



BOROUGH OF HANOVER

ADOPTED JANUARY 26, 2022

NON-UNION EMPLOYEE COMPENSATION & CLASSIFICATION POLICY

Purpose

This policy was developed in conjunction with a compensation and classification study performed by NJ Hess and Associates in 2021. The goal of the Borough's compensation and classification policy is to attract and retain motivated, committed employees who support the mission of maintaining quality standards in operations and service, while limiting the impact of employee related expenses on taxpayers. If an employee is subject to a collectively bargained agreement, then pay rates contained within that agreement shall prevail.

The program is dedicated to the following principles:

- Promote fair and consistent pay practices throughout all Borough departments.
- Strive to pay employees a competitive rate within the regional municipal labor market.
- Promote compliance with federal, state, and local compensation statutes and regulations.

Pay Classification

Employees are classified as either exempt or non-exempt for pay administration purposes, as determined by the Fair Labor Standards Act (FLSA) and assigned to either an hourly or salary pay status. Hourly employees are classified as non-exempt and are covered by FLSA which generally requires overtime payment for time worked in excess of forty (40) hours in a workweek. Salary employees can be classified as either exempt or non-exempt.

Pay Ranges

The minimum of the pay range establishes the entry pay rate for candidates who meet minimum qualifications set forth on the job description. The midpoint represents the relative market average for jobs within a pay range. The maximum rate establishes the top rate paid to jobs assigned to a pay range. Pay ranges will be updated annually by Borough Council and increased, if necessary, through an objective measure such as the Consumer Price Index (CPI) or appropriate comparative data. Positions may also be evaluated according to standardized measures such as level of responsibility including number of personnel supervised and impact of decisions on the organization, education or licenses required, and other accepted job evaluation factors and then classified similarly to other internal positions with similar profiles.

New Hires

A newly hired employee who has the requisite qualifications for a position will be assigned the minimum rate of pay for the assigned pay range. However, where the newly hired employee has previous experience and related qualifications or skills that exceed the minimum level of qualifications, the new employee may start at the rate corresponding to that level of experience. If the market demands a higher starting rate and the position is difficult to fill, the Borough Manager may approve a starting rate up to the market midpoint, or higher if approved by Borough Council.

In some cases, an employee without the requisite qualifications may be hired at a rate below the minimum until the employee meets the hiring requirements.

Pay Compression

Where 'pay compression' results in non-union supervisors or managers being paid at or less than the employees they supervise, the assigned pay will be adjusted to reflect a 7% increase over the highest paid employee supervised. Pay compression may not exist where the supervisor has relatively few years of experience, the person they supervise has many of years of experience, and the pay represents an outlier compared to others supervised. Pay compression is generally deemed to exist where a supervisor, with more than five years of experience, is paid the same or less than a 7% difference, than those being supervised, where those supervised have up to ten years of experience. For the purposes of examining pay compression, overtime and other discretionary pay may be included in the total pay.

Annual Pay Awards

Each year the Borough will review a variety of indicators to determine an appropriate salary budget increase. One key factor will be the average salary budget or pay increases anticipated in collective bargaining agreements and in the local or regional market as indicated by professional surveys. Annual salary adjustments will be subject to an employee performance review and recommended by the Borough Manager for approval by Borough Council.

Progression through the Pay Range

Employees will progress to the midpoint of their assigned compensation range with an overall goal of moving employees to the midpoint of the range within five (5) to seven (7) years. Once an employee is paid at the midpoint rate, progression through the range will reflect performance increases, annual pay awards, and any additional discretionary increases as determined by the Borough Manager and approved by Borough Council.

Employees who reach the maximum rate will continue to receive annual pay award increase to their base salary up to 110% of the maximum. Those such employees will be "red-circled" and shall not receive any further salary increases until the maximum rate within the pay range is increased based on the local or regional market.

Market Adjustments

The Borough will strive to conduct a salary survey or participate in a survey at least once every five years to determine the appropriate market pay ranges for each position and adjust recommended compensation accordingly. As a result of the survey, some positions may require more adjustment than others. These adjustments will occur, subject to annual performance reviews and as part of the annual salary adjustment subject to the approval of Borough Council.

Market adjustments will be made according to the following guidelines, listed in order of priority, and limited to budgetary parameters:

- Employees who are not to the minimum of their range will be recommended for adjusted to the minimum.
- Pay for employees with at least five years of service in the same or another similar position will be recommended for adjustment to the midpoint of the range, if not yet there, within three years following the adoption of this policy.
- Employees will remain in the same pay range unless the job duties and responsibilities indicate the need for a new title or pay range assignment. Changes in title and pay range shall be recommended by the department head to the Borough Manager and are subject to approval by Borough Council.

Nothing in this Policy shall be construed as an enforceable promise or a contract benefiting an employee or a third party. The terms of this Policy may be changed with or without notice.