




MERIT SYSTEM PROTECTION BOARD

MEMORANDUM

June 7, 2018

TO: Hans Riemer, President, County Council
Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer

FROM: Angela Franco, Chair
Merit System Protection Board 

SUBJECT: Audit of Montgomery County's Classification and Compensation Plans and Procedures

The Montgomery County Personnel Regulations, § 9-3(h), require that every five years the Merit System Protection Board (MSPB or Board) hire an independent, outside consultant to conduct an audit of the County's classification and compensation plan and procedures. The County Code, § 33-7(c), directs the MSPB to submit the results of the audit and the Board's recommendations to the County Council, County Executive, and Chief Administrative Officer for consideration.

The last audit was completed in 2001. Due primarily to fiscal constraints, funding for an audit was delayed until Fiscal Year 2017. In October 2016, the Board contracted with CPS HR Consulting, a self-supporting public agency based in Sacramento, California. The Board was able to accelerate the procurement process by bridging a CPS HR contract with Montgomery College, at a cost significantly less than originally projected in the MSPB's FY 2017 budget proposal. A description of the specific scope of services performed by CPS HR is attached.

CPS HR provided the Board with a comprehensive final report that identifies the current classification and compensation system's strengths and opportunities for improvement, along with specific recommendations. CPS HR concluded that overall the County has "an effective classification and compensation program," with "no significant compliance issues."

The Board's attached recommendations are based upon the results of this audit and input provided by Shawn Y. Stokes, Director, Office of Human Resources. Director Stokes' written comments on the final audit report are also attached.

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The complete final report and appendices have been provided to the Legislative Information Services Office. Electronic versions of the final report and appendices will be provided upon request and will be posted to the MSPB website.

The Board thanks the County Council for its support of this project, and is available to answer any questions.

Attachments (3)

cc: Board Members
Marlene Michaelson, Council Administrator
Shawn Y. Stokes, Director, OHR
Legislative Information Services Office

**Recommendations of the Merit System Protection Board
on the Audit of Montgomery County's
Classification and Compensation Plans and Procedures
June 7, 2018**

MSPB's Overall Observations and Comments

Pursuant to Montgomery County Personnel Regulations, § 9-3(h), the Merit System Protection Board (MSPB or Board) entered into a contract with an independent consultant, Cooperative Personnel Services, a California Joint Powers Agency doing business as CPS HR Consulting, to conduct a comprehensive review and audit of the County's Classification and Compensation Program and Procedures. The objectives of the audit were to: (1) ensure the accuracy, equity, validity, and integrity of the classification and compensation program and execution of its procedures; and, (2) determine the effectiveness of the current classification and compensation models and methodologies. A detailed description of the specific services performed by CPS HR is provided in the Scope of Services and in the final audit report.

The audit provides valuable information on what the auditor viewed as the strengths and weaknesses of the County's classification and compensation system. The audit concluded that the County has "an effective classification and compensation program," with "no significant compliance issues," and that the Office of Human Resources (OHR) is administering the classification and compensation system as required by County regulations, policies, and procedures. OHR shares with us agreement on most of the recommendations made by the auditor, and has indicated their commitment to addressing issues raised by the auditor, an effort that the Board will monitor.

The Board offers no recommendations which would require the Council to alter the existing classification and compensation system. However, some OHR initiatives to enhance the classification and compensation system may require regulatory change. Any recommended regulations are required to be reviewed by the Board prior to being proposed to the Council.

**Summary of CPS HR Audit Findings and Recommendations, OHR Responses, and
MSPB Recommendations**

Classification

Occupational Series

CPS HR Recommendations:

1. Series should be reviewed and possibly restructured to meet organizational needs and required minimum qualifications, possibly eliminating or consolidating the level-I class based on underutilization.

2. Further discussion on salary grade ranges will be provided in the compensation section to assess if grade ranges are ineffective to meet hiring goals.

OHR Response:

Over the last year, OHR began a comprehensive review of the allocation of employees within the classification plan. We will continue to review this year to determine if the County should move forward with a policy change regarding the use of Public Administrative Associate (PAA) classification to underfill class series with generic degree qualifications, which we believe may be contributing to minimal allocation of employees to the entry-level classifications.

MSPB Recommendation:

The Board concurs with the recommendations of CPS HR and recommends that OHR should make a serious effort to both identify underutilized and unnecessary classifications for consolidation or elimination and limit the creation of new classifications expected to have few members.

Career Ladder and Distinguishing Characteristics

CPS HR Recommendations:

1. Add “distinguishing characteristics” statements to all job series to better define how each level differentiates from the next lower level and next higher level.
2. Ensure that these statements are consistent among the levels and use the same format and verbiage to eliminate confusion, ambiguity, and misinterpreting level descriptions.
3. Support the “distinguishing characteristics” statements by explicit and well-defined examples of duties and scope of responsibilities.
4. Avoid unclear, ambiguous, and unnecessary overcomplicated statements and description of duties.
5. Ensure that differences between levels are clear, significant and measurable as expressed in class definition, example of duties, and minimum qualifications. Differences should support career progression and be achievable within reasonable time.
6. Series should be reviewed and possibly restructured to meet organizational needs and required minimum qualifications, possibly eliminating or consolidating the level-I class based on underutilization.

OHR Response:

OHR agrees with the recommendation. The classification structure assists in providing a logical, consistent, and fair system, and helps applicants, employees, and managers understand job duties, responsibilities, qualifications; ensures equal pay for equal work; and provides valuable information in organizational planning and analysis, staff development, and performance management. The County takes a broad approach to classification. Broad classification concepts provide a general fit of an employee to the classification and focus on the broader knowledge, skills, and abilities (KSAs) common to a large number of positions. There is a less than exact fit of

the employee to the position in this design, but management's flexibility is greatly expanded and compensation is more easily managed. At the beginning of fiscal year 2018, we initiated reformatting the classification specifications to mirror the QES format to create transparency and clarity to the class specifications. Over the next year, we will work to develop a classification guide to provide more information on job families and classification levels, the classification specification format, occupational groups, and conducting classification/position studies. We believe that this will address the issues set forth in the audit.

MSPB Recommendations:

The Board concurs with the recommendations of CPS HR. The specifications for job series should better distinguish the characteristics of each level and avoid ambiguity. The Board also reemphasizes its previous recommendation that OHR seek to identify underutilized and unnecessary classifications within job series for consolidation or elimination, and limit the creation of new classifications with few employees.

Position Classification – Reclassification

CPS HR Recommendations:

1. Assess and define recruitment vs. reclassification scenarios. An approved file in the sample reported that, "incumbent has grown in scope." Growth should be recognized and mentored in a succession plan or career ladder. Relying on a form submittal can overlook talent, extrapolate misclassification and impact morale. Performance and growth are components of career planning and performance management, not position reclassification.
2. Explore the opportunity for "flexible or flex" positions. Flex classifications are typically designated as an I - II and represent entry and journey level skills. Classifications provide a position the opportunity to "automatically" advance in a career series based on quantifiable criteria (e.g., performance, tenure, etc.). This could limit the number of studies by providing those that have specifically had an organization or position change vs. those who are developing within the classification series.
3. Update forms and policy. Many of the study files did not express department management concurrence with the incumbent. If this is not required, then the policy should be updated. In addition, the policy lists that study results will be provided by the department. The survey indicated OHR as the lead in providing results. Update timelines if not reasonable for current workload. Streamline and implement introduction tools for employees to understand the process and criteria.
4. Assess number of denials due to, "maximum request received," and ensure ongoing assessment of applicant pool numbers. Using thresholds that are not regularly updated or assessed can create perceived inequities. Again, better defining the process to classifications that have had a "true" change vs. normal growth in a series may make study requests more manageable and efficient.

