

Question: We are in the process of updating our classification and pay structure. We are trying to reduce the number of pay grades from what we currently have. Our department heads and managers are really resisting some of the things that are being done. Can you provide any insight as to why they are resistant to streamlining the pay structure and what we can do to get them to support the changes?

CompDoctor™: Well Department heads and managers being resistant to organizational change—we have never heard of such nonsense. Given the fact that you are dealing with managers in a governmental setting, this is most unusual since the managers we see (recognizing that we may be under the influence from time to time) appear to be very progressive and supportive of change. Where did you get these folks? Of course you probably got them the same place most other agencies got theirs; you promoted them.

You have actually asked two separate but related questions. The first question relates to why they are resistant. We will address that first. If your agency is like most public sector organizations, granting of discretionary pay increases is something that is extremely rare and requires, in some cases, an act of Congress, or at least the state legislature, county board or city council. Because pay increases are limited to traditional cost of living adjustments, step increases or the occasional market adjustment, managers have had to become creative in order to give their friends (oops—we mean their subordinates) a pay increase. They have done this, in rare cases, because they did not want to be perceived by their friends (oops, we did it again—we mean their subordinates) as not looking out for them. Besides, it isn't their money. If they did not do something for their friends (oops—subordinates), other managers would gobble up the few available dollars for their friends (oops—subordinates). To do this, they created lots of very narrow job classifications that were only marginally different than other classes. Of course the new classes had to be paid at higher salary grades than the old classes. Thus, in the past, additional salary grades were added to the system to accommodate all these new jobs.

On top of that, public employees have been very successful in getting salary ranges increased at the lower level through various means like collective bargaining.

By Jim Fox and Bruce Lawson,
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Comp Doctor™


Elected officials have been reluctant to grant comparable increases to upper level positions since those positions are often paid more than the average resident (like the voters) of the local community. The result is that what was once a very sustainable ratio of lowest paid to highest paid of about one to 10, we are now seeing ratios of as low as one to three, with one to five being very common. In one city, the lowest paid employee earns \$22,000 and the highest paid employee earns \$90,000, or a ratio of one to five. In another city, the lowest paid position earns \$57,000 and the highest earns about \$180,000, or a ratio of just over one to three. This change is the equivalent of one originally living in a 10-story building with each floor having 10-foot ceilings. Because the current system is designed around the 10-story building, (because there is a top-level salary that we are afraid to go over) we now have a ceiling height of three to five feet. What has happened is that floors have been added to the building but the overall height of the building has stayed the same. We don't know about you but most people really have to bend over when the ceilings are that low. In simple terms, this is why you have pay compression. So, in short, your reduction in the pay grades means that their favored friends (darn... we meant subordinates) and their hard earned extra classes and pay grades will be wiped out and they will not be considered "special" anymore.

The second question relates to what you can do to move them to your point of view. That is a tougher question but we have found the best way is to simply show them the numbers. When we see FLSA non-exempt employees making as much or more than exempt positions, it is easy to see why hourly folks do not want to give up their current positions to take on higher level jobs. Since the pay difference between successively higher promotional levels is virtually nonexistent, one can hardly blame them. Recently, one large city reported that some police sergeants earned more than \$200,000 per year with overtime. That is substantially more

than even the police chief earned that year. Other examples put the most pressure on the first exempt level. Clearly, when structures are compressed, this will happen and the only way out of the problem is to eliminate levels. If your managers have any concern for the well being of the organization, they will wake up and smell the coffee. Will they do so willingly and gracefully? Who knows? We only know that if they don't, and you are unable to address the problem, the Soviets will finally be able to say that they won the cold war since communism (from each according to his ability; to each according to his need) is alive and well in the U.S. since we will be paying all public employees just about the same salary, regardless of the job they are paid to perform.


The Comp Doctor™ 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. If you have a question you would like to have them answer, please write to them at jfox@foxlawson.com or blawson@foxlawson.com. They will try to include it in the next issue of Comp Doctor™. —N

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