LOS ANGELES COUNTY
CITIZENS ECONOMY AND EFFICIENCY COMMITTEE
ROOM 372, HALL OF ADMINISTRATION / 500 WEST TEMPLE / LOS ANGELES, CALIFORNIA 90012 / 625-3611, Ext. 64605

May 2, 1968

Honorable Board of Supervisors
383, Hall of Administration
Los Angeles, California

Gentlemen:

EXECUTIVE COMPENSATION
IN LOS ANGELES COUNTY GOVERNMENT

On December 5, 1967, your Board received the Executive Compensation study of Theodore Barry and Associates. At that time, you concluded that the study needed further evaluation and requested the Citizens Economy and Efficiency Committee to report to the Board its recommendations for future action. In accordance with your Board's request, our Committee has conducted a detailed study of the Barry recommendations.

A sub-committee consisting of Phil Magruder as Chairman, Max Candiotty, Maurice Rene Chez, and Irvin Mazzei, has spent many hours reviewing all facets of County executive compensation. We believe this sub-committee was especially well qualified and well rounded to conduct a detailed and objective study. Phil Magruder, now retired, was Executive Vice President of General Petroleum Corporation. Max Candiotty is an attorney and a CPA. He is also Secretary-Treasurer of Daylin, Inc., a national pharmaceutical firm. Maurice Chez is retired President and General Sales Manager of Max Factor Company. He also served on the 1966 Grand Jury as Chairman of the Contract Audit Committee. Irvin Mazzei is President of the Los Angeles County Federation of Labor, AFL-CIO.

The sub-committee's study included a review of the Theodore Barry recommendations and the supplementary data he furnished covering salaries for comparable jobs in both private and public agencies. At Supervisor Hahn's request, it also included a specific review of the salaries paid by comparable government agencies in California.

The sub-committee's recommendations, as approved by the Full Committee, are contained in the following report. We recommend their adoption for the forthcoming fiscal year.

Very truly yours,

ROBERT MITCHELL, Chairman
Los Angeles County Citizens
Economy and Efficiency Committee

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EXECUTIVE COMPENSATION
IN LOS ANGELES COUNTY GOVERNMENT

I. The Current State of Executive Salaries

During the past 10 years, salaries of County department heads in a representative sample of 18 departments, increased an average of 3.5% each year. Salaries of non-supervisory employees in the same departments increased an average of 5.6% during the same period. The result is inevitable - a severe compression in the higher salary levels. Throughout the County, superiors in many cases receive salaries only one or two schedules above their subordinates. This is not the worst of the problem. Among the 330 executives in the executive survey there are 14 cases where subordinates receive the same salary as their superiors, and 19 cases where subordinates are on a higher salary schedule than their superiors.

This chaotic situation led to our recommendation to your Board last year that the County hire an outside consultant to study executive salaries. Your Board approved the recommendation last April and subsequently contracted with Theodore Barry and Associates to conduct the study.

The sole purpose of the study was to develop a rational, businesslike plan for paying County executives. The County invests over seven million dollars annually in these executives. Each in turn is responsible for the expenditure of millions of dollars of public money. Yet, the County has no systematic plan to tell whether it is paying these executives too much, too little, or the proper amount. We think the determination of executive salaries should be treated with the same care and attention which your Board gives to the annual expenditure of similar amounts in other budgetary areas. The recommendations in this report are directed toward that objective.

II. Relieving the Compression Problem

During the last year, the compression problem has become even more severe. In July, 1967, your Board froze executive salaries pending the outcome of the compensation study. Most executives in the County therefore have received no salary increase since July, 1966. Meanwhile, all other levels in the County were given an average increase of two schedules (5.5%) last year and we expect will receive a similar increase this year. The general movement in the community last year was 5.6%. During the past 10 years, it has averaged 4.7%.

The compression problem can be corrected in one of two ways: 1) Amend the County Charter to eliminate the requirement to pay prevailing wages, or 2) Increase salaries for executive positions. Clearly the first alternative is neither just nor practical. Government work involving responsibilities and duties similar to those in private industry should be compensated on a similar basis. The only practical solution then is to adjust salaries of County executives so that each executive is paid a salary appropriate to his ranking in the County structure and in line with the prevailing wage requirement in the County Charter.

III. Salary Recommendations and the Prevailing Wage Requirement

Developing an effective salary program requires two basic and separate tasks.

1. Each position must be evaluated by some systematic method, and ranked in relation to all other positions being studied.
2. An appropriate salary must be assigned to each position in accordance with its relative ranking within the study group.

With regard to the first task - evaluating County executive positions - we concluded that the point-factor system developed by Theodore Barry to rank County jobs is a sound and objective evaluation method. We therefore followed his ranking for the most part, making adjustments only where we felt his evaluation was not consistent with the facts as we knew them.

