

Bad
compensation.



Good
compensation.

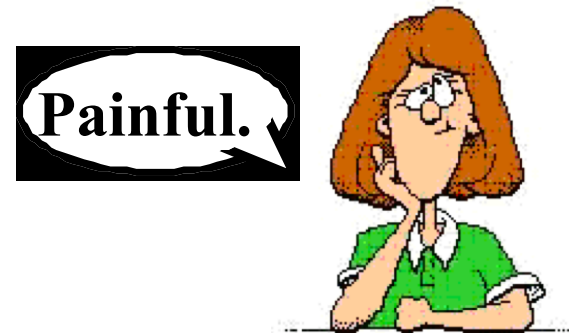


Points of pain!



1. When is the review done? **Annually.**
2. What is the standard that salaries are measured against?
Benchmarks (The 70/30 rule).
3. How are comparable jobs in the market selected for comparison?
Benchmarks.
4. Does the review include an assessment of our need to retain mission critical workforce? **Yes, through a combined assessment of benchmarks and internal equity.**
5. Does the review include the jobs impact to industry safety? **Yes, as it relates to benchmark practices for the existence of intrinsic risk.**
6. When and how are job descriptions reviewed and validated against the pay scales? **Annually, via salary surveys.**
7. Does the review include consideration of the local economy and cost of living annually? **No.**

Points of pain!



8. Are alternative compensations considered in the review? **Yes.**

Total Compensation

1. **Compensation for Time Worked**
2. **Compensation for Time Not Worked**
3. **Compensation for other non-worked related “indirect” costs**



Compensation for Time Worked

- 1. Salaries [base pay, merit pay, service pay]**
- 2. Overtime**
- 3. Shift Differential**
- 4. Deferred Compensation**
- 5. Special pay [assignment, hazardous duty, qualification, certification, etc.]**
- 6. Holiday Pay**



Compensation for Time Not Worked

- 1. Sick Leave**
- 2. Vacation Leave**
- 3. Holiday Leave**
- 4. Other Leaves [Jury Duty,
Funeral, Emergency,
Military, Administrative]**
- 5. Salary Continuance**
- 6. Personal Time Allowance
[Paid coffee or meal
breaks]**
- 7. Pay in-lieu-of vacations**
- 8. Pay in-lieu-of sick leave**
- 9. Any incentive pay**
- 10. Any bonus pay**
- 11. Overtime premium pay**
- 12. On-call pay**
- 13. Call-back pay**
- 14. Holiday Premium pay**



Compensation for other non-worked related “indirect” costs

- 1. Pensions**
- 2. Life Insurance**
- 3. Health Insurance**
- 4. Social Security [FICA]**
- 5. Unemployment Insurance**
- 6. Uniforms**
- 7. Uniform Allowance**
- 8. Tuition reimbursement**
- 9. Worker’s Compensation**
- 10. Equipment Allowance
[cars, uniforms, etc.]**
- 11. Arbitration Awards**
- 12. Stock Option Plans**
- 13. Profit Sharing Plans**
- 14. Group Savings Plans**
- 15. Employee Discounts**
- 16. Complimentary Gifts**
- 17. Other perks [annual
physical exams, legal
assistance, free parking
financial planning,
holiday parties, etc.]**
- 18. Short-term disability**
- 19. Long-term disability**



Position Management

Objective: To establish a *consistent methodology* for equitably creating, modifying, and reviewing all positions. To establish *position hierarchy*, based on consistently applied internal and external measures.

Overview: Position Evaluation Systems act as the starting point for placement of all positions and create the resulting domino effect for all salary actions.

Position Evaluation Methods

Market Ranking - Positions are evaluated in direct correlation to their worth in the market. Salary surveys (which also measure and sort by company size, industry, geographic location and position design) are heavily used to determine placement.

Internal Ranking - Positions are ranked by their relative internal value, without regard in some cases, to determining if the position is above or below the external market.