5. Enhance communication plans so that employees may more clearly translate and apply classification and compensation terminology and practices. During interviews, the majority of respondents were not able to immediately articulate when the last salary increase was due to altering terminology. Surveys or focus groups should be conducted to evaluate process improvement opportunities. Additionally, 45.3% of respondents disagreed with position study results and all reported that their feedback was not considered. . . There is an opportunity to streamline and correct policy understanding.

OHR Response:

OHR agrees that the process for reclassifications versus recruitments requires more administrative guidance from the department. The situation where the volume of the work has changed is different than a job evolving or changes over time, and this is when a classification/position study is needed. The study is to determine if the position has indeed changed substantially over time; and if so, then to determine if those changes warrant a class change (reclassification), and if so, to what class. There should not have been a purposeful addition or change in duties, as this practice is counter to merit and fairness principles and values. To address this issue, OHR will work to more narrowly define through webinars, printed communication, and meetings with the HR community, the basis in which classification studies shall be conducted.

MSPB Recommendations:

The Board concurs with the recommendations of CPS HR. The Board agrees with both CPS HR and OHR that further efforts should be made to provide guidance to departments and enhance communication with employees concerning the nature of reclassification, especially with regard to how that concept is distinct from the amount of work expected or the capabilities of an individual employee.

Classification Specification

CPS HR Recommendations:

1. Avoid unclear, ambiguous, and unnecessary overcomplicated statements and description of duties, especially in preferred criteria which may not be quantifiable (*e.g.*, “Considerable office desktop experience.”).
2. Update policy to reflect current job evaluation factors (*e.g.*, Section 9-2(2)(D)(ii) references physical and mental requirements which are not included in all classification specifications).
3. Ensure a periodic audit process of position reviews to ensure classification language represents the current work duty requirements and aligns with the agency classification needs.

OHR Response:

This audit covered the period of 2015 to 2016. Since that time, OHR has implemented the Proform system for applicant assessment, which includes utilizing the QES factors to determine an applicant's qualification(s) for positions. We feel this has eliminated the ambiguity that was once found in the preferred criteria. Also, as previously stated, as we are finalizing several occupational studies, we have begun to reformat our classification specifications, and will continue to update them by series with the hope of having the updates completed by end of calendar year 2018.

MSPB Recommendations:

The Board agrees with CPS HR and further recommends that OHR update and revise, if necessary, all job classification specifications to ensure that qualified applicants are not improperly screened out by the new automated Proform system. The MSPB was not provided with documentation concerning the Proform applicant screening system prior to its implementation and notes that it does not have a working knowledge of that tool. The Board will follow-up with OHR to better understand the Proform system, assess its efficacy, and offer suggestions, if appropriate.

Fair Labor Standards Act (FLSA)

CPS HR Recommendations:

This section presents the findings for the FLSA status of current individual's task duties in existing positions reviewed by CPS HR.

1. *Recommended to change the FLSA designation to Non-Exempt:*

Administrative Specialist I (000152)

Although this class requires a Bachelor's degree, the educational requirement is general and the class spec does not ask for specialized knowledge in any specific area. The class spec refers to "professional administrative work providing staff support in a variety of functional areas to a department/agency or division in a limited or developmental capacity; or providing administrative support to..." This statement combines professional-level research and analysis on one hand, and routine administrative tasks, such as "planning agendas, gathering materials, taking notes and processing necessary paperwork" – on the other. Notably, this statement is listed first in the Example of Duties section of the class spec, followed by the mixture of duties, from "assist in budget preparation" to "reviews and drafts replies", or "maintains and organizes records". Because of the substantial list of routine administrative tasks, classifying this job under administrative exemption would be a stretch. Nor does it fit under professional or executive designation; there is no strong need or requirement of the prolonged study in specialized area and no formal supervision. The recommendation is to classify this class as non-exempt from the overtime provisions of the Fair Labor Standards Act of 1938.

Imaging Operator Leader (109009)

This is a working lead that, according to class spec, “regularly performs work of the Imaging Operator.” This class does not require advanced degree and does not have full-range supervisory responsibilities. Based on the class definition and example of duties, incumbents in this class do not perform work related to management or general business. For that reason, none of the FLSA exemptions can be applied to this class. The recommendation is to classify this class as non-exempt from the overtime provisions of the Fair Labor Standards Act of 1938.

Income Assistance Program Specialist I (002013)

Although this class requires a Bachelor’s degree, the educational requirement is general and the class spec does not ask for specialized knowledge in any specific area. According to class spec, the job consists of “determining eligibility and need for assistance based on information secured through interviews with applicants...” The job is well defined and has clear guidelines, precise menu of options, and does not involve independent analysis, or high-level of decision- making. In addition, the class does not require specific experience and refers to on-the-job training. The job is closely supervised and once learned, becomes a routine following of the guidelines and protocols. The recommendation is to classify this class as non-exempt from the overtime provisions of the Fair Labor Standards Act of 1938.

Public Service Craftswoman II (205228)

This is a typical highly skilled technical class that performs manual work in construction, maintenance and repair. The class spec states, “employees in this class perform a combination of construction, maintenance and repair work that involves more than one trade or craft.” Among skills and projects are carpentry, alteration and maintenance of buildings, parking garages, floors, roofs, stairways, partitions, doors, windows, screens, wood fixtures and furniture. It has no supervisory authority, and does not require an engineering degree. The job requires “four (4) years of progressively more responsible journey-level experience in building/structural construction, maintenance, repair and alteration... and high school diploma.” This class does not fit any exemptions from FLSA overtime provisions. The recommendation is to classify this class as non-exempt from the overtime provisions of the Fair Labor Standards Act of 1938. Subsequently, this recommendation also applies to lower level class of Public Service Craftswoman I (205229).

2. *Recommend either changing FLSA designation to Non-Exempt or revising class spec to clearly define set of duties that fit administrative exemption:*

Administrative Specialist II (000151)

In addition to comments in the level I of the administrative series, the class specification suggests that it “differs from the next higher level in the series in that employees in this class do not have as much autonomy in performing tasks and making decisions.” This statement alone disqualifies this class from FLSA exemption status. Just like in level I, the college degree requirement is general and no specialized body of knowledge or need for prolonged study is mentioned. The

only indication that this is a higher-level administrative class is the allocation to the pay grade 21, with the midpoint of \$69,896. However, based on the class definition and example of duties, classifying this job under administrative exemption would be a stretch. Nor does it fit, the way it is written, under professional or executive designation; there is no strong need or requirement of a prolonged study in specialized area and no full-range supervision. The recommendation is to either perform class spec revision to better define job duties and scope of responsibilities, or to classify this class as non-exempt from the overtime provisions of the Fair Labor Standards Act of 1938.

