

NEWS

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TABLE OF CONTENTS

1	Pay for Performance: A Public Sector Puzzle
1	Our Pay System is Out of Whack: How to Get it Back Into Whack
6	Worth or Value, a Changing Definition for Benefits
7	Sick Leave Program Revisions Serve Agency Well
9	Major City/County Meeting Held in Marina Del Rey
11	Contributors Sought for <i>Public Personnel Management</i> Special Winter 2007 Issue
12	Benefit and Retirement Solutions
15	Keynote Speakers Set for 2007 IPMA-HR International Training Conference
16	Human Resources Center
17	Report Completion Exercises
18	Nominations Being Accepted Now for Stockberger Achievement Award, Honorary Life Membership and Agency Awards for Excellence
18	Call for Applications for IPMA-HR Graduate Study Fellowship, Scholarship Programs
19	Membership Matters - Member News - Certification Corner
21	Focus on Labor
23	Simplifying the Evaluation Process
24	Genetic Non-Discrimination Legislation Moving in House and Senate
25	Upcoming IPMA-HR Professional Development Workshops
25	Products and Services
26	2007 IPMA-HR Webinar Series: Bring Cost-Effective Professional Development to Your Agency
26	New Opportunities with IPMA-HR's <i>Developing Competencies for HR SUCCESS</i> Training
27	Labor Relations
28	March Webinar to Focus on Pandemic Flu Preparedness
29	Calendar of Events
30	Recruiter Service
31	IPMA-HR Members Offered Discounted Subscription Rate to <i>The Public Manager</i>

Compensation and Benefits

Pay for Performance: A Public Sector Puzzle

By Dick Grote

T rue or false: Good workers should get paid better than bad workers. Sounds simple, doesn't it? But the apparently obvious concept that those who do better work should receive better pay underlies one of the most puzzling public sector performance management issues: the notion of pay for performance.

In the private sector, the pay for performance issue has been settled for years. With few exceptions, companies accept as a given the idea that along with measuring and evaluating the quality of the widgets you produce, you also need to measure the quality of the widget-maker. Only a few private sector organizations would take the position that longevity correlates precisely with performance, as many municipalities and state agencies seem to do as judged by their compensation programs.

CONTINUED ON PAGE 3

Our Pay System is Out of Whack: How to Get it Back Into Whack

By James Fox and Bruce Lawson

W ith all of the public sector organizations that we talk to each year, the most popular reason for hiring a compensation consultant seems to be because their compensation system is "out of whack." While we never really understood what that meant, being such literary geniuses that we are, we figured it was not good. And the reason they hired us was to get their system back "into whack."

As silly sounding as the problem of an "out of whack" system is, it was even sillier to think of what a system would be like if the system was "in whack," since we had never heard anyone describe their system that way. In fact, we wondered if there were degrees of "whackiness" that could be measured. Could a system be slightly whacked, seriously whacked or totally whacked? Would the opposite be perfectly whacked? Or wonderfully whacked? And would a system that is really whacked be a good or bad thing?

CONTINUED ON PAGE 8

Inside this Issue

This month's issue focuses on compensation and benefits. Inside, you'll find articles on pay for performance, and about benefits and how they can help in the recruitment process while at the same time helping to retain employees. You'll also read about how one agency is benefiting from the revisions to its sick leave program.

Also this month, read about the 18th Annual Major City/County Human Resource Managers' Meeting, about the keynote speakers for the 2007 IPMA-HR International Training Conference, and about the call for applications for the IPMA-HR Graduate Study Fellowship and Scholarship. Nominations are also now being accepted for the Stockberger Achievement Award Honorary Life Membership and Agency Awards for Excellence.

Whacked continued from page 1

The more we explored the twists and turns of whackiness, it became apparent that what we need is a Whack Index. Such an index would be like a thermometer that would measure the degree of whack that your system is in, or not, as the case may be. In other words, if your system scores 90 on the Whack Index, your system is in serious need of a complete overhaul. On the other hand, if your system scores only 15 or 20, then it is only slightly whacked and probably could be repaired with a little tweaking. (We are now deep in the complex and confusing lexicon of compensation and classification professionals! We have introduced some very technical terms that deserve to be defined more fully.)

It has also become apparent that those who operate in this field would need to be specialists in the assessment and use of the Whack Index, and, of course, in the correction and repair of a whacked system. They would have to be schooled in the techniques of whackiness and tweaking necessary to get a system back into whack. In keeping with sound classification techniques, these specialists would need a new job description and a new title. A pay grade adjustment, of course, would be justified.

To address each of these issues, we offer the following definitions:

The job title of those who work in this area will be known as Whackos. There will be entry-level whackos, Class Title: Whacko 1. The journey level will be known as Whacko 2, and the lead or senior level whacko will be Whacko 3. The career path will be flexible, by week. In other words, any person on any day could be a Whacko 1, 2 or 3 since they all do the same thing. Whacko 3s have just been aged a little longer than the Whacko 1s (sort of like wine that has been aged in fine French Oak), which endows them with the right to work on more serious and complex systems that are out of whack. We have seen Whacko 1s plunge right up to their necks in whackiness and perform at a higher level of whackiness than an old grizzled Whacko 3. The supervisor of this job family will be the Whacko Boss, and we all know what they are capable of!

