

Town of Chapel Hill Compensation Philosophy

I. Guiding Principles

The Town of Chapel Hill's Compensation Philosophy is rooted in five guiding principles

- **Internal Pay Equity.** We ensure fair and equitable pay across positions within the organization for jobs of similar scope, regardless of the specific department the position is housed in.
- **Market Positioning.** We recognize that the local government market in the Triangle is competitive, therefore we regularly monitor market trends and adjust pay grades to maintain competitiveness.
- **Recruitment & Retention.** We recognize that while pay is one aspect of a total compensation package, it is a very important factor in recruiting top talent and retaining high performing employees.
- **Benefits & Incentives.** We offer a comprehensive benefits package that helps attract, retain, and motivate employees. We periodically review these benefits to ensure we reflect best practices and remain competitive.
- **Stewardship of Public Dollars.** We must consider the Town's budget and long-term financial sustainability when determining both organizational pay structures and individual employee pay.

Additionally, the Town must follow all applicable local, state and federal laws, including the [Fair Labor Standard Act](#) requirements regarding pay.

II. Pay Ecosystem

Pay Plan Structure

Exempt vs Non-Exempt: Each job at the Town is evaluated to determine whether it is exempt or non-exempt. An exempt position does not qualify for overtime pay whereas a non-exempt position does, per the requirements of the [Federal Labor Standards Act \(FLSA\)](#).

Job Classification: Each job at the Town is assigned a classification, which determines its pay grade. Job classification is the process of categorizing roles based on similar duties, responsibilities, qualifications, and required skills. The factors used to make these determinations are outlined below.

Job Family: Most jobs are in a job family, groups of jobs that do similar types of work but require different levels of skill, responsibility, or working conditions. Job families help create pathways for career advancement and progression.

The Town's pay structure includes the following types of pay grades with multiple levels in each:

E = Exempt Employees. Those that are exempt from being paid overtime according to the FLSA.

F = Fire Employees. Those that work in roles specific to fire service.

N = Non-Exempt Employees. Those who must be paid overtime according to the FLSA.

P = Police Employee. Those that work in roles specific to police service.

T = Transit Employees. Those that work in roles specific to transit.

S = Senior Leadership Employees. Those in upper leadership roles within departments.

Some departments like Police, Fire and Transit determine their pay based on additional factors outside the Town such as grant funding, Federal and State requirements as well as those factors below.

Factors Determining Pay Grade and Classification

Below are the factors used to determine a position's initial pay grade or when a position may need to be reclassified, according to pay and classification best practices.

- **Skills.** The abilities and knowledge required to perform a job effectively. Includes both interpersonal (soft) and technical (hard) skills. Jobs with similar level of required skills are classified in the same grade.
- **Effort.** The physical and mental exertion required to perform job duties.
- **Responsibility.** The level of accountability associated with a job, including decision making authority, supervisory roles, and the importance of the tasks performed.
- **Working Conditions.** The physical environment in which a job is performed, such as safety, noise levels, and other environmental factors.
- **Experience.** The length and relevance of prior work experience required.
- **Education.** Educational qualifications that directly relate to the required knowledge necessary for more complex roles.
- **Oversight.** How much supervisor involvement a position requires.
- **Supervision:** How many people a position supervises.

Factors Determining Individual Pay

There are factors that determine the amount individual employees are paid:

- Internal equity. Internal equity looks at the pay relationship between individuals in the same pay band, focusing on their tenure, time in position, amount of total experience, certifications, and other factors relevant to the role.
- The market rate, benchmarked against peer organizations and for similar positions.
- The availability of the needed skills in the current labor market. Skills in high demand and low supply may require additional incentives to meet needs.
- Town's budget constraints which affect the Town's ability to provide annual pay increases and/or mid-year adjustments.

Types of Pay

The Town uses various types of pay to compensate employees. Some of these might include (but are not limited to):

1. **Base pay** is the pay at which an employee starts a particular position within the Town, plus any subsequent raises they receive.
2. **Pay for career progression and advancement:**
 - a. **Career progressions** occur when an employee's skills meet the established criteria to perform their current role with greater productivity and/or expertise and can result in a base pay increase. For example, progressing from Bus Technician I to Bus Technician II.

- b. **Career advancements** typically result in a modification of the employee's job responsibilities and performance expectations and come with a pay increase. For example, a Bus Technician II being promoted to a Bus Technician Supervisor. Job families provide guidance on career pathways.

HRD will help departments develop career progression and career advancement plans for those positions where it would benefit the department and the Town's operations or service delivery. Career progression plans must be approved in advance and funded in the budget.

3. **Education and skill incentives** are for specific education or certifications that benefit the Town's operations and give the employee the ability to perform their job responsibilities more effectively and/or efficiently or to deliver more enhanced services. One example: some employees might receive incentive pay for achieving additional relevant education beyond the minimum qualifications for the position. Incentives do not add to base pay and require the recipient to maintain the certification (if relevant) and regularly perform the work for which they receive the incentive.
4. **Annual Pay Increases** are increases in base pay, approved by Council as part of the annual operating budget, that are intended to provide a general market adjustment. They are not guaranteed.
5. **On-call and other types of episodic pay** may be offered to employees for being on-call or for other episodic operational needs.
6. **Interim Pay** is temporary pay for taking on higher level job duties outside the scope of one's current role for a period of time, typically when a critical vacancy occurs.
7. **Sign-on and retention bonuses/adjustments** might be offered to secure and retain mission critical employees.
8. **Longevity Pay** rewards employees for length of Town service. The Town's [Longevity Pay Policy](#) provides further information.

