officer Step "B" until the employee has satisfactorily completed twelve (12) consecutive months of employment with the City of Milwaukie in the capacity of Police Recruit and Police Office.

**Salary Range Adjustments:** A salary range adjustment is a change in the rates of pay in the salary range assigned to a particular classification. Salary range adjustments normally are made at the start of the fiscal year. Salary range adjustments are to be distinguished from merit salary increases. They are based on negotiated amounts or prevailing rates of pay for the various classes of work in the City service. An employee whose salary range is adjusted will be placed at the same step in the new range. Such adjustments will not change an employee's salary review date.

### **Procedures**

1. The supervisor completes a performance evaluation prior to an employee's anniversary date.
2. The supervisor forwards the evaluation (after the performance review with the employee) to the HR Department to be placed in the employee's official personnel file.
3. Human Resources processes the Personnel Action Form for the merit increase.
4. Payroll implements the transaction for the employee to receive the merit increase.

### **Responsibilities**

Supervisor: To complete the performance review by the anniversary date and submit a completed copy to the HR Department.

Human Resources: To complete the Personnel Action form noting the salary adjustment.

Payroll: To enter the transaction into the payroll system.

Department Head: To ensure that sufficient funds are available to cover the cost of salary increases as provided above so that no budgetary deficit will thereby be created.