Executive Administrative Aide (009272)

Determining the FLSA classification status for executive aides can be challenging for two reasons; first, there are usually multiple incumbents in this class (according to survey, there are currently eleven (11) employees) who provide administrative support to executives at different administrative levels; second, the scope of different incumbents in this class can vary from performing no supervision at all to a full-range of supervisory responsibilities, as shown in the survey of all incumbents. For these reasons, classifying executive aides is a complex and challenging task. The typical market practice is that only jobs that support top level executives and entail full supervisory responsibilities over other administrative staff are classified as exempt under FLSA administrative exemption. In many cases, these jobs are identified by specific titles based on reporting authority. Montgomery County successfully employs this practice already and has Executive Administrative Aide to the Chief Administrative Officer (009271). Our recommendation is to look at all incumbents in the 009272 class and split this classification into levels where first level would not be exempt from FLSA overtime provisions, second level would involve full supervision and qualify under administrative or executive exemption, and third level would remain as is - Executive Administrative Aide to the Chief Administrative Officer (009271). Otherwise, some of the incumbents in this job will always be misclassified. Recommend restructuring this class into series with three levels.

OHR Response:

We are currently reviewing the specifications to update the specification and/or the FLSA status and will notify the affected departments and employees with the changes.

MSPB Recommendations:

The Board concurs with the CPS HR recommendations regarding the proper classification of various positions as either FLSA exempt or non-exempt, and the need to be proactive concerning review of all County positions for which there may be an erroneous designation. OHR's response indicates that it is conducting a review of specifications and the FLSA status of positions, and that departments will be notified. The Board recommends that OHR provide a specific timeframe within which it will complete the review, and that OHR provide periodic updates to the Board.

Compensation

Compensation Allocation

CPS HR Recommendations:

1. Revisit and re-design General Pay Schedule based on organizational market strategy, compensation philosophy, and career progression goals:
 - a. Establish bandwidth which meets learning and complexity of classifications (*i.e.*, more complex knowledge factors equate to a larger spread within the grade).
 - b. Review opportunities to reduce the number of salary grades and address compaction between grades.

OHR Response:

OHR agrees with the consultant's recommendation to revisit and redesign the General Pay schedule by developing a compensation administration guideline. We have begun to model different theories around the relation between our compensation structures and the classifications we have created over the years. Over the next fiscal year, we will revisit this issue in a constructive manner that is transparent and inclusive by working to outline and define a compensation strategy or philosophy, which will work to:

- Identify a compensation approach that reflects the fundamental value of the job to the County by reviewing the definition of parity including the position the County would like to occupy in relation to the defined labor market.
- Utilize market data to update pay structures on an ongoing basis and provide a basis for budgeting.
- Employ more concise pay grades with open range structure to facilitate maintenance of market-based pay ranges.
- Update performance/merit pay approach to provide a more modern approach than longevity or reclassification.
- Identify a classification strategy.

Additionally, OHR will submit for review and comment updates to the MCPR, which will hopefully assist departments in understanding the requirements for defining pay from hire to retire.

MSPB Recommendations:

The Board agrees with CPS HR and OHR that the County's General Pay schedule should be reviewed and redesigned to better reflect the County's goals with regard to career progression, equity, and competitive position in the labor market. The Board further recommends that OHR establish specific timeframes for conducting its review and asks that OHR provide the Board with those goals and periodic updates on the status of the effort. Finally, the Board will review and

comment on any of OHR's suggested regulatory changes prior to those proposals being submitted to the Council.

Pay Allocation

CPS HR Recommendations:

1. Review criteria used to determine employees' base pay assignment within the same job classifications to eliminate or prevent possible inequities among various demographic groups.
2. Identify job classifications with "uneven" demographic composition and determine its causes and policies that can mitigate these irregularities.
3. Continue applying consistent compensation, recruitment and staffing policies and practices to ensure compliance with EEO guidelines and employee satisfaction.

OHR Response:

OHR supports these recommendations and has begun to take steps to develop administrative guidance to departments and their Human Resource liaisons. We recognize that implementation of consistent and appropriate practices is instrumental to our ability to attract, motivate, and retain qualified employees, and to ensure compliance with appropriate rules, regulations, and laws. The success of our compensation program hinges on our ability to appropriately compete with external labor markets, to recognize and reward exceptional performance, and to maintain a shared sense of internal equity and fairness. The administrative guidance will serve as a tool to use in conjunction with MCPHR, which will detail the why, who and how of determining pay, job changes, salary changes, applying adjustments, salary processes, and definitions.

MSPB Recommendations:

The Board concurs with the CPS HR recommendations and applauds both OHR's support for those recommendations and its pledge to continue efforts to develop guidance and implement policies and practices that ensure compliance with EEO guidelines and to avoid pay inequities. The Board asks that OHR provide the Board with periodic updates on the status of OHR's efforts and to advise the Board of any administrative guidance or suggested regulatory changes. The Board also recommends that OHR determine the reasons that some classifications are overrepresented by certain demographic groups and whether the situation may be mitigated by changes in policy or practice.

Wage Equity

CPS HR Recommendations:

While internal equity is an essential component to an effective compensation, this plan does not ensure that current incumbents are correctly placed. If incumbents were initially placed due to promotion, the current salary could be low to start with. More so, the request depends on the hiring manager submitting a request. One could argue that offers of employment could be made

to protect current employees, thus not rating new hire offers based on candidates' qualifications. Additionally, the program does not ensure evolving qualifications (*i.e.*, education, certification, etc.) are regularly assessed.

1. Define or designate ranges for new hire salary allocation. These could include potential increase after satisfactory completion of probationary period. New hires brought in equal to tenured professionals before exhibiting performance capabilities can produce a negative impact on incumbent morale.
2. Conduct periodic audits of classifications within the County to ensure equity extends outside of department.

OHR Response:

OHR supports the recommendation in part. Wage equity for bargaining unit employees of MCGEO is a contractual practice. Over the last year, we have created guidance for HR Liaisons in support of the hiring manager to ensure proper salary allocation of the prospective hire based on relevant years of experience, training and education compared to their internal counterparts. However, in engaging the HR Liaisons and the departments themselves, we have received feedback that a consistent process for non-bargaining unit positions would be welcomed and helpful for departments in determining the allocation of salary.

Pay progression in the County has largely been managed through:

- Periodic across-the-board Increases - such increases result from collective bargaining updates to each step/grade, usually extended to non-represented jobs and do not differently address pay structure inequities.
- Reclassification - ongoing pay increases are acquired concurrent with requests for classification review with the expectation of moving to an adjacent narrow job class that is placed at a higher grade within the pay matrix.
- Labor contract negotiations - collective bargaining usually results in consistent percentage updates to steps/grades.

As discussed earlier in our responses, OHR will work to include in regulations and guidance the best practice standards that eliminate wage equity issues in the classification by:

- Utilizing market parity/internal aligned in setting pay rates.
- Determining pay structure updates, in conjunction with available budget, that can be implemented within the salary schedule rather than across-the-board increases.

MSPB Recommendations:

The Board concurs with the CPS HR recommendations and acknowledges OHR's point that implementation of those recommendations would be contingent on changes to certain provisions in current collective bargaining agreements. The Board asks that OHR provide updates on efforts to adopt and implement the CPS HR recommendations with regard to compensation

for non-bargaining unit employees, and to conduct periodic audits of classifications to ensure equity.

Quantitative Evaluation System (QES)

CPS HR Recommendation:

Replacing or modifying the existing QES, if done in a rushed and hasty mode, may jeopardize the integrity of the classification system and create inequities between various job classifications. At the same time, we must acknowledge that the QES in its original form may become less accurate overtime because of two reasons, transformation of jobs and the abstract nature of factor/level definitions, which complicates system administration.

