

# Whatcom County 2022 Compensation Study Final Report

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# Study Background & Methodology



# Study Background

## Background

- In February 2022, Whatcom County (“County”) contracted with Gallagher Benefit Services, Inc. (“Gallagher”) to perform a comprehensive market analysis to determine the competitiveness of the County’s pay structure and related pay practices. The specific objectives of the study were to:
  - Conduct a custom salary survey for 49 benchmark positions across the County’s four job classification groups (Department Head, Management, Professional, and Support)
  - Conduct additional market pricing to provide a representation of the private sector labor market
  - Analyze all compensation data and provide comparisons to the County’s formal salary structures
  - Analyze internal salary relationships to ensure internal equity
  - Recommend possible modifications to the current County salary ranges as well as structural model changes
  - Prepare a written report of our findings, comparisons and recommendation



# Survey Methodology

## Data Collection

- In order to provide a comprehensive view of the competitive labor market, both a custom survey and supplemental ‘market pricing’ for each of the 49 benchmark jobs were utilized to determine market competitive rates.
  - Supplemental data is collected from reputable published salary surveys to provide a view of both public and private sector employers.
- Market pricing is a method of collecting relevant market salary data on specific positions (i.e. benchmark) in order to determine the competitiveness of an organization’s compensation system.
  - Gallagher follows the guidelines established by WorldatWork (the professional compensation association) for job matching, which states that a job should be matched if 80% of the job duties/responsibilities are similar. This means that the job matches utilized for this study were made on the basis of job content – not job title.
  - Market analysis summaries represent the market average of the defined labor markets for all benchmark positions.



# Survey Methodology

## Data Aging

- Because salary survey data were used to supplement the overall analysis, it was necessary to age all survey data to a single effective date. The effective date of January 15, 2022 was chosen to coincide with the custom survey data collected from peer organizations for this study.
  - To determine the percentage a survey needs to be aged, the effective date of the survey is obtained, subtracted from the effective date chosen, then multiplied by the forecasted salary increase for the appropriate time period. The forecasted increase figures were obtained from the annual WorldatWork Salary Budget Survey.

## Salary Survey Databases

- Gallagher used the following published surveys to supplement the custom data:
  - CompData Survey Suite
  - Mercer Survey Suite
- Gallagher collected market data under for-profit and/or all industries data cuts from published surveys to represent private sector competitors in the labor market.



# Survey Methodology

## Compiling Market Data

- Applying geographic differentials is a sound compensation practice in an effort to arrive at a more precise figure and account for different labor and economic conditions.
- This process normalizes the data to the Bellingham geographic labor market.
- Geographic adjustment factors, obtained from the Economic Research Institute, are:

Geography and Adjustment Factor	
Bellingham, WA	100.0%
Benton County	96.5%
Federal Way, WA	89.4%
Kirkland, WA	89.6%
Kitsap County	95.8%
Richland, WA	97.0%
Skagit County	96.8%
Snohomish County	89.6%
Yakima County	102.8%
Yakima, WA	102.8%

Example: Benton County has a higher cost of **labor** than target location; therefore, data for the Benton County was adjusted **downward** by 3.5% to normalize the rates of pay to the County.



# Survey Methodology

## Compiling Market Data – Additional Comparison

- After the discussion with County committee, Gallagher understood the concerns of the general cost of labor trend factors not reflecting the public sector pay/salary structure difference accurately and re-ran the comparison with market data not adjusted by cost of labor differentials.
- The new comparison returned result slightly different from the original comparison's. However, the County's overall salary structure competitiveness level remains the same (highly competitive), thus the recommendations were based on the same comparison conclusion (with/without geographic adjustment).





# Survey Methodology – Custom Survey

## Survey Participants

- Gallagher fielded a survey questionnaire to collect salary data from 14 comparable organizations (7 counties and 7 cities)
- 10** of the 14 selected peer organization completed and submitted the custom survey.

