



## **EXECUTIVE SUMMARY**

**Douglas County, Wisconsin**

**September 19, 2013**

Carlson Dettmann Consulting (CDC) has conducted a job classification and compensation study for Douglas County over the past several weeks, and we are providing our findings and recommendations in this executive summary. The study covers some 300 employees with an annual base payroll of approximately \$14.5 million and an average salary of \$45,000.

The general scope of the project requested by Douglas County was development of a pay plan that would do the following: 1) balance internal equity and consistency with market competitiveness; 2) provide a consistent pay plan for all covered staff; 3) strengthen the relationship between pay and performance management; and 4) in developing a plan, consider the level of benefits provided by Douglas County for its employees.

Internal equity and consistency was achieved using CDC's Job Evaluation System to rate five key job-related factors. The job evaluation factors are:

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- Formal Preparation and Experience
- Decision Making (Impact)
- Thinking Challenges and Problem Solving
- Interactions and Communications
- Work Environment

The point scores on each factor were totaled to obtain the overall point value of the job. Having a point score allows CDC to band jobs together that may be quite varied in order to establish a job hierarchy and classification system that is internally consistent.

CDC determined a fixed number of pay grades, grouping jobs with similar total point scores into grades so that jobs of similar value should have the same pay opportunities. Because there are five factors of job worth measured, jobs can end up in the same grade even though there are differences in point scores on different factors.

Our market analysis included base wage data from the following sources:

Custom survey data includes the following comparable organizations as defined by the County:

Ashland County, Barron County, Bayfield County, Burnett County, Chippewa County, City of Duluth MN, City of Superior, Dunn County, Eau Claire County, Polk County, Price County, Rusk County, Sawyer County, St. Louis County MN, and Washburn County

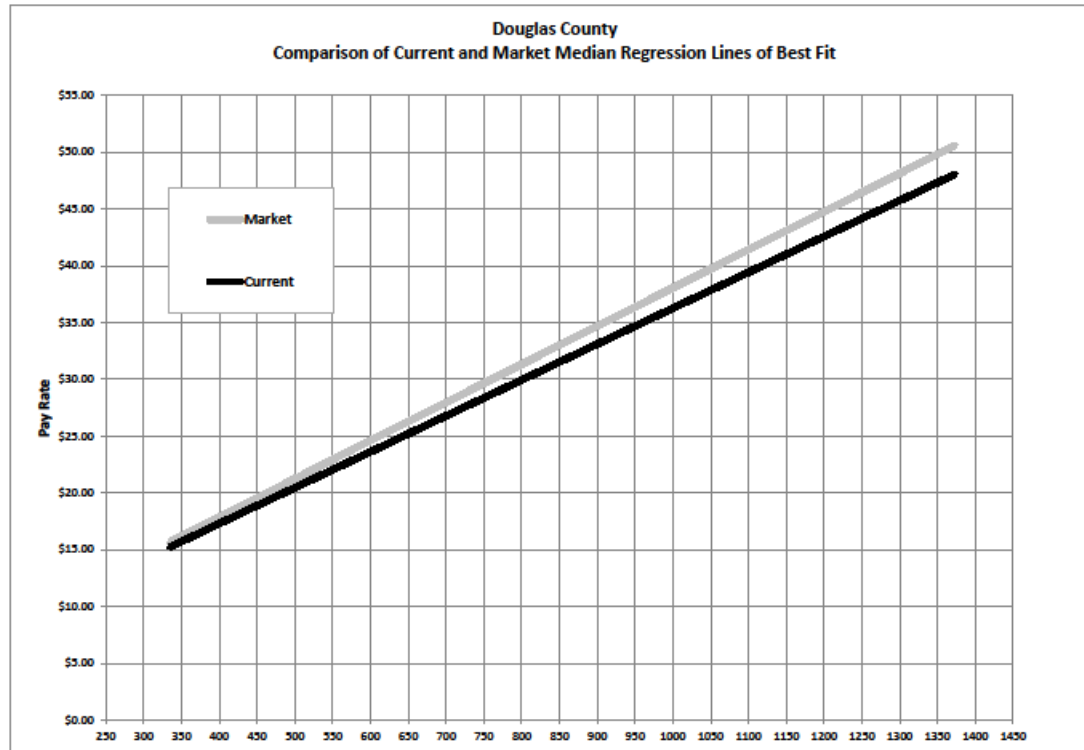
Supplemental data was analyzed from the U.S. Bureau of Labor Statistics area pay survey for Douglas County and, where, appropriate, Midwestern data from the Towers Watson survey publications.

