

PAY PROGRESSION POLICY

I. PURPOSE

Our intent is to administer employee pay fairly in accordance with Council policy, compensating according to the work performed. We strive to maintain a pay structure that is externally competitive and internally appropriate.

II. ORDINANCE PROVISIONS:

Section VI, Position Classification and Pay Plan: “The Classification and Pay Plan includes the basic salary schedule adopted and amended by the Town Council. The salary schedule consists of the Minimum for each job class, Salary Steps between Minimum and Job Rate, the Job Rate, and the Maximum rate for each job class. Between Job Rate and the Maximum there are no Salary Steps. “

III. DEFINITIONS:

Salary Range – All pay rates between the Minimum paid for a job and the Maximum paid for a job

Minimum – An annual salary or hourly rate that is the lowest base salary paid for a particular job classification

Job Rate – A point between Minimum and Maximum that represents full performance in a position

Salary Steps – Points in the salary range between Minimum and Job Rate, including the Probationary Step.

Development Range – portion of the salary range below Job Rate.

Performance Range – portion of the salary range at or above Job Rate.

Maximum – An annual salary or hourly rate that is the highest base salary paid for work in a particular job classification

Range Increase – An increase in the entire salary range (Minimum, Steps, Job Rate and Maximum) reflecting either general labor market changes or changes in a particular job classification

Performance Rating – an evaluation which summarizes an employee’s performance for the appraisal period and is used in salary determination

Increase Eligibility Date – the effective date when Town employees are eligible to receive salary increases

Performance Increase – For employees above Job Rate: An increase whose amount varies based on the employee’s performance rating.

Step Increase – An increase for employees below Job Rate - it requires satisfactory performance and moves the employee’s salary to the next higher Salary Step.

IV. POLICY/PROCEDURE:

1. Eligibility for Salary Increases:

- In years when the Town Council has approved an increase, all regular full or part time employees who are not on initial (first six months) probation are eligible to be considered for a full annual salary increase on the implementation date selected by the Council.
- Employees in their initial probationary period with salaries in the Development Range will receive an increase equivalent to the amount by which the salary range is adjusted, to maintain their steps in the salary range, but will not advance to the next higher step or receive additional increases until they successfully complete probation.

Probationary employees in the Performance Range receive increases only to keep them at least at Job Rate, until they complete probation.

Examples: If there is a range adjustment of 2.5%, each step will normally increase by 2.5%:

- An employee on probation in the Development Range will receive the 2.5% needed to maintain his or her step or place in the salary range. (Special arrangements might be made in situations where a particular step in a particular grade increased more or less than the general range increase.)

-An employee exactly at Job Rate will receive 2.5% to stay at Job Rate.

-A probationary employee more than 2.5% above Job Rate will receive no increase until successful completion of probation.

- Employees will be considered still on probation if the scheduled probationary increase would affect a paycheck after the paycheck in which the annual salary increase is granted.

Example: If a probationary increase would affect the same paycheck as the annual salary increase, then the employee is considered to be off probation at the time of the salary increase. If the probationary increase would take effect after that paycheck, the employee is considered still on probation at the time of the annual salary increase.

2. Performance Review and Advancement through the Salary Range

- **Below the Job Rate: *Step Increase Review and Advancement*** – After successfully completing the initial probation, employees still below Job Rate are reviewed once a year for satisfactory performance:

- If rated Satisfactory, employees are advanced to the next higher step on the annual Increase Eligibility Date.

- If rated Below Expected Level *, the employee is given no raise and has 90 days to improve performance or be terminated. After 90 days if performance is raised to Satisfactory the employee receives the amount by which the salary range has increased, if any, which will move the employee back on step. The employee does not move up to the next higher step.

Departments may choose to use the same rating levels below Job Rate as they use above Job Rate. However, the same amount of pay increase is granted for all ratings except Below Expected Level.

Example: An employee at step 2 is rated Below Expected Level and receives no salary increase. The range is adjusted by 3%. The Below Expected Level employee is now 3% below the new step 2, which has increased by 3% along with all parts of the salary range. If this employee brings performance up to Satisfactory after 90 days, he or she receives the 3% needed to advance to the new step 2 but does not receive an increase to step 3 that would have accompanied a satisfactory performance rating.

- **Above the Job Rate:** *Performance Increase Review and Advancement* – Employees above Job Rate are rated annually according to the following rating levels:

Below Expected Level,
Needs Improvement,
Meets Standards,
Exceeds Standards and
Outstanding

If rated Below Expected Level, no increase is granted and the employee has 90 days to improve performance or be terminated.* After 90 days if performance is raised to at least Needs Improvement the employee receives the amount, if any, by which the salary range has increased.

For ratings other than Below Expected Level, the Town Council sets the average increase and a formula is used to divide available dollars based on the rating distribution.

* Below Expected Level assessments may be made at any time of year, unrelated to the pay cycle. If improvement is not adequate within 90 days, the employee will be terminated

3. Salary Increase Policies

- **Minimum Increase** – Employees advancing below Job Rate will receive an increase at least equal to the average percentage increase that employees above Job Rate receive.

If a below Job Rate employee is advanced to the next higher step but receives less than the average percentage received by employees above Job Rate, the employee will receive the difference as a one-time payment. This is not added to base pay, since this would move the employee off step. (In years where there is a range adjustment plus a step increase, increases below Job Rate will usually match or exceed the average percentage received by employees above Job Rate, without a need for further adjustment.)