Survey Participants (14)	
<u>Bellingham, WA</u>	<u>Richland, WA</u>
<u>Benton County</u>	<u>Skagit County</u>
<u>Federal Way, WA</u>	<u>Snohomish County</u>
<u>Kirkland, WA</u>	<u>Yakima County</u>
<u>Kitsap County</u>	<u>Yakima, WA</u>
City of Renton	City of Auburn
Thurston County	Cowlitz County

## Comparator Organization Criteria

- Comparators that were included in the 2016 study
- Employer size and complexity
- Geographic proximity
- Nature of services provided (i.e., Public Administration)



# Survey Methodology – Custom Survey

## Process

- Gallagher followed up with each organization to encourage participation.
- Gallagher reviewed the data collected from participants and followed up directly with participants to clarify and validate missing or questionable information reported.
- Organizations were asked to make a match for only those jobs that reflected at least 80% of the duties as outlined in the benchmark summaries.
- All data are effective January, 2022 and reflect hourly rates.
- Gallagher followed the U.S. Department of Justice and Federal Trade Commission guidelines that state 5 job matches should exist per job in order to conduct statistical analyses or for drawing conclusions.



# Survey Methodology

## Benchmark Job Selection Criteria

- Representation from lowest levels in organization to highest levels in the organization
- Representation across all function areas
- High incumbent positions
- Hard to recruit positions
- Positions that are common in the marketplace (so matches can be found)



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# Compensation Review



# Summary of Market Comparison

## Reviewing Market Data

- Gallagher performed several reviews of the data to identify any extreme data and to ensure validity and reliability of the data.
- Through a statistical analysis, any salary figures that were considered extreme outliers in relation to all other salary figures were excluded.
- Market averages of range minimum/mid-point/maximum were calculated for comparison.
- The following guidelines are used when determining the competitive nature of current compensation:
  - +/-5% = Highly competitive
  - +/-10% = Competitive
  - +/-10-15% = Possible misalignment with market
  - >15% = Significant misalignment with market
- Once the survey analysis and report was completed, it was submitted internally through our firm's quality control process for review before it was submitted to the County.



# Summary of Market Comparison – Pay Range

## Overall Comparison

- On an overall basis of all jobs combined, the percentage that the County is above or below the market (range mid-point) is shown in the table below:

Comparison Category	Range Mid-Point Comparison	Range Mid-Point Comparison (without Geo-Adj.)	Competitiveness Level
Combined	1%	-1%	Highly Competitive
Public Sector (Custom Survey)	1%	-3%	Highly Competitive
Private Sector (Published Survey)	0%	0%	Highly Competitive

- Comparisons are based on all data collected for each benchmark job and then aggregated to assess the overall competitive nature of the pay system.
  - The competitiveness of the pay system is based on the average of range min/mid/max compared to the County’s pay ranges.
  - Overall, the County is highly competitive with market target in salary range mid-point.
- Individual comparisons vary.



# Summary of Market Comparison – Pay Range

## Overall Comparison

- The following tables provide a brief summary of how the aggregated salary range minimums, midpoint, and maximums compare to the combined labor market by job group (with/without geographic adjustment):

Classification Group	Minimums	Mid-Points	Maximums
Department Head	5%	2%	3%
Management	2%	1%	2%
Professional	3%	1%	1%
Support	4%	2%	0%

Classification Group (without Geo-Adjustment)	Minimums	Mid-Points	Maximums
Department Head	0%	-1%	0%
Management	-1%	-2%	0%
Professional	1%	-1%	-1%
Support	3%	1%	-2%

# Summary of Market Comparison – Pay Range



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## Detailed Comparisons

- The following three pages provide the detailed market comparison (by job) to selected peer organizations.

Department Head	Min Comparison	Mid Comparison	Max Comparison
Director – Administrative Services/Deputy Executive	-11%	-11%	-8%
Director - Public Works	-4%	0%	-2%
Director of Superior Court Administration	32%	22%	27%
Director - Planning and Development	1%	2%	1%
Director - Health Department	N/A	N/A	N/A
Public Defender	3%	5%	13%
Director - Parks and Recreation	-9%	-12%	-10%
District Court & District Court Probation Administrator (Court Administrator)	27%	24%	31%