We measured benchmarks for 50 job classifications covering over 60% of the incumbents. Overall, the benchmarks had an average market index of 96.7%. Most of job classifications in the lower end of the classification scale were close to market; the higher rated job classifications tended to be slightly below market.

Graphically, the result is as follows:

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This graph depicts the regression (trend) lines drawn through the data points for the benchmarks we measured. The black line reflects the relationship between job evaluation scores and the County's current pay rates; the gray line is the market line.

In terms of market competitiveness, it is CDC's conclusion from the analysis of the survey data that the majority of current pay rates at Douglas County are competitive. Having reviewed and discussed this finding, the Administration Committee instructed CDC to develop a single pay structure covering all staff that is linked to market average rates.

The Administration Committee further instructed that a pay structure be developed that will emphasize employee development and performance management. Accordingly, we are recommending a structure in which the first five years of employment will have pay increases based on annual step increases requiring a performance evaluation that at least meets expectations. Step six in this structure is considered the Control Point and is linked statistically to the market averages for our benchmark jobs.

The maximum pay rate of each range will allow employees to earn up to an additional 20% above the Control Point based on merit. The merit system, an enhanced employee development/performance management system, and the training and auditing systems necessary to support merit pay will be developed following adoption of the plan.

Under this plan, range spreads would be 137%. Each step to the Control Point is 2.5% of each range Control Point. In this plan, as well, range Minimums are 87.5% of the Control Point; however, each range maximum is 120.0% of the Control Point.

The recommended implementation method for this option is as follows:

- The employees currently paid below the new range minimum would be placed on the Minimum step of the range.
- The employees currently paid between the range Minimums and the Control Points would be placed on the nearest step that provides an increase.
- The employees currently between the Control Points and Maximums would remain at their current rate of pay until the County has developed a performance management/performance evaluation and merit plan policy.

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The implementation cost of proposed pay plan is approximately 1.5% of base payroll. The allocation pattern by steps is as follows:

<b>Number of Employees at</b>		
<b>Step 1</b>	<b>29</b>	<b>13%</b>
<b>Step 2</b>	<b>22</b>	<b>10%</b>
<b>Step 3</b>	<b>23</b>	<b>10%</b>
<b>Step 4</b>	<b>42</b>	<b>19%</b>
<b>Step 5</b>	<b>10</b>	<b>4%</b>
<b>Step 6</b>	<b>20</b>	<b>9%</b>
<b>CP to Max</b>	<b>79</b>	<b>35%</b>
<b>Above Max</b>	<b>0</b>	<b>0%</b>
<b>225</b>		

Our project agreement with the County requires that we take benefits into consideration in making a pay plan proposal. Typically, clients ask this be taken into consideration because public employee fringe benefit programs tend to be superior to those typically received by a community’s citizens and the public body wants to feel confident it is being fair to taxpayers and employees.

How is the Douglas County doing in this regard?

The cost of fringe benefits can be divided into four major cost categories – required benefits (social security, Medicare, unemployment compensation, and worker’s compensation), paid time off (vacation, sick leave, holidays, etc.), pension, and health care.

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All of the data collected by us and others over the years, combined with our years of practical experience, points to a clear conclusion that public employee benefits are very good, and typically better than most people enjoy. However, that outcome reflects Wisconsin's long-standing public policy, which is not untypical of government policy in many areas of the world, is completely consistent with a practice of hiring public employees and investing in them for a career in public service.

