



Human Resources Policies and Procedures

Policy Title: Salary Administration Process	Policy Number: 5.4
Effective: October 30, 2005	
Supersedes: 1988 Personnel Rules and Regulations #7, p.5-6 and APR # 408	
Approval: <i>Carl R. Johnson</i>	Page 1 of 9

1.0 Scope

- | | |
|---|--|
| <input checked="" type="checkbox"/> Full-time | <input checked="" type="checkbox"/> Salaried |
| <input checked="" type="checkbox"/> Part-time | <input type="checkbox"/> Union |
| <input type="checkbox"/> Temporary/Contract | <input type="checkbox"/> Independent Contractors |

Employees who are covered under the provisions of a collective bargaining agreement will follow the standards as contained in their respective contracts if this policy conflicts with the language in the contract.

2.0 Purpose

To promote consistent and equitable salary administration within available budgetary resources.

3.0 Policy

To establish salary administration guidelines for all salaried, non-union employees of the City of Ann Arbor.

4.0 Responsibility

Human Resources Services, Compensation staff is responsible for maintaining, monitoring and refining the salary administration policy. Changes are recommended to the City Administrator and Service Area Administrators for approval.

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5.0 Procedures

5.1 Salary Administration Process

An employee's pay is determined by several factors. These factors include:

- External Labor Market Information
 - Internal Job Review and Evaluations
 - Performance Management System
- A. **External Labor Market Information** - Each year, Human Resources Services, Compensation staff conducts/participates in local, regional, and national salary surveys that provide wage information for comparable positions in the City. This market pay information is reviewed and analyzed to identify trends and changes in pay practices locally and nationally. This information is then used to develop salary ranges and pay practices that ensure that the City's pay practices remains competitive.
- B. **Internal Job Review and Evaluation** - Job evaluation is the process of measuring and comparing the relative attributes of different jobs within the City. This process includes:
1. **Job Analysis** - Collecting and analyzing relevant job information related to the nature of work being performed including principle tasks, duties and responsibilities.
 2. **Job Description** - A written statement that identifies a job's title, principle duties and responsibilities. Job descriptions are reviewed periodically and updated when the responsibilities and activities of an existing position are substantially changed.
 3. **Job Content Evaluation** - An evaluation process is used for both exempt and non-exempt positions. This process does not focus on individual jobholders, but rather involves an in-depth review of actual job content for each position.

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4. **Salary Level Assignment** - Following both the external and internal review processes, each position is assigned a salary level based on its individual evaluation. Jobs of similar accountability, complexity, impact and skill requirements are assigned to the same level. Positions with dissimilar evaluations are placed in different salary levels.

5. **Salary Grades and Ranges**

Each salary level has its own salary range. These salary ranges are constructed with a minimum, midpoint, and a maximum salary level:

Minimum: The lowest limit of wage paid to an employee within a particular job/salary level.

Midpoint: The pay rate equi-distant between the minimum and maximum rates utilized to evaluate the external market competitiveness of the pay range when compared to labor market data for positions assigned to a particular job/salary level

Maximum: The highest limit of wage paid to an employee within a particular job/salary level.

- C. **Performance Management System**

1. The Salary Administration Program has been established to reward employees in accordance with their effectiveness on their jobs.
2. Salary administration for all regular salaried employees incorporates two key factors:
 - a. The approved budget for salary pay-for-performance (merit) adjustments (determined on an annual basis).
 - b. An individual employee's performance management rating utilizing the Performance Management System (Policy 5.5).

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3. The City Administrator and Service Area Administrators , in conjunction with Human Resources Services, are responsible for the establishment and implementation of salary increase provisions which comply with organizational budgetary guidelines and are administered consistently for all related personnel.

5.2 Salary Adjustments

- A. **Below Minimum Salary Administration** - Employees whose salaries fall below the minimum of their pay ranges as a result of a salary level adjustment or a job change should have their pay adjusted to reflect a compensation level which is no less than the minimum of the applicable salary level.
- B. **Salary Administration for "Unsatisfactory" Performance Rating**
 1. Employees who receive a performance rating of "Unsatisfactory" are not eligible to receive a salary increase. Following an "Unsatisfactory" rating, a performance improvement plan (PIP) should be developed for the employee, identifying performance goals/expectations and a clearly defined process for providing feedback to the employee. (See Policy 5.5)
 2. Management is not required to complete another formal performance appraisal for the purpose of salary administration for such an employee until the next scheduled review date.
- C. **Leave of Absence**
 1. An employee who has taken a leave of absence during the previous twelve (12) month period will remain on the regular review cycle, assuming that the employee has been actively employed for a minimum of three (3) months during the entire performance review period. Employees actively employed for less than three (3) months are not eligible for salary administration at the scheduled time period. These employees will be reviewed for salary administration at the next scheduled salary administration date.

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2. Appropriate salary administration for an employee on a leave of absence at the time of his/her performance review date will be withheld until the employee returns to work. Assuming the employee has been actively employed for a minimum of three (3) months during the review period, the salary increase upon his/her return will be made retroactive to the scheduled salary administration date.

D. Above Maximum Salary Administration

1. Each salary range has a ceiling, or maximum, which represents the highest base salary to be paid to a job incumbent. Employees with salaries positioned near the maximum will be eligible for a base salary increase determined by his/her manager, not to exceed the maximum of the pay range.
2. Employees with salaries at the range maximum will not be eligible for an increase to their base rate until salary range movement places them in a position in which their current base salary is less than the salary range maximum.