There are two ways to mitigate this – one is to carefully adjust the existing QES and gradually re-evaluate all jobs based on the newly modified system. Second, develop a new evaluation system that would account for contemporary trends in job market and reflect the values of knowledge-based jobs. Both options will require considerable research and analysis, first is a short-term solution that may work in a long run. The Second is a more complex solution for the long term.

The core underlying concept of the new system is as follows:

- Develop modern effective and defensible quantitative job evaluation system that is easy to use and understand, and based on methodology that provides accurate, equitable, and dynamic value determination.
- The entire QES system should be redesigned with factors, parameters, and categories that are easier to measure, distinguish, and evaluate. The new system shall not only replace ambiguous and complex definitions of compensable factors by concrete, well-defined, and accurate definitions, but also change the entire approach to factor descriptions. For example, the factor “Knowledge” may be broken into levels based on the premise that knowledge is best expressed through the measurement of time of learning required for the job. Second premise for that factor is that knowledge is not a linear process and, therefore, the value of knowledge is not expressed in fixed point values. As a result, each level will be evaluated based on how much value it contributes to the job and organization. Such concepts would break jobs into very distinguished levels, each of which will have explicit distinguishing characteristics.

OHR Response:

OHR will work with CPS HR Consulting further to explore their proposed modification to the current system.

MSPB Recommendations:

The Board concurs with CPS HR’s recommendation that the County explore the modification or replacement of the dated QES system. While the Board is supportive of OHR’s intent to work with CPS HR on the possible replacement or modification of the QES system, the Board cautions OHR

to utilize an appropriate procurement vehicle to obtain the services of CPS HR or any other consultant for this project. Further, the Board recommends that OHR establish specific timeframes for conducting the QES review and asks that OHR provide the Board with those goals and periodic updates on the status of the effort.

Broadbanding - MLS Classifications

CPS HR Recommendations:

In summary, broadbanding offers fewer grades than traditional salary structures do, promising flexibility, lateral mobility and less emphasis on 'status' or hierarchy and places more of an emphasis on lateral job movement within the company. This flexibility, however, can lead to internal pay relativity problems as there isn't as much control over salary progression as there would be within a traditional multi-level grading structure.

Based on our findings presented in the QES section of this report, research supports that the QES (and its original FES) system was developed for non-supervisory jobs and may not be the most effective approach for evaluating management and executive classifications. The Broadband serves as a pricing structure and in itself does not have evaluation mechanism. The performance-based movement that is imbedded in MLS can work for employee growth and development, but cannot substitute a job evaluation system. As mentioned in the analysis, there is scientific evidence suggesting that broadbanding adds subjectivity and increases labor cost. If not administered properly, it may cause inconsistencies and inequities.

The following elements should be considered:

1. Revisit MLS and Broadband as the pricing system and approach to management classifications. Moving these classes to the existing traditional grade system is an option.
2. Design either market-based or factor-comparison system to evaluate management jobs.

OHR Response:

OHR believes the recommendations are worth exploring the current job evaluation and pay structure of the MLS. This is currently managed through evaluating the points that would normally be associated with the grades for each level of MLS. However, we do see the perspective of the consultant, and may obtain more insight from them on this issue. If we find there is a necessity to update the current process, we will work to obtain the legislative authority to update the system, which may result in adopting a tool more appropriate to maintaining the internal alignment of job within the County.

MSPB Recommendations:

The Board concurs with CPS HR's recommendation that the County revisit the MLS and Broadband. As with our prior recommendation, the Board is supportive of OHR's intent to work with CPS HR or another consultant on the issue, consistent with any limitations of the County

procurement law. Further, the Board recommends that OHR establish specific timeframes for conducting its review and asks that OHR provide the Board with those goals and periodic updates on the status of the effort.

EEO Overview

CPS HR Recommendations:

1. Seek diversity recruitment sources (*e.g.*, professional groups, publications, etc.) to post open positions and seek talent in areas of underutilization.
2. Create diversity goals and/or an annual EEOP plan to monitor diversity recruitment and compensation.
3. Incorporate diversity statements (*e.g.*, EEO/F/V/M) in all job postings.

OHR Response:

OHR is actively engaged in a number of initiatives in support of diversity. However, based on the recommendations, we see an area that we can improve our communication to inform departments and the public. The communication to the departments would help to ensure they are able to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion as a key component of their human resource strategies. We will also review our job postings to provide a consistent statement that incorporates diversity.

MSPB Recommendations:

The Board concurs with the recommendations of CPS HR and supports OHR's efforts to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion in recruitment and promotion. The Board asks that OHR provide updates concerning those efforts, including those involving consistency in job posting diversity statements.

Police Leadership Service

The Board notes that on April 5, 2018, legislation creating the Police Leadership Service went into effect. *Bill 40-17E, Chapter 5, Laws of Montgomery County 2018*. As a new initiative, the Police Leadership Service was outside the scope of the current audit. Since implementation of the Police Leadership Service is likely to be related to several of the key areas addressed by the audit, the Board recommends that OHR bear in mind the audit recommendations and keep the Board updated as the Police Leadership Service is moved towards implementation.

SCOPE OF SERVICES CLASSIFICATION AND COMPENSATION AUDIT

Background

Montgomery County, Maryland (hereafter, the County) borders the nation's capital and is the State's most populous jurisdiction, with 971,777 residents as of the 2010 Census. The County, with an operating budget of \$5.3 billion, is comprised of Executive, Judicial, and Legislative branches, and made up of 39 departments, boards, and commissions. The County is a charter form of government, with an elected County Executive and a nine member elected County Council. The Chief Administrative Officer and most agency heads are appointed by the County Executive, subject to confirmation by the County Council, and serve at the pleasure of the County Executive.

The Merit System Protection Board (hereafter, the MSPB or Board) oversees the merit system and protects County employees and job applicant rights under the merit system law. The Board is comprised of three members appointed by the County Council. As defined under § 404 of the Montgomery County Maryland Charter, the Merit System Protection Board is required to, "...conduct on a periodic basis, special studies and audits of the administration of the merit and retirement pay systems and file written reports of its findings and recommendations with the Executive and the Council." The County Council appropriated funding in the Fiscal Year 2017 budget to allow the MSPB to hire a consultant to begin an independent analysis of the County's classification and compensation plan and procedures. *See* Montgomery County Personnel Regulation §9-3(h)(2)(A), COMCOR §33.07.01.09-3(h)(2)(A) (requiring the MSPB "have a consultant who is a specialist in the field and independent of the County government conduct an objective audit of the entire classification and compensation plan and procedures.").

Intent

The Board has entered into this Contract with an independent consultant to design and conduct a comprehensive review and audit of the County's Classification and Compensation Program and Procedures. The objective is two-fold: 1) to ensure the accuracy, equity, validity and integrity in the administration of the classification and compensation program and execution of its procedures; and, 2) to determine the effectiveness of the current Classification and Compensation models and methodologies. The audit will determine whether the present Classification and Compensation Program and Procedures are administered properly and fairly, assuring equitable treatment of employees, coupled with meeting the needs of the County to attract and retain a quality work force. It will also determine the effectiveness of the County's job classification models and practices as compared to other "like" organizations in the regional market.