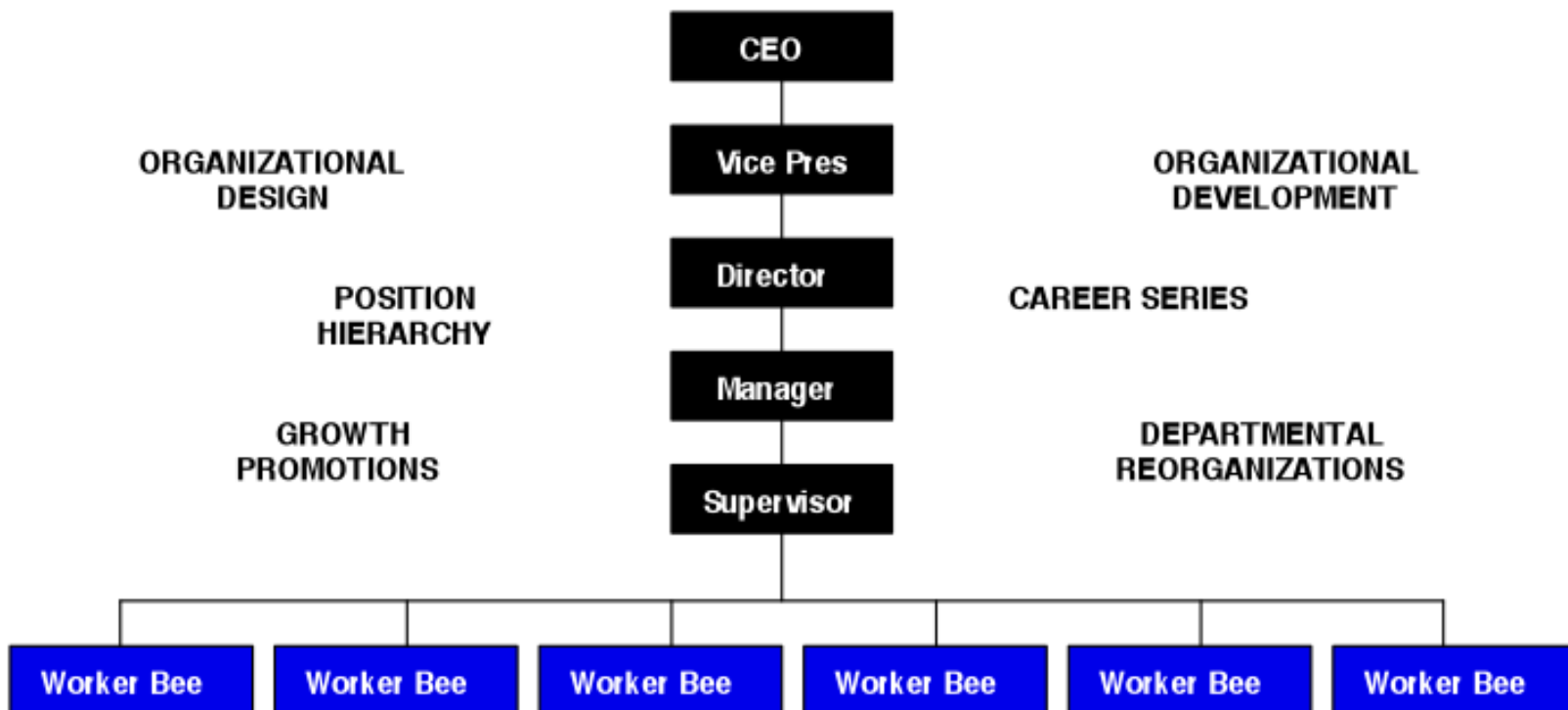
Whole-Job Ranking - Compares a position by its overall content against all other positions in the company.

Classification - Positions are categorized in “job families” such as engineering, computer science, accounting, secretarial, etc., then slotted or ranked relative to other “job families”