With regard to the second task - assigning salary levels to the positions - we followed two principal guidelines.

1. The prevailing wage data supplied by Theodore Barry on eleven benchmark jobs in the County comparable to those in private industry.
2. Salaries paid for similar jobs in the State government, the twelve largest counties and the seven largest cities in California.

It is our opinion that Theodore Barry obtained sufficient salary data on eleven positions in the County to qualify the data as a valid measure of the prevailing wage in the community. If this is true, the County must, by provision of the County Charter, pay a salary at least equal to that indicated for these positions. We have met this requirement in every instance. The benchmark jobs are indicated in Table II by a "B" in parentheses. It should be noted that the consultant collected his salary information in the fall of 1967 and submitted his salary recommendations for the fiscal year 1967-68. We have taken this one-year lag into account in making our recommendations for these benchmark positions.

In addition to the benchmark data, the Committee also used the salaries paid for similar jobs in other government agencies as a second guideline for setting salary levels. Following these guidelines, we assigned salary schedules to all positions in the survey in accordance with their relative ranking within the executive group. The result is a salary curve which extends from Schedule 49, with a range of $9,564-11,904, to Schedule 92, with a range of $31,104-38,520.

Your Board and the public should know in particular how we established the top of the curve. Salaries paid to chief executives in other governmental agencies provided the principal basis. The top position in Los Angeles County, the Chief Administrative Officer, now receives $35,000 a year. Currently, four counties and three cities pay their chief executive more than this amount. The top salary in a county is paid by Santa Clara at $36,132. The top salary in a city is paid by San Diego at $36,972. Los Angeles County is by far the largest local government in California. We believe, therefore, an increase of at least 10% is necessary for the top position in Los Angeles County to keep the County on a comparable and realistic basis with other governmental agencies in the State.

IV. Committee Recommendations - Department Heads

Table I contains the Committee's recommendations for department heads. The recommendations result in an average increase of 3.85% annually over the July, 1966 rates. The gross cost is $104,686 or $53,343 a year for the two years.

We should emphasize that 3.85% is an average. Each P0sition in the survey was evaluated individually and ranked in relation to the others. Thus, 26 department heads or 58% are recommended for two schedules or less. Since the salaries of the executives in the survey were frozen in July, 1967, our recommendations for these department heads amount to an increase of 5.5% or less over the two year period from 1967 to 1969. In comparison, the cost of living in Los Angeles from July, 1967 to March of this year has increased 3.06%. Therefore, a 5.5% increase almost certainly will be less than the cost of living increase over the two year period. In effect, then, our recommendations leave the ranking of these positions relatively Unchanged or slightly downgraded.

We have recommended a three to four schedule increase for fourteen positions, which means a slight upgrading in their ranking. For five positions we have recommended substantial upgrading. These are the

Health Officer, the Director of Mental Health, the Director of Public Social Services, the County Veterinarian, and the Director of Animal Control. For various reasons, the growth and the increased responsibility of these positions has not been recognized during the past several years. Our evaluation, we believe, places them at the appropriate level in the County executive group.

Clearly, in comparison with the general community movement, our recommendations for department heads are conservative. With the subordinate executives discussed in the next section, the percentage increase is larger, since it is this area where compression problems and salary inequities are most severe.

V. Committee Recommendations - Subordinate Executives

Table II contains the Committee's recommendations for all executives below the department head level. The recommendations amount to an average increase of 5.4% annually for the two years. This is comparable to the general salary movement throughout the community. Cost to the County over the two year period will be $682,211, or $341,105 a year.

Anything less than this will not begin to resolve the compression problem. The average differential between a superior and his subordinates is now 3.8 schedules or a little over 10%. The Committee1s recommendations will result in an average differential of 5.1 schedules or 14%, a much more reasonable differential between a superior and the subordinates whom he supervises. The recommendations will also eliminate all instances in which a superior receives the same or lower salary schedule than his subordinates. Yet, in a number of instances, the differential is still only one or two schedules. These situations should be corrected. However, the severe budgetary problems which the County faces and the substantial increase in the tax rate predicted for this year, make it impossible to correct them all in a single year.

Moreover, in some cases, the Committee suspects that the compression problem may be aggravated by a cumbersome organizational structure containing too many supervisory positions or supervisory levels. We did not conduct an organizational analysis of these areas, since such analysis was beyond the scope of our study. We strongly recommend that organizational studies be conducted in these areas to insure that the supervisory structure is justified before making major salary adjustments.

VI City and County Parity

In May of last year your Board reaffirmed its policy of paying Sheriff and Fire Department personnel on a parity basis with the City of Los Angeles. The City Administrative Officer this year is recommending schedule 86 for the chiefs of the Police and Fire Departments and schedule 77 for the deputy chiefs in these departments. If his recommendations are approved, the City Fire Chief will be one schedule above our recommendation for the County Fire Chief. The deputy chiefs in the City will be two and three schedules above their counterparts in the Sheriff's office and County Fire Department.