The County workforce has approximately 12,651 employees, of whom 8,645 are full-time, and the rest are a combination of part-time, temporary, and seasonal workers. With the exception of approximately 67 appointed officials, all employees are included in the County's Merit System. Additionally, the Fire/Rescue Service consists of 19 independent fire corporations with approximately 1,300 paid Merit System employees. The County uses eight occupational categories in accordance with the EEO-4 requirement, 56 occupational series, and approximately 550 job classification specifications. The Classification and Compensation Study will include a review, audit, and analysis of these categories, series, job specifications and the employees that occupy these jobs.

To the extent that funds appropriated in Fiscal Year 2017 are insufficient to conduct a complete comprehensive audit, it will be necessary to identify and prioritize the study objectives. Accordingly, the Contractor will propose a plan and options for phasing in the audit's components over multiple fiscal years.

Scope of Services/Specifications/Work Statement

The Contractor shall develop an overall plan for auditing the Classification and Compensation Program, including proposals for phasing in the audit over multiple fiscal years. Upon approval of a plan of action, the consultant shall conduct the comprehensive review, audit, analysis and report documentation of the Classification and Compensation Plans and Procedures. The Classification and Compensation Program, consist of approximately 550 job classification specifications that are classified under the Quantitative Evaluation System (QES), and approximately 390 positions that are classified under a Broad Banding Classification System. In addition, the audit will examine the salary schedules for the County's 40 grades for non-represented employees, 28 grades for represented employees, two grade police management schedule, 15 (A-O excluding LSI and LS2 longevity) salary grades in the Fire/Rescue Bargaining unit, eight grade seasonal salary schedule, and the three grade levels for the Management Leadership Service (MLS) positions.

The scope of services is as follows:

Classification:

Develop and execute a plan to conduct a job audit of positions and administration of prescribed regulations, administrative procedures and policies, including general task analysis by departments, which may include interviews with department directors, managers and other key personnel and employees to determine the essential functions of the jobs within the occupational categories and series. The audit should include, but is not limited to, the following:

1. Statistical sample size of Individual Position Study Files: new position creations, position reclassifications, and position abolishment.
2. Statistical sample size of Class Study Files: class creations, class abolishment, class reallocations, and class title changes.
3. Review and examination of Administrative Procedure 4-2 Classification Procedures, Quantitative Evaluation System Manual, and the execution of policies and procedures of managers, supervisors, and Human Resource Personnel.

Review and make any necessary recommendations regarding the County's current job classes, and job specifications, ensuring adequate differentiation for ladder jobs and ladder progression criteria, including but not limited to, Social Worker I - III, Program Specialist I – II, and Administrative Specialist I - III.

Prepare new job class specifications (if applicable), update existing specifications, and assess FLSA designations for each classification to accurately reflect the duties, responsibilities and type of work performed in the respective job classes.

Review and evaluate the occupational series including but not limited to Administrative Aides, Budget, Finance and Human Resource Specialists and determine the necessity of the series, sufficient differentiation across series, and appropriateness of job classifications included in the series.

Compensation:

Review current compensation rates, pay grades, salary schedules, and salary ranges for multi-incumbent represented, non-represented, and MLS positions, to include evaluation of effectiveness, competitiveness, flexibility, and equitability for internal, external, and across various demographic factors such as gender, race and age. The audit should include, but is not limited to, statistical sample size of the following:

1. Internal promotional increases
2. External hire compensation
3. Special within-grade advancement request study files
4. Incumbents in same job classification

Make any necessary recommendations regarding pay grades, salary ranges, salary schedules, and compensation policies and practices for represented, non-represented, and MLS job classifications. Conduct a comprehensive compensation survey of entities considered as the appropriate labor market within the County's competitive area to evaluate the competitiveness of the County's pay schedules and compensation practices for internal and external hires. Such entities may include appropriate private, federal government, local government, and quasi government sector organizations.

Identify potential pay compression issues and recommend solutions.

Identify potential gender pay equity issues and recommend solutions.

Models and Methodologies

Review and assess the effectiveness of the County's Quantitative Evaluation System (QES) and Broad Banding System, to include the following:

1. Provide recommendations on the QES model and Broad Banding system.
2. Identify and share other evaluation and competency based models used for job evaluation and classification that may be appropriate and effective for the County.
3. Recommend approaches to supplement the current classification system with competencies by job class to support recruitment, candidate assessment/qualification, performance management, training, and career progression within and across occupational categories.
4. Identify impact (if applicable) of current Classification and Compensation Methodology on recruitment, candidate qualification, performance management, training, and career progression.
5. Identify and recommend an approach or model to ensure integration and continuity of job classification factors in the overall management of talent.

Contractor's Responsibility

The contractor shall be responsible for:

1. Proposing the design, development, and preparation of a project plan and timeline for conducting the comprehensive study.
2. Conducting the actual audit in a manner that assures accuracy and validity of results.
3. Keeping the Board informed of progress on a monthly basis. Meeting with the Board, as necessary, to assure full compliance with the Contract, and to discuss issues or problems that may arise.
4. Providing the Board with a written interim report.
5. Providing the Board with a final written report, containing all findings and conclusions including recommendations for possible changes in the overall Classification and Compensation Plans and Procedures, and a plan of action to guide implementation.
6. Providing the required reports and deliverables.
7. Conducting interviews with County employees and external organizations, where necessary.
8. Determining and using statistical sample size for review and analysis.

County's Responsibility

The County will provide a primary point of contact to ensure timely and accurate response is provided to the contractor

The County will provide the following:

1. Personnel Regulations
2. Administrative Policies and Procedures
3. Occupational Categories
4. Occupational Series
5. Job Classes by categories
6. Job Class Specifications, Grades, FLSA status
7. Salary Schedules
8. QES manual
9. Broad Band document
10. Wage Equity Program Procedures
11. Collective Bargaining Agreements
12. Organizational charts and department contacts

Reports/Deliverables

1. Monthly Progress Reports
2. Initial Briefing Report, 30 days from notice to proceed, to include:
 - a. Review and Project Analysis
 - b. Plan/Approach
 - c. Timeline

- d. Project Prioritization Recommendations
3. Draft of Interim Written Report and Oral Presentation for Comment, 90 days from notice to proceed
 4. Phase 1 Written Report and Oral Presentation, 120 days from notice to proceed, unless the Board requests a later date based on project timeline and prioritization, to include:
 - a. Classification findings, recommendations, impact analysis, plan and timeline to include prioritization of effort
 - b. Compensation findings, recommendations, impact analysis, plan and timeline to include prioritization of effort
 - c. Competency-based model and strategic approach to supplement the existing Classification and Compensation System (enhancement to current system or a new job evaluation and compensation methodology)
 5. If all work under the Contract is complete during the initial one year term the Phase 1 Written Report shall be the Final Written Report. If it is necessary to extend the Contract beyond the initial one year term the Board may set a due date for the Final Written Report and Oral Presentation.



OFFICE OF HUMAN RESOURCES

Isiah Leggett
County Executive

Shawn Y. Stokes
Director

MEMORANDUM

April 27, 2018

TO: Bruce Martin, Executive Director
Merit System Protection Board

FROM: Shawn Y. Stokes, Director
Office of Human Resources

SUBJECT: Final Report – MSPB Classification and Compensation Audit Report – Department Response

My team and I were pleased to find that CPS HR Consulting, the Consultant contracted by the Merit System Protection Board (MSPB) found the County to have characteristics of an effective classification and compensation program. However, the report contained 18 separate recommendations for Classification and 13 for Compensation that the County can use to further improve its operations. The Office of Human Resources (OHR) submits the following responses to the Audit Findings and Recommendations included in the classification and compensation audit of OHR.

