Exempt and Non-Represented Staff
Performance Management and Salary Increase Policy

Effective July 1, 2023

1. Statement of Policy

This policy establishes guidelines for salary increases and performance management for exempt and non-represented staff members of Philadelphia Housing Development Corporation (PHDC). The policy aims to ensure fair compensation practices based on pay grades, satisfactory performance evaluations, merit, equity, and/or retention while considering the financial resources of the organization.

2. Scope

This policy applies to all exempt and non-represented staff members of PHDC. It covers the process for salary increases and the performance management system used to determine salary increases.

3. Definitions

a. Exempt Staff: Employees who are exempt from the Fair Labor Standards Act (FLSA) overtime provision because they are classified as an executive, professional, administrative, or outside sales employee, meet the specific criteria for the exemption, and are paid on a salaried basis.
b. Non-Represented Staff: Employees whose positions are not represented by the union, not exempt from the overtime provisions of the FLSA, entitled to overtime pay for all hours worked beyond 40 in a workweek, and are paid on an hourly basis.
c. Pay Grades: A system of categorizing positions into predetermined levels, each with a corresponding salary range.
d. Step Increase: Annual salary increase granted to employees in specific pay grades based on satisfactory performance evaluations.
e. Merit Increase: Salary increase based on exceptional performance, exceeding job expectations, and demonstrating significant contributions to the organization.
f. Equity Increase: Salary increase to address pay disparities and ensure fair compensation based on factors such as internal and external salary benchmarks.
g. Retention Increase: Salary increase to retain high-performing employees in critical positions or address retention challenges in specific roles.
h. COLA (Cost of Living Adjustment) Increase: Salary increase given to keep pace with inflation and the rising cost of living.
i. Rater: The direct supervisor of the employee who is receiving a performance evaluation.
j. Reviewer: The direct supervisor of the Rater.

4. Performance Management Process

a. Performance Evaluation Cycle
   i. Probationary Period Performance Evaluation
      a) To determine if a new employee meets the required standards to continue employment beyond the probationary period at PHDC, supervisors and managers will assess the performance and suitability of the employee during the probationary period, which is a minimum of six (6) months.
      b) Whenever a probationary Employee is absent from work for a period of thirty (30) calendar days or more or if it is deemed that more time is necessary to evaluate the employee, upon approval of the President & CEO, the Employee's probationary period may be extended for a period equal to the length of the absence.
   ii. Annual Performance Evaluation
      a) The annual performance evaluation cycle will generally be conducted on an annual basis based on the employee's anniversary date.
      b) Any period of continuous unpaid status in excess of fifteen (15) working days will be excluded from the calculation of PHDC service and will therefore extend the anniversary date by the total amount of continuous time the employee remains in unpaid status.

b. Evaluation Criteria
   i. Performance evaluations will be prepared using a set of established criteria that align with job responsibilities, competencies, and organizational goals.
   ii. <u>Establish evaluation criteria</u> - Before the probationary period begins, supervisors and managers should clearly communicate the expectations and performance criteria to the employee. This includes defining specific goals, targets, and performance indicators that the employee should strive to achieve.
   iii. The evaluation criteria will be developed by the Human Resources department in collaboration with relevant supervisors and managers.

c. Evaluation Methodology - Performance evaluations will be conducted through a combination of supervisor assessments and feedback discussions.
   i. <u>Regular feedback</u> - Beginning with the probationary period and throughout the employment relationship, the supervisor or manager should provide regular feedback to the employee regarding their performance. This feedback can be given informally through one-on-one discussions or in more formal settings, such as scheduled counseling sessions. The purpose is to keep the employee informed about their progress and areas for improvement.
   ii. <u>Documentation</u> - It's important for supervisors and managers to maintain documentation of the employee's performance during the probationary period and beyond. This documentation should include both positive achievements and areas where improvement is needed. These records will serve as evidence during the evaluation process and provide a basis for decision-making.
   iii. <u>Performance evaluation form</u> - A five-tier performance evaluation form ranging from Outstanding to Unsatisfactory is used to assess the performance of exempt and non-

represented employees. At least one month before the evaluation is due, Human Resources will forward a blank form to the Rater to be completed.

iv. Performance review meeting:
   a) Near the end of the probationary period or annual review period, the Rater should prepare the performance evaluation form and forward it to the Reviewer for review prior to meeting with the employee.
   b) Once reviewed, completed, and signed by both the Rater and Reviewer, a formal performance review meeting should be scheduled with the employee. During this meeting, the Rater should discuss the employee's performance, provide constructive feedback, and address any concerns or areas that require improvement.
   c) After meeting with the Rater, the employee has the option to discuss the performance evaluation with the Reviewer.