# Summary of Market Comparison – Pay Range



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Management	Min Comparison	Mid Comparison	Max Comparison
Chief Deputy Prosecutor (Criminal)	-7%	-1%	5%
Assistant Director – Planning & Development Services	N/A	N/A	N/A
Project and Operations Manager (Facilities)	13%	15%	18%
Finance Manager	-14%	-13%	-4%
Human Resources Manager	9%	6%	15%
IT Manager	4%	8%	11%
Assistant Director – Public Works	-9%	-9%	-11%
County Engineer – Public Works	-9%	-9%	-3%
Emergency Medical Services Manager	N/A	N/A	N/A
Human Services Manager - Health Department	1%	6%	9%
Engineering Manager – Public Works	-7%	-7%	-4%
Maintenance and Operations Superintendent (Public Works Road Superintendent)	-5%	-5%	-4%
Stormwater Program Manager – Public Works	2%	2%	7%
Chief Deputy/Assistant Superior Court Administrator	20%	20%	27%
Division Manager – Planning and Development Services	-4%	-3%	2%
Special Programs Manager – Public Works	N/A	N/A	N/A
Associate Manager (Finance, Facilities, HR)	N/A	N/A	N/A
Deputy Director, Emergency Management	-11%	-8%	-3%
Deputy District Court Administrator	N/A	N/A	N/A
Financial Services Manager – Public Works	-7%	-1%	2%

# Summary of Market Comparison – Pay Range



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Professional	Min Comparison	Mid Comparison	Max Comparison
Grant Manager	N/A	N/A	N/A
Senior Deputy Prosecutor	-3%	2%	3%
Deputy II Prosecutor	-1%	3%	6%
Applications Supervisor - IT	-11%	-9%	-3%
Public Safety Communications Manager	N/A	N/A	N/A
Assistant Superintendent – Public Works M & O	-2%	1%	4%
Senior Design & Development Supervisor – Parks	N/A	N/A	N/A
Legislative Analyst - Council	N/A	N/A	N/A
Public Records Officer	14%	11%	13%
Senior Budget Analyst - Finance	-3%	0%	5%
Deputy I Prosecutor	10%	14%	13%
Operations Supervisor – Planning & Development Services	N/A	N/A	N/A
Human Resources Representative III	3%	5%	6%
Maintenance & Construction Supervisor – Parks	-10%	-7%	-7%
Community Outreach Facilitator	N/A	N/A	N/A
Emergency Management Program Specialist	N/A	N/A	N/A
Weed Control Coordinator	1%	1%	4%
Custodial Coordinator	N/A	N/A	N/A
Support	Min Comparison	Mid Comparison	Max Comparison
Legislative Coordinator - Council	N/A	N/A	N/A
Paralegal - Prosecutor	2%	10%	13%
Executive Secretary	-10%	-7%	-4%



# Summary of Market Comparison – Paid Time Off

## Paid Time Off Comparison

- Overall, the County is leading/aligned with market in number of Vacation Leave and Sick Leave hours, as well as policy for cash out/payout of unused paid time off:

Comparison Item	Market Average	County	Market Position
Vacation Leave	94-208	120-240	Leading
Sick Leave	92-99	96	Aligned
Combined PTO	156-275	256-312	Leading

Comparison Item	Market Response	County	Market Position
Annual Cash Out for Vacation	40%	Allowed	Leading
Annual Cash Out for Sick Leave	0%	Allowed	Leading



# Summary of Market Comparison – Retirement Plan

## Retirement Plan Comparison

- Overall, the County is aligned with market in the provision of retirement plan:

Comparison Item	Market Trend	County	Market Position
457	100%	Offered	Aligned
401 (A)	30%	Offered	Leading
Employer Funded Defined Contribution Plan ( <b>other than PERS</b> )	10%	Not Offered	Aligned



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# Classification/Grade Review



# Summary of Classification Review

## Classification Review

- Gallagher worked with the County to review all current job descriptions and identify jobs that require grade re-alignment.
- Based on review of the County's evaluation methodology, Gallagher found that internal equity is well maintained under the County's current system.
- Current job grades and hierarchy was then used as critical reference for the proposed new structure implementation.