Specifically, of the four benefit cost areas, Douglas County is consistent with others on required benefits. Those expenses are driven by statutory requirements.

Paid time off benefits costs tend to be higher than most community employers because the County has a workforce with many years of service.

The State of Wisconsin has an exceptional public employee pension program. It is well-funded and well-managed, and a critical cornerstone of our public employment policy. However, until the passage of Acts 10/32, there was growing criticism that it was too rich a benefit because the entire cost was born by taxpayers. Since passage, all public employees, except for unionized police, fire and transit employees, are required to pay half of their pension costs, and new agreements are being reached with unions representing those exempted employees to do the same. These changes helped level the competitive playing field.

The fourth benefit cost area – health insurance – remains a challenge, particularly since passage of the Affordable Care Act. The Act raised everyone's awareness about the practical and social equity issues surrounding access to and the cost of health care.

The most quoted basis of comparison of plan costs and contribution rates is provided by the Kaiser Family Foundation ([www.kff.org](http://www.kff.org)). A recent front page article in the New York Times led with the following:

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August 20, 2013

## Health Care Costs Climb Moderately, Survey Says

By ANDREW POLLACK

Premiums for employer-provided health insurance have increased by relatively modest amounts this year, according to a new survey, a further sign that once-torrid health care inflation has abated for now.

The average annual premium for a family rose 4 percent in 2013, to \$16,351, according to the survey results released Tuesday by the Kaiser Family Foundation. Annual premiums for individual policies purchased through an employer rose 5 percent, to \$5,884.

The 4 percent increase for a family is relatively tame, at least compared with the roughly 10 percent annual increases experienced a decade ago. But it is still a far bigger rise than 1.8 percent increases in wages and the 1.1 percent rate of inflation in the last year, the foundation said.

“If you are comparing it to 10 years ago in health care, it seems modest,” said Helen B. Darling, chief executive of the National Business Group on Health, which represents large employers. “If you compare it to the economy and what inflation is doing, I don’t think it’s modest at all.”

Historically, public employees have benefitted from exceptionally good health care programs that mirrored those developed in collective bargaining with large private sector employers. These programs were outcomes of the post WWII period and the extraordinary growth of the American economy. Unfortunately, our economy changed, and many private sector programs disappeared with the private sector jobs and their benefit programs. Public employees remain and continue to be key contributors to the quality of our communities.

Two things, though, created a disparity. First, health insurance costs skyrocketed and will continue to grow at a rate faster than our economy. Second, our historic collective bargaining laws and practices insulated public employees from the changes private sector

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employers and employees were implementing in their health insurance programs. The result is that public employees in many areas of Wisconsin, have health insurance benefits that are superior in plan design and employer contributions that are much less than taxpayers are experiencing. With the Affordable Care Act, this is a rapidly growing public policy concern.

It is our practice to hold our client's health care costs up to the Kaiser survey numbers to begin a discussion of where you stand relative comparisons now being made on a regular basis in the public dialogue. A basis for comparison is presented as follows:

	<b>Family Premium</b>	<b>Employer Pct.</b>	<b>Employer Cost</b>	<b>Employee Cost</b>
<b>Kaiser Avg.*</b>	<b>\$15,581</b>	<b>71%</b>	<b>\$11,063</b>	<b>\$4,518</b>
<b>Douglas County</b>	<b>\$26,580</b>	<b>88%</b>	<b>\$23,390</b>	<b>\$3,190</b>

**\* Firms > 199 workers.**

The Administration Committee acknowledged that both the total premium amounts and the level of County contribution to the plan will be addressed as a separate item.

In conclusion, we are pleased to report these findings and recommendations to the County, and we are ready to answer any questions that you have. Assuming the Board adopts a new pay plan in the coming weeks, CDC recommends that there be an appeal procedure so that any employee who feels classified inappropriately can submit an appeal that will be addressed in a defined time line.

The recommended pay grade order with the pay structure is attached as a separate document.

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Carlson Dettmann Consulting, LLC wants to thank Douglas County for the opportunity to conduct this project.

Respectfully submitted:

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