E. New Hires

1. New employees will be paid at a rate between the minimum and the midpoint of the assigned salary level. Employees shall not be paid less than the minimum assigned to a job/salary level. In determining the appropriate rate of pay for a new hire, consideration must be given to pay equity within the service unit, as well as the new employee's overall experience, training and skill level. The appropriate starting salary requires approval of both the Supervisor/Unit Manager and Human Resources Services, Compensation staff.

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2. Employees hired within three months (90 days inclusive) of the scheduled salary administration date for their job classification typically are not eligible for salary administration at the scheduled time period. These employees will be reviewed for salary administration at the next scheduled salary administration date, representing a time period of approximately 12–15 months. As a result, when establishing the appropriate starting salary for a new employee, consideration must be given to his/her next scheduled salary administration date.

F. Promotions

1. A promotion is defined as a job change resulting from a job posting or reclassification, in which the new position has a higher salary level than that of the previous position.
2. Promotional salary administration becomes effective at the time that the employee starts to work in the new position.
3. The amount of a promotional increase will be developed with consideration to several factors:
 - a. The magnitude of the job change (i.e., number of salary/pay levels, non-exempt to exempt status, etc.);
 - b. The current level of the promoted employee's skill and experience as related to the new job;
 - c. The internal equity of the service unit (i.e., what other employees in similar positions with comparable experience are earning);
 - d. The earnings history (including current salary) of the promoted employee.

G. Lateral Transfers

1. When an employee accepts another job within the same salary level, the change is referred to as a lateral transfer. A lateral transfer is not accompanied by any immediate salary action. Performance and salary review will occur at the next scheduled salary administration date. (See Performance Management System Policy)

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2. When a lateral transfer occurs, a performance appraisal shall be completed by the employee's past supervisor/manager to document performance for the time in the old position.
3. The employee's new supervisor/manager shall establish a new set of performance objectives within a reasonable period of time.

H. Transfers to Lower Level Positions

When an employee moves to a job for which the salary level is less than that of his/her former position, the change is referred to as a transfer to a lower level.

1. Voluntary Transfer to a Lower Level Position occurs:
 - a. When an active employee voluntarily elects to apply for a posted lower level position.
 - b. As a result of position elimination or area or unit reorganization an active employee is given the opportunity either to voluntarily accept an open, lower level position or accept separation with severance benefits.
2. If the transfer is voluntary, the employee's salary should be established within the salary level of the new position, **not** to exceed the salary range maximum.
3. Involuntary Transfer to a Lower Graded Position occurs when:
 - a. Based on position elimination, reclassification or area/unit restructuring, an employee, through no choice of his/her own, is assigned to a new or existing position in a lower salary level.
 - b. An active employee is transferred to a lower level position as a result of poor performance and/or corrective action.

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3. If the transfer is deemed involuntary, the employee's salary will be reviewed, with future salary administration based predominately on the employee's salary position within the new salary structure. If the employee's salary exceeds the new salary level maximum, no base salary increases will be made until the salary range movement places the employee's salary in a position which is less than the identified salary maximum.

5.3 Job Re-evaluation/Reclassification

Job Re-evaluation/Reclassification occurs when either external market survey data or the internal job evaluation process recognizes a significant change in the job performed by an employee. (See Policy 5.3)

- A. Three kinds of reclassification may occur:
 1. **Reclassification/Down:** Results when the designated salary level for the newly defined job is lower than the salary level of the former position.
 2. **Reclassification/Up:** Results when the designated salary level of the newly defined job is higher than the salary level of the former position.
 3. **Reclassification/Lateral:** Results when the salary level of the newly defined job is the same as that of the former position.

5.4 Interim Appointments/Temporary Positions

- A. From time to time, an employee of the City may be asked to assume some or all of the duties of another position while that position is vacant during the leave of absence of another employee or during the hiring process.
- B. If the assignment of these duties is expected to exceed one month (30 working days), and the position is at a higher level of responsibility and/or authority than the employee's current position, the employee is eligible for a temporary promotion.
- C. Such an upgrade must be authorized in writing by the immediate supervisor and Human Resources Services, Compensation staff.

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- D. This appointment must be communicated no less than two weeks in advance, in writing, to Human Resources Services by the employee's Supervisor or Unit Manager.
- E. Interim appointments shall not exceed 90 calendar days, unless authorized by the Service Area Administrator and the Director of Human Resources and Labor Relations.
- F. Employees in an interim position shall receive a pay review. Determining a possible temporary promotional increase will be based on relevant factors such as: internal equity, qualifications, previous experience and number of levels promoted.
- G. In the event an employee leaves employment during a temporary upgrade, the value of earned vacation, sick time or compensatory time shall be paid at the employee's prior rate.
- H. Once the vacant position is filled, the interim appointee will revert to his or her previous position and pay scale.

5.5 Exceptions

The information contained in this policy outlines customary and usual salary administration practices. From time to time, extenuating circumstances and situations may arise which suggest that an exception to practice is appropriate. All such exceptions require the approval of the appropriate Area Administrator, the Director of Human Resources and Labor Relations or designee.

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