

**Question:** I keep hearing that we should have a pay strategy. We just want to attract, motivate and retain good employees. Why do we need a pay strategy?

**CompDoctor:** Well, in one sense, you already have a pay strategy but you just didn't know it. You want to attract, motivate and retain good employees. The problem with what you have is that it is not very complete. In other words, how will you accomplish this goal? One way might be placing very sticky paper on the entrance to the building, so that every one who walks by will be stuck. Maybe while they are trying to get unstuck, you could put them to work, or at least try to convince them that working for you would be a wonderful thing.

Farfetched? Think about it. Using this method, you will have "attracted" them, "motivated" them to do the work so they can be let free, and certainly you have "retained" them. While we certainly don't advocate this method of human resource management, we think you get the drift.

By Jim Fox and Bruce Lawson,  
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# Comp Doctor™

In other words, you need to put some meat on the bones if you want to make the statement come alive, and if you plan on using it effectively as a communication tool.

Here is what we are talking about. A pay strategy is both a guideline and a communication tool. It should also be something that you can refer back to whenever you make decisions regarding your compensation program to ask whether or not the action will help you achieve your goal. Take the following sample statement that we have borrowed from a medium-sized suburban community:

"We need highly talented staff to be able to excel at our mission and achieve our strategic goals. Our compensation system is designed to attract, retain and reward individuals that can build a successful service-based organization."

This statement is a guideline because it says that this organization is looking for a certain kind of employee to help the city meet a specific need. This is helpful when department managers, or even elected officials pressure you to hire their cousin but not because they can do the work. In addition, it can be used as a communication tool to let potential and current employees know that you will use pay to reward employees who help the city fulfill its service objectives. Or, on the flip side, it can communicate that you are not interested in employees who want employment so that they can collect a paycheck, get vested in the retirement plan and "put steam on the mirror" for the next 20 years.

This is a nice starting point, but it still might not go far enough. How are you going to pay these employees? How will you determine what they are worth? And who is going to manage the system? How will you keep it up-to-date? You might want to incorporate these items into your strategy as well.

Here are some more examples from the same city. These next statements become the guiding principles for implementing the overall strategy stated above.

**Job Design:** We believe that both the city and its employees benefit when broad job classifications are established. Broader classifications enhance skill development and allow for greater mobility and flexibility within the organization. It will be our goal to establish broad job classes and job families whenever sufficient overlap in responsibilities and required skills exists.

See? Now we are getting somewhere. This statement tells

employees that you are going to design the job structure so that there are broad definitions of work. (Note, however, that the degree of broadness is not stated, so the city has some flexibility in the design). Thus, they have made a statement that says that every nuance of your job does not warrant a new classification and grade change. They have also clarified that they believe that such a design will allow for greater flexibility in job assignment and potential pay opportunities. Finally, if employees are caught up in having their own special classification description that details all of their duties and responsibilities, this may not be the organization for them.

But, so far, we have said nothing about how they are going to pay employees. So, a statement needs to be made about internal equity and external market competitiveness. They filled in the gaps nicely, with the following statements:

**Internal Comparisons:** We believe that positions within our organization with comparable responsibilities and decision-making authority should be paid similarly. We also believe that higher pay should be associated with greater responsibility and decision-making authority. Since we have many types of positions that cover a wide range of activities, we will use the Decision Band™ Method of job evaluation as a tool to determine which positions are comparable and to establish an internal hierarchy of positions. The results of these internal comparisons form the basis of our compensation structure.

This is quite clear. It outlines what is important for internal equity purposes and how this will be used to determine pay. But, it still needs more, which is identified in the next guiding principle:

**External Market Competitiveness:** It is important

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that our compensation plan is well positioned against the external market. We need to be able to compete with other organizations to attract individuals with established track records. We also need to be able to retain high performance employees and remove pay as a leading reason to leave our organization. For the purpose of evaluating external competitiveness, we will rely primarily on cities in our state and the neighboring states that are of a similar size, character of organization, services provided, per capita income and other similar community characteristics. The local labor market will be used primarily to determine the market competitiveness of labor/trades/clerical and other non-exempt jobs. A local and regional market will be used primarily for professional and technical jobs. A local, regional and broader market will be used primarily for managerial jobs. Adjustments for the cost of living will be made to normalize the market data to the city's economy.