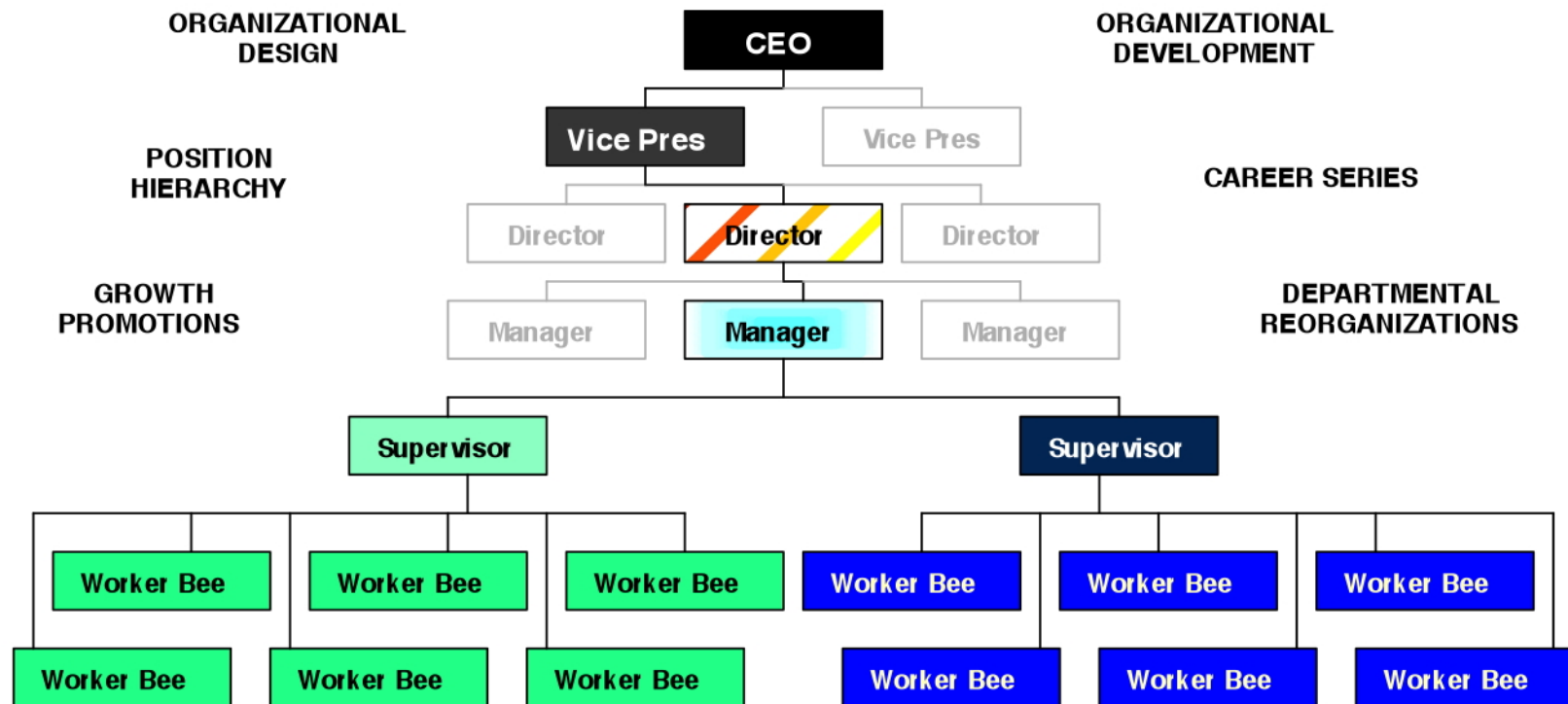
Factor Comparison - Position content is measured against several specific factors (usually no more than four or five) then each job is *ranked* against every other job to establish a hierarchy.

Point-Factor - Compensable factors (such as education, experience, scope of decision making, scope of supervision, responsibility for safety, complexity, budget responsibility, equipment, communication, physical effort, working conditions, etc.) and a scale of defined degrees within each factor are used to determine the relative value of jobs. Degree levels carry point values ranking from low to high that reflect noticeable differences in positions. The relative score of positions to each other determines position hierarchy (including corresponding salary range placement).

BAD Position Management



GOOD Position Management





Ability to pay.



Points of pain!



9. Is management included in the review before decisions are made?
Yes.
10. Can we create a face-to-face communication plan to outline compensation practices to frontline workers? **Yes.**
11. Can we make sure we follow the same process each time we do a pay scale review? **Yes.**
12. OFCCP – We don't understand why time-in-position and performance is not considered when reviewing protected status. It's demoralizing for hard working, status unprotected (White) people when a person new to a position gets immediately bumped-up to be equally paid with experienced people. **Title VII, ADEA, EPA, ADA, etc.**

Boeing reached a settlement with the Department of Labor in which it agreed to take steps on a corporate-wide basis to eliminate pay disparities affecting women and minorities, including \$4.5 million in back pay and salary adjustments. The settlement was a result of pay disparity claims brought by the OFCCP against Boeing's facilities in Philadelphia, Huntsville, Ala., and Long Beach, Ca., and to remedy pay disparities at Boeing's Wichita, Ks., Tulsa, Ok., and Seattle facilities for low-and-mid-level executives throughout the company. Additionally, Boeing will continue to self-examine and adjust pay, as necessary, corporate-wide.