v. Decision-making - For a probationary performance evaluation, based on the evaluation of the employee's performance, the Rater in collaboration with the Reviewer and Human Resources must make a decision about whether to continue the employment relationship or terminate it. If the employee has met the performance expectations and demonstrated suitability for the role, they may be confirmed as a regular employee. However, if there are significant performance issues or concerns, termination may be considered.

vi. Feedback and next steps - After the decision has been made, the Rater should provide feedback to the employee regarding the evaluation outcome. If the employee's permanent status is confirmed, they should receive feedback on their strengths, areas for improvement, recognize exceptional performance, and suggest adjustments in their roles or responsibilities. If termination is the outcome, the employer should provide clear reasons for the decision and any necessary guidance or support.

5. Salary Increases

a. Based on annual performance evaluation results, eligible employees who receive an Overall Rating of satisfactory or above may receive step increases, merit increases, equity increases, and/or retention increases.

b. Step Increases:
   i. Exempt and non-represented staff members on pay grades will be eligible for annual step increases based on the assigned pay grade, step, and satisfactory performance evaluations.
   ii. Eligible employees will advance to the next step within their pay grade on the anniversary of their employment until they reach the top step in their pay grade (four or five, depending on the pay grade).

b. Merit, Equity, and Retention Increases:
   i. Exempt and non-represented staff members who are not on pay grades or have reached the top step of their pay grade may receive salary increases based on merit, equity, and/or retention considerations.

ii. Merit increases are given to reward outstanding performance, exceptional achievements, and consistently exceeding job expectations based on individual performance, accomplishments, skills, or contributions to the organization.

iii. Equity increases address pay disparities or ensure fairness and equal treatment based on internal and external salary benchmarks. They may be implemented to align salaries with market rates, internal salary structures, or to rectify past inequities.

iv. Retention increases may be provided to retain key talent, highly skilled, high-performing employees, those in critical positions, or to address retention challenges in specific roles.

v. The determination of merit, equity, and retention increases will be based on the annual performance evaluation process described in section 4, and using the following steps to determine the appropriate increase percentage:

    i. Reviewing the employee's performance over the review period, examining their accomplishments, contributions, adherence to goals, and overall performance.

    ii. Researching and analyzing market data related to compensation in our industry and region to assess the employee's compensation relative to market standards.

    iii. Evaluating the employee's current total compensation package taking into account their salary history, past increases, promotions, and any special circumstances that may affect their compensation.

    iv. Recognizing any exceptional circumstances or contributions that may warrant additional consideration including outstanding achievements, increased responsibilities, significant improvements in performance, or critical contributions to the organization.

    v. If applicable, comparing the employee's performance against their peers at PHDC considering factors such as skill level, experience, responsibilities, and achievements to determine if they deserve an above-average increase or if their performance is on par with their peers.

vi. After discussions with Human Resources and the President and CEO and the appropriate increase is determined, the Rater and/or Reviewer should communicate salary increases to employees within a reasonable timeframe after the completion of the performance evaluation process, providing constructive feedback on their performance, highlighting their strengths, explaining the rationale behind the increase, and addressing any questions or concerns they may have.

c. COLA increases may be periodically granted to address the rising cost of living.

d. Other considerations:

i. <u>Funding Availability</u> – All salary increases are subject to the availability of funding within PHDC's budget. PHDC will review its financial position and determine the extent to which salary increases can be granted.

ii. <u>Market Considerations</u> - PHDC will conduct periodic market research with the goal of maintaining competitive salaries within the nonprofit and/or government sectors and adjust salary scales accordingly, contingent on PHDC's budgetary constraints.

iii. <u>Promotion or Change in Responsibilities</u> - Salary increases may be granted to employees who are promoted to a higher position or who take on additional responsibilities. The increase will be determined based on evaluation of the new role and PHDC's budget constraints.

iv. Board Approval - Significant salary increases that exceed the predefined ranges or have financial implications will require the approval of the Board of Directors.

6. Policy Compliance

a. The Human Resources department is responsible for implementing and maintaining this policy, ensuring compliance, and providing guidance to supervisors, managers, and staff members.
b. All supervisors and managers are responsible for conducting fair and accurate performance evaluations, following the established criteria, and recommending appropriate salary adjustments based on performance.
c. Staff members are expected to actively participate in the performance evaluation process, provide accurate self-assessments, and engage in open and constructive feedback discussions with supervisors and managers.

7. Policy Review

This policy will be periodically reviewed by the Human Resources department to ensure its effectiveness, consistency with legal requirements, and alignment with organizational objectives. Any necessary updates or revisions will be made accordingly.