

## Executive Summary

The Town of Chapel Hill (the town) engaged Evergreen Solutions, LLC (Evergreen) to conduct a comprehensive Compensation and Classification Study. The purpose of this effort was to ensure that the town's compensation structure remains competitive in the labor market, equitable for employees, and in alignment with best practices. The scope of the study included both internal and external equity assessments, employee feedback collection, market competitiveness analysis, and a pay equity review related to gender, race, and age. This study represents the town's continued commitment to attracting and retaining a high-quality workforce by providing fair and appropriate compensation.

Evergreen implemented a mixed-methods approach that included both qualitative and quantitative strategies to examine the town's pay practices. Specifically, Evergreen conducted employee orientation sessions and facilitated focus groups to capture internal perceptions. The town's current classification and pay structures were reviewed and a Job Assessment Tool (JAT) was administered to analyze job content. To evaluate competitiveness, Evergreen conducted a salary survey involving 22 peer organizations and analyzed the results to assess Chapel Hill's standing relative to market benchmarks. A detailed pay equity analysis was also performed using statistical methods to assess compensation patterns based on demographic variables.

The study focused equally on internal equity, which ensures fairness within the organization, and external equity, which assesses the Town's position in relation to similar employers in the region.

Focus group sessions held between October 28 and 30, 2024, revealed several recurring themes related to employee sentiment. Many employees expressed concerns related to salary compression and noted that starting pay for technically skilled or certified roles was often below expectations. A consistent concern across departments was the perceived lack of career advancement opportunities and insufficient recognition of additional responsibilities and certifications.

Despite these concerns, employees also highlighted several positive aspects of working for the town, including the quality of health benefits, access to wellness programs, flexible work arrangements, and a generally positive workplace culture.

### **Market Competitiveness:**

The external salary survey revealed that the town's pay ranges lag market rates at all three pay range levels on average: 10.5% below market average at minimum, 7.6% below at midpoint, and 5.9% below at maximum. Approximately 75% of benchmarked positions were below market at the minimum pay level. These disparities may hinder the town's ability to recruit and retain qualified talent, particularly for entry-level and lower-level roles.



### Pay Equity Analysis:

Evergreen's pay equity review found no evidence of discrimination based on gender, race, or age. While differences in average salaries across demographic groups were observed, these differences were explained by variables such as job classification, tenure, and position level. The analysis demonstrated that pay progression is linked primarily to tenure and pay grade, and equitable advancement opportunities are present across demographic lines.

As part of the compensation study, Evergreen Solutions conducted a detailed equity analysis to evaluate whether employee compensation varies unjustifiably by gender, race, or age. The analysis included multiple statistical evaluations based on the town's current salary data and organizational structure.

Key findings from this analysis include:

- No evidence of salary discrimination based on gender, race, or age.
- Gender: Female employees have slightly higher average salaries than males, but the variance is attributed to role, tenure, and classification rather than gender bias.
- Race: While White employees have higher average salaries overall, disparities are explained by job grade distribution and tenure, not race-based inequity.
- Age: Salary generally increases with age, though mid-career peaks and newer hires show equitable pay distribution regardless of age.
- Across all demographics, salary progression aligns with tenure and grade level, not protected characteristics.

### Study Classification Recommendations for Consideration:

The study identified several key areas in which the Town could strengthen its compensation and classification systems. Recommendations were made across a range of implementation levels, from targeted pay structure adjustments to broader classification redesigns. Strategic recommendations include:

- Addressing salary compression and reviewing outdated job classifications
- Enhancing internal career pathways and implementing succession planning efforts
  - Evergreen recommends that the basis of salary adjustment in the future be done at three distinct levels.
    - **Structural:** Adjustment to the pay plans should be made annually and with the aim of adjusting for the changes in cost of living and maintaining external equitability.
    - **Classification:** As a result of the market surveys, the town may identify classifications or job families that are experiencing considerable market movement and as a result, a reassignment of the pay grades should be considered when this occurs.
    - **Individual:** This adjustment would be made for all employees based on the implementation methodology and in keeping with the town's compensation philosophy, allowing employee progression through the pay plan.
- Conducting comprehensive market surveys every three to five years to maintain competitiveness
- Sustaining current pay equity practices and ensuring continued compliance with relevant employment laws

The implementation of these recommendations is expected to improve employee satisfaction, enhance recruitment and retention efforts, and ensure fairness and equity throughout the town's compensation system.