Source: World At Work, First Quarter 2001

What is an inequity?

- Paying new people more than me?
- Giving that other employee a higher merit increase than me?
- Paying women and minorities more because they happen to be women and minorities?
- Keeping me happy, and paying me more at the expense of other employees?



Focus on the work.

Right!



- Demonstrated proficiency
- Criterion-related validity
- Content validity
- Construct validity
- Empirical
- BFOQ



Salary Schedules

Locations	"J"	"B"	Management
Denver	11	1	V1
San Jose	12	2	M1
Portland	13	3	M2
New York	14	4	M3
	15		M4
	16		M5
	17		MT3
	18		MT4
	19		MT5
	20		
	21		
	22		
	23		

Regulatory Compliance

EEO-1
Officials and Managers
Professionals
Technicians
Sales
Official and Clerical
Craft Workers (Skilled)
Operative (Semiskilled)
Laborers (Unskilled)
Service Workers

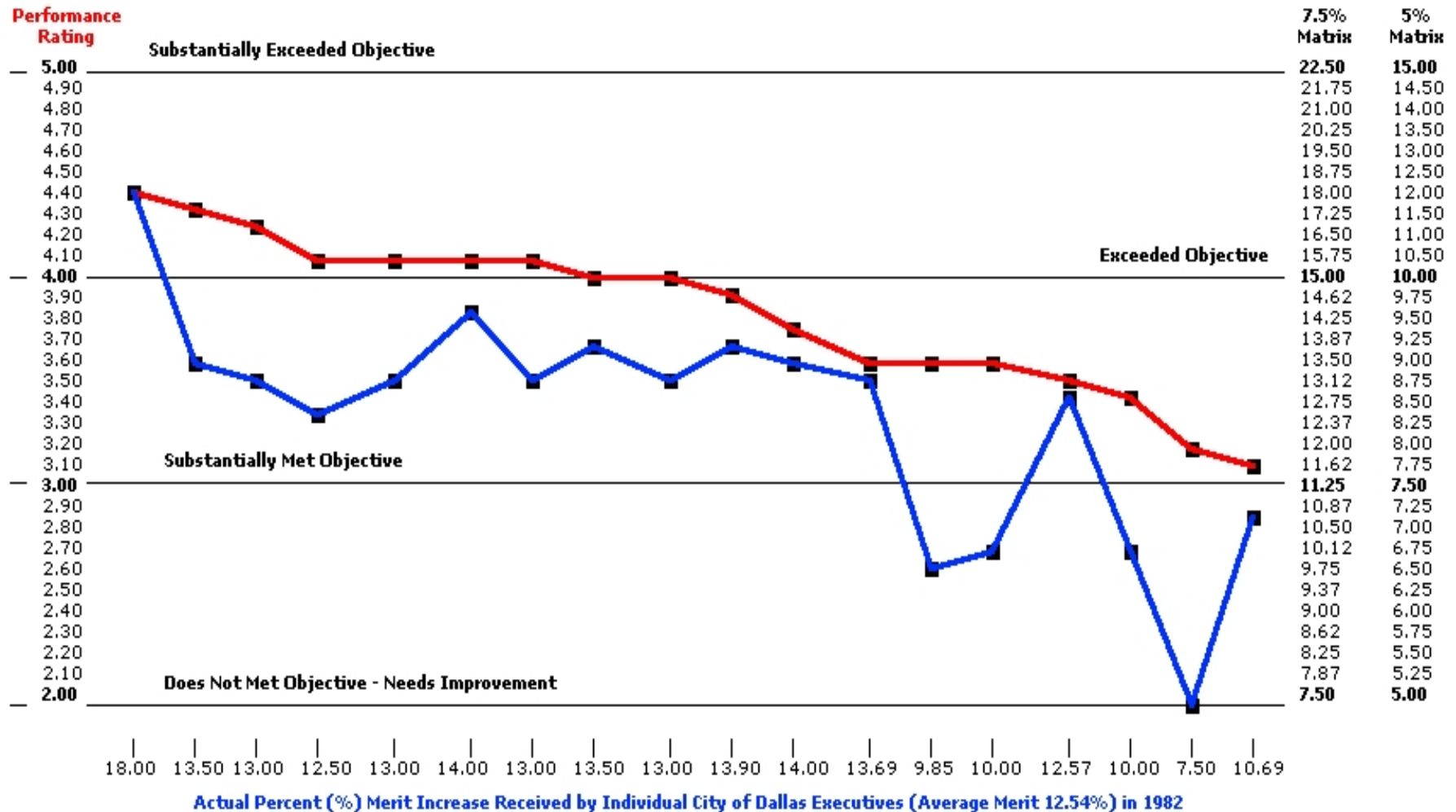
FLSA
Exempt
Non-Exempt

Job Family (Group)
Directors, including VPs
Managers
Supervisors
Information Technology
Business Support
Aviation Technician
Senior Aviation Technician
Publications & Graphic Arts
Sales Workers (all)
Clerical
Craft Workers
Operatives

Categorize all jobs!



City of Dallas - First Quartile* Executives



OBSERVATION: An executive with a performance rating of 4.0 should have received, as scheduled, a 15% increase. As indicated above, an employee rated 4.0 received a 13.50% increase and another employee rated 4.0 received a 13% increase. With rare exception, based on the employee's approved performance rating, executives received merit increases substantially BELOW their scheduled percent increase; or, employee performance was overrated.

* Comparable inequities existed with Executives in 2nd and 3rd Quartile

[1st Quartile = \$43,500 to \$52,841; Second Quartile = \$50,001 to \$59,734; 3rd Quartile = \$59,735 to \$66,627]

Points of pain!