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# Salary Structure Review



# Salary Structure Review

- Since the County's current salary structure is highly competitive with the market, there is no need to update the full structure.
- However, as significant overlaps among the four current pay structures were identified, we recommend to utilize the market data to create a simplified salary structure that covers all jobs.
  - In this approach, Gallagher referenced the aggregated market data for each (current) pay grade and used a 'market slotting' approach that utilizes the market data to slot each County classification into the appropriate grade of the new structure.
  - In this approach, the current 'Department Head, Management, Professional, and Support' categories are combined into a single structure that utilizes a standard range progression and reduces the number of grades.





# Salary Structure Review – Modelling

- In order to simplify the County’s structure and provide a closer link to the market, Gallagher proposed a sample salary structure with 20 grades and mid-points based on the survey data. The range spread is set at 38.5% to be consistent with the County’s current practice and also competitive with the typical market range spread.
- Each grade in the sample structure includes 13 steps that allows a 2.75% step differential to be consistent with common market practice.

Pay Grade	Min	Mid	Max	Range Spread
1	\$46,735	\$54,996	\$64,718	38.5%
2	\$49,539	\$58,296	\$68,601	38.5%
3	\$52,511	\$61,794	\$72,717	38.5%
4	\$55,662	\$65,501	\$77,080	38.5%
5	\$59,002	\$69,431	\$81,705	38.5%
6	\$62,542	\$73,597	\$86,607	38.5%
7	\$66,294	\$78,013	\$91,803	38.5%
8	\$70,272	\$82,694	\$97,312	38.5%
9	\$74,488	\$87,656	\$103,150	38.5%
10	\$78,958	\$92,915	\$109,339	38.5%
11	\$83,695	\$98,490	\$115,900	38.5%
12	\$88,717	\$104,399	\$122,854	38.5%
13	\$94,040	\$110,663	\$130,225	38.5%
14	\$99,682	\$117,303	\$138,038	38.5%
15	\$105,663	\$124,341	\$146,321	38.5%
16	\$112,003	\$131,802	\$155,100	38.5%
17	\$118,723	\$139,710	\$164,406	38.5%
18	\$125,847	\$148,092	\$174,270	38.5%
19	\$133,397	\$156,978	\$184,727	38.5%
20	\$141,401	\$166,397	\$195,810	38.5%

# Salary Structure Review – Implementation



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## Annualized Implementation Cost Estimate:

- Gallagher then conducted implementation cost estimate for the proposed sample structure/step plan:
  - Employees will be brought to closest higher step in the new range assigned;
  - For employees with current pay lower than proposed new range minimum, they should be brought up to new range minimum;
  - For employees with current pay higher than proposed new range maximum, they should remain at current pay rate till the structure catches up with regular/annual structure adjustment.

<b>Total EEs</b>	142
<b>Number of Employees with Current Pay Over New Max</b>	19
<b>Number of EEs Receiving Pay Increase</b>	123
<b>Implementation Cost</b>	
Bringing EEs to Closest Higher Step in New Range Total Cost	\$166,174
Current Total Payroll	\$14,202,899
% of Total Payroll	1.17%



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# Conclusions & Recommendations



# Conclusions & Recommendations

## Conclusions & Next Steps

- Overall, the County's current pay structures are highly competitive/competitive with market target;
- However, as noted, we did identify the range overlap with the framework of the current salary structures and recommended a simplified structure to cover all jobs (currently covered by four structures).



# Conclusions & Recommendations

## Ongoing Administration

- Annual Updates
  - In order to reflect necessary increases in the minimum, job rates and merit maximums appropriate for each job, the salary structure should be reviewed annually. Gallagher can provide the County with the average percentage increase for employee salaries and salary structures on an annual basis, or the County may use a labor market index.
  - It is recommended that the respective starting rates, job rates and merit maximums be increased by a percentage that reflects the market trends and the County's hiring experience. The use of a dollar amount increase would compress the structure over time.
- Long-Term Updates
  - The County should re-evaluate its overall structure at regular intervals (e.g., 2 to 3 years depending upon market movements) to ensure that its structure and salary levels are consistent with the marketplace.
  - This would involve conducting a market salary study, such as was conducted here, every 2 to 3 years (depending on the economy) to make sure that the County's pay scales and employee salaries remain competitive.

# Thank you!

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