So, to function in the Whacko unit, you need an index of whackiness (see below). The key to this index is to answer the questions truthfully. Each question answered “yes” earns you five points. If you answer no, then you will earn zero points on that question. If you think the answer to the question is neither a “yes” nor a “no” (in other words, you believe it is a definite maybe), then score yourself 2.5 points or any other score that makes you feel good. The point is to get to a score that reflects your degree of whackiness, and therefore the right to pester your board regarding your desperate need to hire someone to fix it.

1. Does your system assign a different pay grade to jobs that require the same entry-level skills?
2. Does your system overpay some employees substantially more than others because some time ago there was a serious shortage or political problem that you needed to solve and money seemed to be the way to fix it?
3. Do more than 10 percent of your classifications request a reclassification review each year?
4. If you have at least 15 employees, do you have more than one title for every 15 or fewer employees?
5. Do you distinguish jobs by creating a new title, even though the level of work has not increased substantially?
6. Do you then assign a new pay grade to the new job title?
7. Do you create a new pay grade between two existing pay grades because you have a new job title that is just a bit more difficult or complex than the job it was before the creation of a new pay grade?
8. Do you have more than 40 pay grades in your system?
9. Does it take more than one or two pages to show your salary ranges?
10. Is there less than a five percent difference between the midpoints of salary ranges?

11. Are you finding that new employees need to be paid as well as or better than existing employees in the same job title?
12. Are you confused over what a salary range is and what it does for your organization?
13. Are the salary range widths or spreads inconsistent from grade to grade?
14. Do you regularly add a step to the top of your existing salary ranges so that none of your long-term employees are “topped out?”
15. Are job titles organized by department and not by job family or occupational group? (Does every department have its own occupational group that is not found in any other department?)
16. In 1999-2000, did you raise the grades of the IT jobs so that they would be in a higher pay grade, but now you realize that they are over paid and you can't lower their grade?
17. Was the last time you did an extensive market survey before 1995?
18. Was the last job audit of an occupational group done more than 10 years ago?
19. Have you adjusted the salary ranges annually by a cost of living amount and also adjusted employees' salaries by the same amount, so that year after year, the employees have not moved up in their salary range?
20. Have you adjusted a salary range or grade of a job just because your board insisted?

Now that you have completed this self-diagnosis of your system, measure it against the official Whack Index below. This scale not only tells you the degree of Whackiness, but also what your solutions might be.

The Whack Index

Degree of Whackiness	Whackiness Score	Possible Solution
Totally Whacked	80 - 100	Blow it up and start over.
Seriously Whacked	60 - 79	Destroy most of your procedures, and redo the pay schedule.
Moderately Whacked	40-59	Conduct an audit of the high turnover jobs and highly populated jobs, validate the grades of these jobs, and then recalibrate the salary ranges to reflect the market.
Slightly Whacked	10 - 39	Just tweak some of the policies and procedures and move on to bigger problems.
In Whack	0 - 9	Celebrate. Your whackos have done a good job of keeping your system in whack.

As you can see, this Whack Index can serve as a self-audit of your system and will guide you to getting your system back into whack. Being “in whack” is something that we all strive for but never fully achieve.

Please be advised that someone who is not a whacko should not use this index. There may be some whackos in your organization that will try to tell you that your system is “out of whack”, but they will not know the full story of how whacked it is. Listen to them with respect and compassion. They may be trying

to take over your job as an official whacko. You cannot let that happen. Only official whackos are authorized and trained to measure a system to determine if is whacked.

Good luck. Your future career as a whacko is secure.

James Fox and Bruce Lawson are part of the team 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. Contact them by e-mail at jfox@foxlawson.com or blawson@foxlawson.com. —N

Major City/County Meeting Held in Marina Del Rey

The 18th Annual Major City/County Human Resource Managers' Meeting was held in late January in Marina Del Rey, Calif. IPMA-HR President Oscar Jackson, IPMA-CP, participated in the meeting, which was coordinated and facilitated by Richard Brainerd, IPMA-CP, and Joseph Lunt, IPMA-CP.

There were more than 30 participants at this meeting who represented the following organizations: city of Charlotte, N.C.; city of Fort Worth, Texas; city of Henderson, Nev.; Hennepin County, Minn.; city of Juneau, Alaska; city of Kansas City, Mo.; city of Las Vegas; city of Long Beach, Calif.; city of Los Angeles; Los Angeles County; Los Angeles Unified School District; city of Minneapolis; city of Miramar, Fla.; city of Phoenix; Pierce County, Wash; Prince George's County, Md.; Ramsey County, Minn.; Riverside County, Calif.; city of St. Paul, Minn.; San Diego County; city of San Jose, Calif.; city of Seattle; city of Shreveport, La.; city of Tucson, Ariz.; and city of Virginia Beach, Va.

The participants had an opportunity to share information and best practices on a number of human resource issues such as health care cost containment, in-house medical and wellness services, GASB 45 and retiree health insurance, succession planning, strategic HR, reemployment of retirees, recruiting public safety officers, pandemic flu/disaster planning, executive pay plans, HR audits, time to hire/performance measures, criminal background checks, market-based compensation vs. internal alignment, impact of overtime on retirement, training, performance appraisals, collective bargaining reform, diversity, and disability accommodation. The meeting also included a government affairs update that focused on legislation, regulations and judicial developments that impact public sector human resources management. —N

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