III. Benefits and Other Non-Monetary Compensation

Benefits

A robust and competitive benefits package helps attract and retain employees. The Town regularly reviews its benefit offerings and benchmarks them against its peers. [A full listing of current Town benefits is available HERE.](#)

Non-Monetary Compensation

The Town offers other ways to earn non-monetary compensation outside of take-home pay.

- **Compensatory Time:** Exempt Town employees may earn compensatory time under the provisions of the Town's [Compensatory Time policy, Policy 3.3](#). This policy may be amended from time to time. Department Heads and/or Directors do not accrue compensatory time. Non-exempt employees earn overtime pay according to applicable local, state, and federal laws.
- **Equal Time Off:** Certain employees may earn equal time off according to the provisions of the Town's [Adverse Events Policy, Policy 1.4](#). This policy may be amended from time to time. Department Heads and/or Directors do not earn equal time off.

IV. More Information about Key Terms and Concepts

Town Tenure

The Town recognizes that experienced employees benefit the Town's operations. We provide longevity pay for employees with longer tenure at the Town, and therefore a deeper understanding of our organization.

Starting Pay

Recommended starting pay will be based on a combination of the compensable factors and market conditions as outlined above.

Relevant experience, education, and credentials gained outside the organization will be factored into starting pay. This may occasionally result in a new employee being offered a starting pay that exceeds that for an employee currently in the same position but with less overall relevant experience or skills, even if they have longer tenure at the Town.

The Town may compensate experienced employees with higher pay, even when that experience comes from outside the organization. Unrelated experience or education is not used to determine starting salaries.

Current employees moving to new roles will have their pay offers similarly evaluated.

Supervisors

An employee typically receives an increase when moving into a supervisory role. The amount of the increase depends on multiple factors, including but not limited to:

- The amount of the gap between the current employee's pay grade and the pay grade of the supervisory role they are assuming. An employee moving multiple pay grades may qualify for a higher pay increase than an employee moving one pay grade.
- The qualifications of the employee moving into the supervisory role. For example, an employee meeting the minimum qualifications for the new role might have less of a pay increase than an employee who exceeds the minimum qualifications for the role.
- Internal equity for others in similar roles in the pay band.

Supervisors are typically in a higher pay grade than all employees they supervise. There may be rare occasions when an employee might earn more pay than their supervisor due to factors such as Town tenure.

Compression

Compression occurs when:

- A. The pay of one or more employees is very close to the pay of more experienced employees in the same job or when employees in lower-level jobs are paid almost as much or more than their colleagues in higher-level jobs, including managerial positions; and/or
- B. Employees have minimal or no pay differences despite differences in skills, experience, or tenure. It means that the salary gap between the following is narrower than what is typically expected:
 - Junior vs. senior positions
 - New hires or new promotions vs. long-term employees in similar roles

Compression does not occur when:

- People are paid close to each other because of factors such as more overall relevant experience, skills-based pay, or certificate/license incentives.
- Long-term employees move to a new role and start at the lower end of a new pay grade

Department Directors should bring concerns about compression to HRD for review. The Town will continue to address compression issues to the extent the annual budget allows.

Position Reclassification

An employee's job responsibilities and requirements may change over time to the point that evaluating their position's pay grade is warranted. Position pay grade changes will be considered during the annual budget process. HRD will review any requests during the month of January each year. If the reclassification request meets criteria for a change, HRD will advise the requesting department that it is approved.

Please note that reclassifying a position does not necessarily mean that the incumbent in the role will receive a pay increase at that time. If a pay raise is approved, the department can proceed with submitting it as a budget add in the department's next year budget request. If approved, the pay adjustment will occur in the new fiscal year.

There may be exceptions to this process if an unexpected and significant department reorganization and job realignment is required during the fiscal year to meet new operational needs or budgetary challenges. However, these types of situations are uncommon. In these instances, Human Resource Development (HRD), Business Management Department (BMD), and the Town Manager's Office will work closely with the Department Head to evaluate needs and make determinations about next steps.

Pay at the Maximum of the Pay Range

Employees who meet or exceed the maximum pay of their pay band will continue to have any approved annual raises added to their base pay and will be designated as being paid "out of range." Pay grade minimum, midpoints, and maximums in the Pay Plan are not adjusted if an employee exceeds the maximum for the grade. They are adjusted when a market analysis determines that the pay for that position has changed.

Interim Pay

Interim pay may be provided to an employee who takes on additional responsibilities for a specific period. Interim pay is most typically offered to an employee performing duties that are compensated at a higher pay grade than the employee currently occupies. Examples that might qualify for interim pay include:

- Leading a substantive project that is outside of the employee's normal responsibilities.
- Performing essential functions for a department due to a prolonged vacancy that cannot reasonably be delayed or reassigned to a current employee performing similar duties.
- A significant increase in workload due to a vacancy of extended duration. A temporary increase in workload does not always qualify for interim pay. The increase must be sustained over a period of time, be required for basic operational functions to continue, and cannot reasonably be deferred in all or part.

Departments must get approval from the Town's compensation team to offer interim pay before an employee begins the work that the interim pay is intended to compensate.

Sign-on Bonuses

The Town may occasionally approve the use of sign-on bonuses as an incentive to recruit qualified candidates for critical, hard to fill positions. Some factors that may indicate a need to consider sign-on bonuses include:

- Multiple failed recruitments.
- Multiple offers turned down due to pay or total compensation
- High turnover in a position when the cause is due to compensation

Sign on bonuses work best when they are paid out after an employee has completed a probationary period of at least six (6) months. The money for sign-on bonuses must be budgeted within the Department. Requests to offer sign on bonuses must go through the compensation process.

The need for sign on bonuses will be a factor in determining what positions might need to be studied for potential reclassification.

On-Call Pay

On call pay may be offered to employees who take call for critical needs. The Town's [On Call Policy](#) further explains how on-call pay is determined. This policy may be amended from time to time.