Audit Findings and Recommendations

Classification Scope

Section 1. Occupational Series

Finding 1: Overall, the entry-level classification, “I” is underutilized. Looking at a sample of 14,857 active positions (report dated March of 2016) only 1,619 positions (10.89%) were assigned to a level-I class. These positions were allocated to 36 classifications. In the period of January to December 2016, 1,744 positions were hired with 303 (17%) allocated to a level-I class. This means that only 19% of all level-I positions are newly hired or have less than one year of service. In the majority of cases, nearly half, level-I classes are filled by part-time or temporary staff. Many of the professional and safety classes (e.g., Nurse, Social Worker, Therapist, Police Officer, Firefighter...) have no positions allocated to a level-I class, regardless of County tenure.

Recommendations:

1. Series should be reviewed and possibly restructured to meet organizational needs and required minimum qualifications, possibly eliminating or consolidating the level-I class based on underutilization.
2. Further discussion on salary grade ranges will be provided in the compensation section to assess if grade ranges are ineffective to meet hiring goals.

OHR Response: Over the last year, OHR began a comprehensive review of the allocation of employees within the classification plan. We will continue to review this year to determine if the County should move forward with a policy change regarding the use of Public Administrative Associate (PAA) classification to underfill class series with generic degree qualifications, which we believe may be contributing to minimal allocation of employees to the entry-level classifications.

Section 2: Career Ladder and Distinguishing Characteristics

Finding 2: The analysis shows that most of the series include distinguishing characteristics between levels, which are represented in class definitions, descriptions of duties and/or minimum qualification requirements. In addition, all series differentiate levels by pay grades. For example, in the classification series of Manager, the levels I, II, and III are assigned to pay grades M1, M2, and M3 respectively. The lowest level in the series (in this case M3 is lowest and M1 is highest) requires less experience, education, and less decision-making authority, complexity, and autonomy. The table below details these distinguishing characteristics of levels in the series. The same pattern is observed in other series where grades, class definitions, example of duties, and minimum qualifications serve as distinguishing characteristics defining complexity, autonomy, authority, and length of required study for each level. In some cases, however, the characteristics that are intended to clearly define how each level is different from lower and higher levels in the series do not define that difference explicitly. This may cause confusion and leave some room for misinterpretation and ambiguity. This practice may further lead employees to believe they are ready for or already perform at the next level, but they are not being promoted and their career ladder plateaued. It is, for example, common to differentiate levels by broad statement “this is entry-level professional class”, or “this is advanced-level professional...”, “intermediate”, “full-range”, etc.

To support these statements within class definitions employees must carefully study the entire class specification and find clear and well-defined measures that distinguish levels. Although most series do have these measures, their complexity and semantics may affect how effortlessly they are understood and perceived. In the table below the class definition section clearly defines each level by “beginning”, “intermediate”, “full performance”, and “senior”, which is supported by the minimum qualifications section.

Recommendations:

3. Add “distinguishing characteristics” statements to all job series (similar to Administrative

Specialist series) to better define how each level differentiates from the next lower level and next higher level.

4. Ensure that these statements are consistent among the levels and use the same format and verbiage to eliminate confusion, ambiguity, and misinterpreting level descriptions.
5. Support the “distinguishing characteristics” statements by explicit and well-defined examples of duties and scope of responsibilities.
6. Avoid unclear, ambiguous, and unnecessary overcomplicated statements and description of duties.
7. Ensure that differences between levels are clear, significant and measurable as expressed in class definition, example of duties, and minimum qualifications. Differences should support career progression and be achievable within reasonable time. Table 9 illustrates an unclear view by employees on how one may advance or promote within a career ladder.
8. Series should be reviewed and possibly restructured to meet organizational needs and required minimum qualifications, possibly eliminating or consolidating the level-I class based on underutilization (Also observed in Class Plan).

OHR Response: OHR agrees with the recommendation. The classification structure assists in providing a logical, consistent, and fair system, and helps applicants, employees, and managers understand job duties, responsibilities, qualifications; ensures equal pay for equal work; and provides valuable information in organizational planning and analysis, staff development, and performance management. The County takes a broad approach to classification. Broad classification concepts provide a general fit of an employee to the classification and focus on the broader knowledge, skills, and abilities (KSAs) common to a large number of positions. There is a less than exact fit of the employee to the position in this design, but management’s flexibility is greatly expanded and compensation is more easily managed. At the beginning of fiscal year 2018, we initiated reformatting the classification specifications to mirror the QES format to create transparency and clarity to the class specifications. Over the next year, we will work to develop a classification guide to provide more information on job families and classification levels, the classification specification format, occupational groups, and conducting classification/position studies. We believe that this will address the issues set forth in the audit.

Section 3: Position Classification – Reclassification

Finding 3: An electronic survey (shown in Appendix E) was sent to 239 incumbents who were participants in positions studies during the period, 2012 – 2016. The survey included 401 supervisory and management staff organizationally related to the study incumbents by direct reporting structure and/or assigned department. A sample of 19 classification files was also reviewed. Looking at files there was a variety of incumbents approved and denied. Studies were conducted by OHR or a third-party consultant. Approved requests in the sample were based on

meeting criteria of the higher/alternate classification. Denials were based on duties performed that were within scope of current classification or timeliness.

The survey had a 24% response rate. Respondents represented 17 departments as shown below. 49% reported that the outcome of their study was a reclassification to a higher classification. The primary reason, 94.5%, for the study request was a change in the level of responsibility. 70% indicated that their classification was part of a classification series (e.g., I, II, III...).

77.4% of respondents indicated that their study results took more than 3 months. 45% disagreed with the study outcome and claimed they were not able to address study disparities with any leadership staff. Over 60% of respondents reported receiving results from OHR.

Recommendations:

9. Assess and define recruitment vs. reclassification scenarios. An approved file in the sample reported that, “incumbent has grown in scope.” Growth should be recognized and mentored in a succession plan or career ladder. Relying on a form submittal can overlook talent, extrapolate misclassification and impact morale. Performance and growth are components of career planning and performance management, not position reclassification.
10. Explore the opportunity for “flexible or flex” positions. Flex classifications are typically designated as an I – II and represent entry and journey level skills. Classifications provide a position the opportunity to “automatically” advance in a career series based on quantifiable criteria (e.g., performance, tenure, etc.). This could limit the number of studies by providing those that have specifically had an organization or position change vs. those who are developing within the classification series.
11. Update forms and policy. Many of the study files did not express department management concurrence with the incumbent. If this is not required, then the policy should be updated. In addition, the policy lists that study results will be provided by the department. The survey indicated OHR as the lead in providing results. Update timelines if not reasonable for current workload. Streamline and implement introduction tools for employees to understand the process and criteria.
12. Assess number of denials due to, “maximum request received,” and ensure ongoing assessment of applicant pool numbers. Using thresholds that are not regularly updated or assessed can create perceived inequities. Again, better defining the process to classifications that have had a “true” change vs. normal growth in a series may make study requests more manageable and efficient.
13. Enhance communication plans so that employees may more clearly translate and apply classification and compensation terminology and practices. During interviews, the majority of respondents were not able to immediately articulate when the last salary increase was due to altering terminology. Surveys or focus groups should be conducted to

evaluate process improvement opportunities. Additionally, 45.3% of respondents disagreed with position study results and all reported that their feedback was not considered. The chart below shows respondents' understanding of how to move within a career series. There is an opportunity to streamline and correct policy understanding.