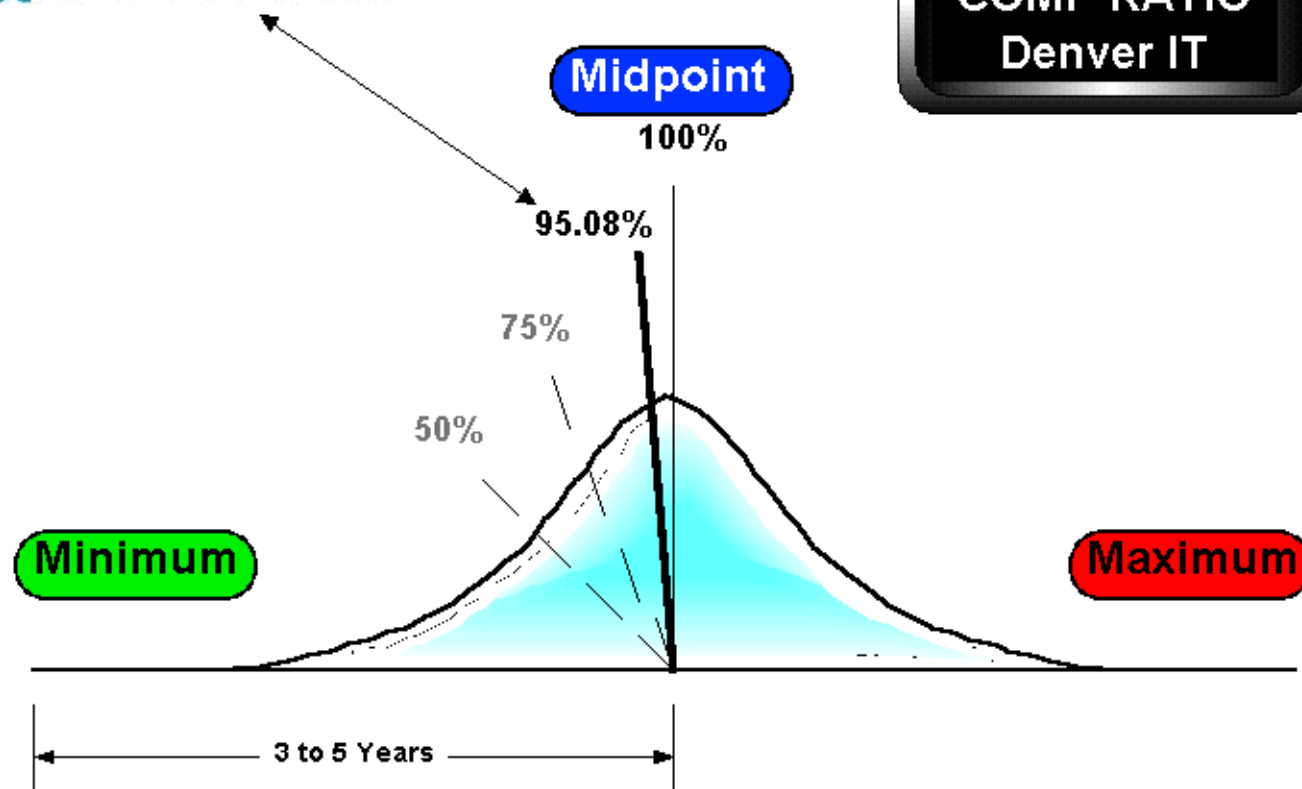


13. When pay scales are adjusted, why are only people below the new bottom given an increase?
- A. To be compliant with employment law, qualified employees must be paid no less than the minimum of the officially posted salary range/grade.
 - B. Employees who are already paid above the minimum are considered appropriately compensated since their salaries are already within the market benchmark range.
 - C. Additional compensation can be granted to employees who are already paid above the minimum - but solely at the discretion of the employer's ability-to-pay (\$\$\$).

COMP RATIO

 **JEPPESEN**

**CURRENT
COMP RATIO
Denver IT**



Points of pain!



14. Why isn't the cost of living (in metro Denver) considered in determining pay scales? Despite a merit increase, an employee is getting poorer and poorer every year.
 - A. Compensation is provided for value of work performed, and not in return for how employees use their compensation.
 - B. The value of work varies based on prevailing salary practices (benchmarks), wages, federal, local/state laws, etc.

Locality Based Pay

<u>Occupation Title</u>		Denver	New York	%	San Jose	%	Portland	%
		Mean Annual	Mean Annual	< or > Denver	Mean Annual	< or > Denver	Mean Annual	< or > Denver
1.	Computer and Mathematical Science Occupations	\$68,080	\$72,910	7.09	\$85,520	25.62	\$60,160	(11.63)
2.	Computer and Information Scientists, Research	\$99,640	\$73,380	(26.35)	\$118,570	19.00		