Now, this is all coming together. The statement says how they will define attraction, (those with established track records) and how they plan to retain employees (by paying them at a certain level of competitiveness). What they don't say may be just as impor-

tant. That is, that they will not chase the highest paying employer in the market but, rather, that it will pay an average of the market. Further, they are not interested in state data, or private sector data, or cities that are unlike them. Finally, if they are in a low cost economy, they will not survey the highest paid employers and adopt their pay levels. Clearly, they have provided some very good direction and guidance to current and potential employees.

They went even further with this and we think the next few guidelines really help to put some boundaries on the entire system. Read on:

**Salary Ranges:** Based on the guiding principles outlined above, positions will be placed into a system of pay ranges. The size and shape of the ranges will be determined by the market data collected. The target will be to place the midpoint of our ranges at the 50th percentile of the market for similar work performed in the benchmark communities.

**Progression Within Salary Ranges:** An employee's salary movement through their respective salary ranges will be based on an evaluation of their performance conducted on an annual basis.

So, here in these two statements they have stated that they are not going to be the highest payer in the market but they will be competitive. Further, if you perform well, you will move up in the salary range. Time in grade is not how you will receive pay increases.

Most organizations might stop at this point, and we think that you can see how a pay strategy like this one is far more useful to employees, elected officials, department heads and the general public than the one that you started with. There is one more item that we think should be part of the strategy. And that is, who is responsible for keeping this system in shape in the future? This city answered as follows:

**Human Resources:** Human resources is responsible for maintaining the compensation plan. This includes adding new positions, reassigning current positions, and facilitating progression through the ranges. Human resources will also collect market data on an annual basis and make recommendations to the city leadership regarding adjustments to plan.

**City Manager/Department Heads:** The city's leadership is responsible for ensuring that the compensation strategy and plan continue to advance the city's

operational needs and strategic goals. The leadership will also play a vital role in maintaining the integrity of the plan by adhering to its objectives in their actions and by setting a strong example for their department's management team. The city manager has final authority for any decision related to the compensation strategy and plan.

We suppose there might be other additions you might want to make, such as the impact of benefits, longevity, the use of variable pay, incentives, skill-based pay and career development plans and so forth, but this is a basic plan that spells out a pay strategy that is clearly stated, understandable, and simple. It established some basic ground rules, and future guidance.

Wouldn't your organization be better off if you had a consensus on a pay strategy like this one? We certainly think so.

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*The CompDoctor™ is the team of Jim Fox and Bruce Lawson of Fox Lawson & Associates LLC, a compensation and human resources consulting firm that specializes in assisting governments in fixing their compensation and classification systems. They are seriously irreverent about their specialty. You may find them on the Web at [www.foxlawson.com](http://www.foxlawson.com). If you have a question you would like to have them answer, please write to them at [jfox@foxlawson.com](mailto:jfox@foxlawson.com) or [blawson@foxlawson.com](mailto:blawson@foxlawson.com). They will try to include it in the next issue of CompDoctor™. —N*

## Job Satisfaction in the United States is Falling, Conference Board Reports

Americans are growing increasingly unhappy with their jobs, the Conference Board recently reported. The decline in job satisfaction is widespread among workers of all ages and across all income brackets.

Half of all Americans say they are satisfied with their jobs, down from nearly 60 percent in 1995. But among the 50 percent who say they are content, only 14 percent say they are "very satisfied."

"Rapid technological changes, rising productivity demands and changing employee expectations have all contributed to the decline in job satisfaction," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "As large numbers of baby boomers prepare to leave the workforce, they will be increasingly replaced by younger workers, who tend to be as dissatisfied with their jobs, but have different attitudes and expectations about the role of work in their lives. This transition will present a new challenge for employers."

The survey found that job satisfaction has declined across all income brackets in the last nine years. While 55 percent of workers earning more than \$50,000 are satisfied with their jobs, only 14 percent claim they are very satisfied. At the other end of the pay scale (workers earning less than \$15,000), about 45 percent of workers are satisfied, but only 17 percent express a strong level of satisfaction.

The survey also finds that employees are least satisfied with their companies' bonus plans, promotion policies, health plans and pensions. The majority are most satisfied with their commutes to work and their relationships with colleagues.

The report is based on a representative sample of 5,000 U.S. households, conducted for the board by TNS, a leading market information company. —N