OHR Response: OHR agrees that the process for reclassifications versus recruitments requires more administrative guidance from the department. The situation where the volume of the work has changed is different than a job evolving or changes over time, and this is when a classification/position study is needed. The study is to determine if the position has indeed changed substantially over time; and if so, then to determine if those changes warrant a class change (reclassification), and if so, to what class. There should not have been a purposeful addition or change in duties, as this practice is counter to merit and fairness principles and values. To address this issue, OHR will work to more narrowly define through webinars, printed communication, and meetings with the HR community, the basis in which classification studies shall be conducted.

Section 4: Classification Specification

Finding 4: To assess classification compliance with County policy the Classification plan, inclusive of 565 class titles, was reviewed. A survey was sent out to 2,150 employees representing 57 classifications. Classifications were selected by assessing hiring data for the last five years (2012 – 2016) and establishing those classifications, and related series classifications, where more hiring activity occurred. Also, 176 recruitments were reviewed related to these classifications. In initial assessment, it was found not all class titles are currently utilized. Data provided in March of 2016 showed 497 class titles in active use. This provides a ratio of 1:29 (i.e., for every class title an average of 29 employees are allocated). Looking more specifically at the general and management schedule data, this ratio is decreased to 1:17; with 399 class titles utilized. In assessing recruitment files, 156 job postings included some addition of “preferred” criteria. The majority of the preferred criteria provides more specialized work experience to the work program or expands on the knowledge required. 58% of respondents indicated that the job announcement correctly depicted the work they were hired to perform. Of staff interviewed, several commented on technology factors being out of date and the need to add preferred language to job postings. Overall, in assessing 14,587 applicants, 27% of applicants are identified as “not qualified” as a candidate to advance in the recruitment process. These factors collectively show opportunity to update specification language and/or consolidate class titles to reflect actual work duties.

Classifications may also be created, abolished or modified under the program. In review of created classes, 2013 – 2017, 45 new classes were created.

Recommendations:

14. Avoid unclear, ambiguous, and unnecessary overcomplicated statements and description of duties, especially in preferred criteria which may not be quantifiable (e.g., “Considerable office desktop experience.”).
15. Update policy to reflect current job evaluation factors (e.g., Section 9-2 (2) (D) (ii) references physical and mental requirements which are not included in all classification specifications).
16. Ensure a periodic audit process of position reviews to ensure classification language represents the current work duty requirements and aligns with the agency classification needs.

OHR Response: This audit covered the period of 2015 to 2016. Since that time, OHR has implemented the Proform system for applicant assessment, which includes utilizing the QES factors to determine an applicant’s qualification(s) for positions. We feel this has eliminated the ambiguity that was once found in the preferred criteria. Also, as previously stated, as we are finalizing several occupational studies, we have begun to reformat our classification specifications, and will continue to update them by series with the hope of having the updates completed by end of calendar year 2018.

Section 5: Fair Labor Standards Act (FLSA)

Finding 5: During the review of 23 job classifications in the sample (Appendix G), CPS HR consulting team identified 6 classes that either were recommended for changing their FLSA designation, or found to be in need of additional review, analysis and possible revisions. The results of the analysis are shown in the table below and job classifications with recommended change in FLSA designation.

Recommendations:

This section presents the findings for the FLSA status of current individual’s task duties in existing positions reviewed by CPS HR. The changes are grouped by: Need to change FLSA status to non-exempt; or Need to change FLSA status to non-exempt or update classification specification.

17. Recommended to change the FLSA designation to Non-Exempt:

- *Administrative Specialist I (000152)*
- *Imaging Operator Leader (109009)*
- *Public Service Craftswoman II (205228)*

18. Recommend either changing FLSA designation to Non-Exempt or revising class spec to clearly define set of duties that fit administrative exemption:

- *Administrative Specialist II (000151)*
- *Executive Administrative Aide (009272)*

OHR Response: We are currently reviewing the specifications to update the specification and/or the FLSA status and will notify the affected departments and employees with the changes.

Compensation Scope

Section 1. Compensation Allocation

Finding 1: In review of the compensation policy, the following observations were made:

- MCPR Section 10-5 (c) (1): Increase during promotion of no less than 5% is restrictive and may create inequities.
- MCPR Section 10-10 Pay-for-Performance:
- Break down between base pay increase and a lump sum is unclear and not defined.
- Assigning the same percentage to all MLS employees below 90th percentile of the range (with the same performance rating) will create large pay variation (dispersion) over time due to compounding effects. This will cause inequities and increase labor costs.
- Overall, the concept of tying pay to performance without considering external (market) and internal equity alignments may create wage inflations and inequity in pay administration.

General Pay Schedule Analysis Observations:

- Pay Grade Bandwidths are found to be inconsistent and in some cases irrational.
- Bandwidths in lower grades are too broad (Grade 6 – 55%, Grade 9 – 57.5%, Grade 12 – 60.6%).
- Bandwidths in higher grades are too narrow (Grade 37 – 52%, Grade 39 – 44%).
- Midpoint separations (2.8-4.8%) are found to be too small and are not consistent with promotional increase policy 10-5 (c)(1), requiring no less than 5% promotional increases.
- Grade overlaps (3.8-4.8%) are found to be too small.
- Midpoint salary compared to midpoint market median is 6.16% above market median.

Recommendations: Revisit and redesign the General Pay Schedule based on organizational market strategy, compensation philosophy, and career progression goals:

1. Establish bandwidth that meets learning and complexity of classifications (i.e., more complex knowledge factors equate to a larger spread within the grade).
2. Review opportunities to reduce the number of salary grades and address compaction between grades.

OHR Response: OHR agrees with the consultant’s recommendation to revisit and redesign the General Pay schedule by developing a compensation administration guideline. We have begun to model different theories around the relation between our compensation structures and the classifications we have created over the years. Over the next fiscal year, we will revisit this issue

in a constructive manner that is transparent and inclusive by working to outline and define a compensation strategy or philosophy, which will work to:

- Identify a compensation approach that reflects the fundamental value of the job to the County by reviewing the definition of parity including the position the County would like to occupy in relation to the defined labor market.
- Utilize market data to update pay structures on an ongoing basis and provide a basis for budgeting.
- Employ more concise pay grades with open range structure to facilitate maintenance of market-based pay ranges.
- Update performance/merit pay approach to provide a more modern approach than longevity or reclassification.
- Identify a classification strategy.

Additionally, OHR will submit for review and comment updates to the MCPR, which will hopefully assist departments in understanding the requirements for defining pay from hire to retire.

Section 2. Pay Allocation

Finding 2:

- No inequities were observed between employee age groups; employees in the OVER 40 age group were typically awarded higher salary than employees in the UNDER 40 age group. While longer tenure is often correlated to advancements in salary, the OVER 40 group represents 43% of overall employees with 15 years of service or more. Thus, tenure is not a sole factor in pay equity.
- Although this trend was observed in all audited job classifications, it was best illustrated in the highly populated job of Police Officer III.
- Majority of audited job classifications did not show findings of pay inequities based on gender.
- No findings of pay inequities based on race and/or national origin in the audited job classifications were identified.
- Some pay inequities based on race and national origin were observed in the total Montgomery County sample, which may be explained by larger presence of certain demographic groups in jobs allocated to lower pay grades.
- Some pay inequities were observed in selected job classifications where data was cross-referenced with demographic categories (i.e., wages of females in various ethnic groups with males in the same or different ethnic groups).