As we have noted, our recommendations for all executive positions are based upon 1) the internal ranking of these positions in relation to the benchmark positions, and 2) the salaries paid to similar positions in 20 other governmental agencies in California. Following these guidelines, we cannot justify higher schedules in the Sheriff and Fire Departments than those we have recommended.

We question a policy which prescribes parity with only one other governmental agency. This can too quickly turn into a round robin affair in which each agency takes its turn at raising salaries. We also question the equity of a policy which limits the parity to two selected departments in the County. If this policy is continued, there is no logical reason why it should not be extended to other departments in the County which have counterparts in the City.

VII. Salary Schedule System

In the present County salary structure, each position is assigned a salary schedule which covers a range of five steps with a differential of 5.5% between each step. The differential between schedules is 2.75%. The Committee recommends the same schedule system for all executive positions in the County, except the three elected officials - the Assessor, District Attorney, and Sheriff. In the present system, other positions such as the Chief Administrative Officer, County Counsel, and Director of Hospitals are assigned flat rates.

All department heads in the survey now assigned to a salary schedule are at the top of their schedule. In accordance with the salary ordinance they will be placed at the top of the proposed schedule if the Committee's recommendations are adopted. We recommend the same treatment, that is placement at the top step, for executives now on a flat rate who will be assigned to a schedule.

Where the Committee's recommendations will result in a particularly high raise for a given executive, your Board, in some instances, may want to determine if placement on a lower step of the recommended schedule is advisable. We urge that you do not change the schedule, since this would change the evaluation of the positions. This procedure would have the effect of spreading the increase over more than one year, a policy which private firms often follow in adopting a new salary structure.

We recommend that when a department head retires or leaves County government, your Board, on the advice of the Director of Personnel, determine at what step in the schedule the new appointee should be placed. Ordinarily, if he is a County employee this would be the lowest step in the schedule which would give him an increase. If he is a newcomer to the County, it would be the first step in the schedule. In some cases, because of particular circumstances, your Board may wish to make an exception to these rules. Once a department head is placed on a step, however, we recommend that he follow the standard yearly step progression.

VIII. Maintaining the System

Subject to any modifications your Board may make, these recommended salary schedules, once adopted, should be reviewed on a yearly basis. The Director of Personnel is now responsible each year for recommending changes in salary schedules at all levels. To assist him in recommending changes at the department head and chief deputy level, we recommend that your Board establish an Executive Salary Review Committee.

The Committee should consist of the Chief Administrative Officer, the Director of Personnel, the President of the Management Council, and two additional members from outside the County, preferably one from the academic community and one from the business community. Each should be a recognized expert in salary and wage administration. The Committee's principal responsibility should be to review annually the salary pattern in each department, the relevant prevailing wages, any changes which may have occurred in departmental responsibilities, and the department's growth. It should then determine if the salary schedules of the department head and his chief deputy merit a change. Each department should be reviewed individually. We strongly recommend against uniform, across the board increases for department head positions.

The Director of Personnel will be the executive principally responsible for maintaining the executive salary system. Periodically, he should examine the differentials between department heads and chief deputies to determine if a compression problem is developing. Our recommendations result in an average differential of 9.3 schedules. Whenever this differential decreases to less than eight schedules, the department should be examined and a plan of action developed to relieve the situation in as short a period as possible.

The Director of Personnel should also maintain a program to review the differentials among subordinate positions to pinpoint the areas where serious compression exists or is developing. Our recommendations result in an average of 5.1 schedules. However, the differential varies widely from one schedule to as many as 17. Developing a more uniform pattern in this area should be a major objective of the executive salary program.

Finally, the Director of Personnel should insure that position descriptions and evaluation of executive positions are kept current. The position descriptions and point-factor evaluation system developed by Theodore Barry should provide him with a sound basis for maintaining this program.

IX. Summary of Committee Recommendations

In summary, we recommend that your Board:

1. Adopt the salary schedules recommended in Tables I and II for the fiscal year 1968-69, finding that they satisfy the prevailing wage requirement in Section 47 of the County Charter.
2. Annul any policy which prescribes parity between selected departments in the County and their counter-parts in another single government agency, such as the City of Los Angeles.

3. Place executives now on flat rates at the top of the recommended schedule to provide equal treatment with executives currently on salary schedules.

4. Adopt the standard step progression system for new department heads.

5. Appoint an Executive Salary Review Committee to assist the Director of Personnel in maintaining the executive salary system and to review changes in department head and chief deputy salary schedules each year. The Committee should consist of the Chief Administrative Officer, the Director of Personnel, the President of the Management Council, and two salary administration specialists selected from outside the County.

6. Approve in principle the executive salary program and procedures presented in this report.

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