3.	Computer Programmers	\$69,290	\$74,400	7.37	\$84,510	21.97	\$56,890	(17.90)
4.	Computer Software Engineers, Applications	\$77,170	\$84,470	9.46	\$93,860	21.63	\$74,910	(2.93)
5.	Computer Software Engineers, Systems Software	\$77,000	\$75,960	(1.35)	\$97,110	26.12	\$78,880	2.44
6.	Computer Support Specialists	\$51,290	\$54,860	6.96	\$60,630	18.21	\$37,090	(27.69)
7.	Computer Systems Analysts	\$71,050	\$74,890	5.40	\$76,580	7.78	\$64,440	(9.30)
8.	Database Administrators	\$62,060	\$78,040	25.75	\$80,560	29.81	\$60,640	(2.29)
9.	Network and Computer Systems Administrators	\$66,410	\$74,330	11.93	\$76,640	15.40	\$56,080	(15.55)
10.	Network Systems and Data Communications Analysts	\$64,320	\$71,700	11.47	\$76,870	19.51	\$62,710	(2.50)
11.	Actuaries	\$76,110	\$99,810	31.14			\$61,870	(18.71)
12.	Operations Research Analysts	\$59,530	\$62,280	4.62	\$79,820	34.08	\$57,100	(4.08)
13.	Statisticians	\$56,010	\$71,200	27.12	\$65,000	16.05	\$55,630	(0.68)
SOURCE: Bureau of Labor Statistics, May 2003			New York	9.28	San Jose	21.26	Portland	(9.24)

The tail does not wag the dog.

- Essential functions must reconcile with specific business objectives.
- Standards are established to measure the completion of each essential function (timeliness, accuracy, quality, etc.)
- Compensation is not generated to meet employee expectations but solely to recognize the value of the work (position).



**Okay, now I get it.
I still have my points of pain, but
working with HR I'll get
diagnosis and treatment (\$\$\$)!**