Recommendations:

3. Review criteria used to determine employees' base pay assignment within the same

job classifications to eliminate or prevent possible inequities among various demographic groups.

4. Identify job classifications with “uneven” demographic composition and determine its causes and policies that can mitigate these irregularities.
5. Continue applying consistent compensation, recruitment and staffing policies and practices to ensure compliance with EEO guidelines and employee satisfaction.

OHR Response: OHR supports these recommendations and has begun to take steps to develop administrative guidance to departments and their Human Resource liaisons. We recognize that implementation of consistent and appropriate practices is instrumental to our ability to attract, motivate, and retain qualified employees, and to ensure compliance with appropriate rules, regulations, and laws. The success of our compensation program hinges on our ability to appropriately compete with external labor markets, to recognize and reward exceptional performance, and to maintain a shared sense of internal equity and fairness. The administrative guidance will serve as a tool to use in conjunction with MCPR, which will detail the why, who and how of determining pay, job changes, salary changes, applying adjustments, salary processes, and definitions.

Section 3. Wage Equity

Finding 3: Reviewing the County’s data from 2012 to 2017, 502 equity requests were submitted and of those, two requests were denied with the remaining being approved. Current placement of new hires per personnel regulations is subject to department negotiation up to midpoint of range. While internal equity is an essential component to effective compensation, this plan does not ensure that current incumbents are correctly placed. If incumbents were initially placed due to promotion, the current salary could be low to start with. More so, the request depends on the hiring manager submitting a request. One could argue that offers of employment could be made to protect current employees, thus not rating new hire offers based on candidates ‘qualifications. Additionally, the program does not ensure evolving qualifications (i.e., education, certification, etc.) are regularly assessed.

Recommendations:

6. Define or designate ranges for new hire salary allocation. These could include a potential increase after satisfactory completion of a probationary period. New hires brought in equal to tenured professionals before exhibiting performance capabilities can produce a negative impact on incumbent morale.
7. Conduct periodic audits of classifications within the County to ensure equity extends outside of department.

OHR Response: OHR supports the recommendation in part. Wage equity for bargaining unit employees of MCGEO is a contractual practice. Over the last year, we have created guidance for

HR Liaisons in support of the hiring manager to ensure proper salary allocation of the prospective hire based on relevant years of experience, training and education compared to their internal counterparts. However, in engaging the HR Liaisons and the departments themselves, we have received feedback that a consistent process for non-bargaining unit positions would be welcomed and helpful for departments in determining the allocation of salary.

Pay progression in the County has largely been managed through:

- Periodic across-the-board Increases – such increases result from collective bargaining updates to each step/grade, usually extended to non-represented jobs and do not differently address pay structure inequities.
- Reclassification – ongoing pay increases are acquired concurrent with requests for classification review with the expectation of moving to an adjacent narrow job class that is placed at a higher grade within the pay matrix.
- Labor contract negotiations – collective bargaining usually results in consistent percentage updates to steps/grades.

As discussed earlier in our responses, OHR will work to include in regulations and guidance the best practice standards that eliminate wage equity issues in the classification by:

- Utilizing market parity/internal aligned in setting pay rates.
- Determining pay structure updates, in conjunction with available budget, that can be implemented within the salary schedule rather than across-the-board increases.

Section 4. Quantitative Evaluation System (QES)

Finding 4: The underlying difficulty of most point-factor systems, in general, and the Montgomery County QES specifically, is that they are complex and difficult to administer, hard to understand by employees, and open to differences in interpretation.

Recommendation:

8. Replacing or modifying the existing QES, if done in a rushed and hasty mode, may jeopardize the integrity of the classification system and create inequities between various job classifications. At the same time, we must acknowledge that the QES in its original form may become less accurate over time, because of two reasons, transformation of jobs and the abstract nature of factor/level definitions, which complicates system administration.

OHR Response: OHR will work with CPS HR Consulting further to explore their proposed modification to the current system.

Section 5. Broad-banding – MLS Classifications

Finding 5: Broad-banding offers fewer grades than traditional salary structures do, promising flexibility, lateral mobility and less emphasis on “status” or hierarchy and places more of an emphasis on lateral job movement within the company. This flexibility, however, can lead to internal pay relativity problems as there isn’t as much control over salary progression as there would be within a traditional multi-level grading structure. Research supports that the QES (and its original FES) system was developed for non-supervisory jobs and may not be the most effective approach for evaluating management and executive classifications. The broad-band approach serves as a pricing structure and does not have an evaluation mechanism. The performance-based movement that is imbedded in MLS can work for employee growth and development, but cannot substitute a job evaluation system. As mentioned in the analysis, there is scientific evidence suggesting that broad-banding adds subjectivity and increases labor cost. If not administered properly, it may cause inconsistencies and inequities.

Recommendations:

9. Revisit MLS and broad-banding as the pricing system and approach to management classifications. Moving these classes to the existing traditional grade system is an option.
10. Design either a market-based or factor-comparison system to evaluate management jobs.

OHR Response: OHR believes the recommendations are worth exploring the current job evaluation and pay structure of the MLS. This is currently managed through evaluating the points that would normally be associated with the grades for each level of MLS. However, we do see the perspective of the consultant, and may obtain more insight from them on this issue. If we find there is a necessity to update the current process, we will work to obtain the legislative authority to update the system, which may result in adopting a tool more appropriate to maintaining the internal alignment of job within the County.

Section 6. EEO Overview

Finding 6: Classification and compensation systems should support the identification of qualified candidates and not create adverse employment actions toward any protected class (i.e., gender and/or race). This summary will look at workforce demographics compared with the local geographic area workforce and applicant pool (Appendix Q). To assess underutilization (or adverse impacts), a review of 9,714 active full-time positions was made in comparison to census data from the Equal Employment Opportunity Commission (EEOC). Statistics for the available labor force in the Montgomery County areas are highlighted in the tables below. Asian, White and female are shown as an opportunity, as the reported workforce total compared to the area total availability have a difference of 2% or greater (as recommended by EEOC guidelines). OHR currently provides an annual report, “Personnel Management Review,” which does provide some demographics on an annual basis, but does not have ongoing goal setting or benchmarks.

Bruce Martin, Executive Director

April 27, 2018

Final Report- MSPB Classification and Compensation Audit Report – Department Response

Recommendations:

11. Seek diversity recruitment sources (e.g., professional groups, publications, etc.) to post open positions and seek talent in areas of underutilization.
12. Create diversity goals and/or an annual EEOP plan to monitor diversity recruitment and compensation.
13. Incorporate diversity statements (e.g., EEO/F/V/M) in all job postings.

OHR Response: OHR is actively engaged in a number of initiatives in support of diversity. However, based on of the recommendations, we see area that we can improve our communication to inform departments and the public. The communication to the departments would help to ensure they are able to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion as a key component of their human resource strategies. We will also review our job postings to provide a consistent statement that incorporates diversity.

I appreciate the opportunity to comment on the final report and our continued partnership to improve the County's classification and compensation system.

SY/kc

cc

Timothy Firestine, CAO

Fariba Kassiri, Assistant CAO

Kameron Coefield, OHR