Example: An employee below Job Rate receives 3.78%, the distance between steps, and any range increase. In a year with no range increase, the employee receives only the 3.78% between steps. If 5% was the average increase above Job Rate, and there was no range increase, the employee below Job Rate would receive 3.78% added to base pay as a step increase, and 1.22% as a one-time payment, to make the total increase equal 5%.

In a year with a 2% range increase, the below Job Rate employee would receive the 3.78% step increase plus the 2% range increase to keep on step. This would exceed the 5% average increase above Job Rate in this example. No further adjustment would be needed.

- **Job Rate principle** – Employees above Job Rate will remain at or above Job Rate unless rated Below Expected Level while still in the same position. The principle is that an employee at or above Job Rate who has learned the job and is performing it well enough to remain employed should be paid at least at Job Rate, the level established for competent performance

This principle comes into play when a range increase may exceed the percentage increase received by an employee at or above Job Rate. (One exception to this might be in the case of a reclassification action that resulted in a substantial change in grade for the position.)

Example: If an employee at Job Rate receives a 3% performance-based increase and the salary range (including the Job Rate) increases by 3.5%, the employee would fall .5% below Job Rate. In this example, the employee would remain at Job Rate and receive a 3.5% increase, rather than the 3% related to the performance rating.

- **Increases for Employees at Maximum** – Employees at or near the Maximum for the position will receive the same increase based on performance as other employees. The base salary cannot exceed the Maximum and therefore part of the salary increase will be a one-time bonus payment.

Example: An employee 3% below the new Maximum would receive 3% of any salary increase as base pay and the remainder as a one-time payment not included in base pay.

- **Above the Job Rate: Increases for Outstanding performance** – Employees above the Job Rate who are rated Outstanding will receive the same amount added to base pay as employees rated Exceeds Standards and will receive the remainder of the increase as a one-time bonus

payment.

Example: If the percentage for Outstanding performance in a particular year was 4% and the percentage for Exceeds Standards was 3%, then 3% would be added to the base pay of an employee rated Outstanding and 1% would be given as a one-time payment.

- **Upward Reclassification** – Annual policies to be developed consistent with funding approved by the Town Council.
- **Promotions** – Promoted employees normally receive a 5% increase or advancement to the minimum of the new position, whichever is greater. If the promoted employee is below the Job Rate of the new grade and is between steps, he or she will be advanced to the next higher step.

Examples: An employee in the performance range of grade 35 is promoted to grade 39. The employee's salary is between step 3 and Job Rate after receiving 5%. The employee would advance to Job Rate.

If the duties of the new position are much higher (for example, a Department or Division Head position) or if a 5% increase would be non-competitive with what the Town would normally pay an outside candidate, the promotion percentage may be higher.

- **Annual increases for Employees on Promotional Probation** - Employees on Promotional Probation are eligible for the same increases under the same rules as non-probationary employees.

4. Effect of Absences on Salary Increases

- **Unpaid Absences** – An unpaid absence of over half the rating period will affect employee increases. Employees above and below Job Rate with at least Satisfactory performance will receive an increase equal to the percentage by which the salary range has increased but no additional step or percentage increase.

For example, if the salary schedule and salary step increased by 3%, the employee who had been on unpaid absence more than half the rating period would receive a 3% increase but would not receive an increase to the next step in the range recognizing performance.

- **Paid or Mixed Absences** - Paid or a mixture of paid and unpaid absences adding up to $\frac{3}{4}$ or more of the evaluation period will have the same effect as unpaid absences above.

5. Time Frames – Annual Salary Increases

- **Evaluation for Employees At and Above Job Rate** - Employees above Job Rate will be evaluated in relation to the appropriate performance standards at least one and one half months before the increase effective date, to allow time for review of Below Expected Level ratings plus calculation and communication of percentages related to each rating level, as well as processing and entering the increases.
- **Evaluation for Employees Below the Job Rate** -Employees below Job Rate will be evaluated as Satisfactory or Below Expected Level. Below Expected Level ratings should be forwarded to the Human Resources Department at least one and one half months before the increase effective date, to allow time for review and for a timely 90-day re-evaluation of performance.
- **Pay Increase Effective Date** - The pay increase will affect the first paycheck after the 1st of the month in which the increase is granted. The increase affects all hours paid for the preceding pay period.

6. Career Advancement

Some positions with the Town, such as Construction Worker Levels I, II, and III are grouped in career advancement series. Movement between levels most often takes place in the same authorized position title group, and reflects higher skills or credentials earned over time by the individual in the position. Movement between the levels is not considered a promotion, and does not affect eligibility for an annual salary increase, nor does it require a probation period. Salary movement below Job Rate based on career advancement will normally be to the comparable step in the higher salary range when the positions are one grade apart. If the positions are more than one grade apart, the increase is to the step (approximately) 5% higher than the employee's old step, or to the probationary step of the new grade, whichever is higher. Career advancement for employees at or above Job Rate equals 5% or the Job Rate of the new grade, whichever is higher.

(Positions within a career advancement series that are filled through promotion fall under the promotion policy.)

7. Complexities of the Pay System

Because of the inherent complexities of the pay system, applying the above rules consistently and fairly may still result in inequitable treatment for an employee or for a group of employees. If this happens, exceptions to these policies may be made with the approval of the Manager through the HR Director, to address potential or existing pay inequities.