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Skill Based Pay: Results of a National Survey

Usage is High Among Cities, Counties and States

Reasons for Adopting a Skill Based Pay Program

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In a survey that we conducted last summer among public sector organizations throughout the country, 59% of the respondents indicated they have implemented a skill based pay system. In this newsletter, we will give you some further details on what these types of plans look like in the organizations that have adopted them.

On a percentage basis of the respondents to our survey, the prevalence for skill based pay among counties is the highest at 75% of the counties responding. States are next at 65% and cities are at 50%. We received an insufficient number of responses among schools, colleges, special districts or the federal government to draw any conclusions.

The respondents with skill based pay programs indicated that the primary reasons for developing a skill based pay program are as follows:

- * encourage skill development
- * reward learning
- * create fewer titles
- * encourage more flexible work assignments

In our experience, flexibility appears to be the more compelling reason because it permits the organization to have a larger pool of well trained workers when and if

another person that has a critical skill is absent or otherwise unavailable to perform the necessary work. These reasons track well with the experiences of private sector organizations. In addition to reaping the benefits of a more flexible work force, the organization gets a way to encourage skill advancement and on the job learning. Employees, on the other hand, achieve increased pay.

Skill Based Pay Covers a Wide Variety of Occupational Groups

Skill based pay programs are in use in a wide variety of occupational groups. While the survey did not count the occupations, we found that they are in use among the following job families:

- * building inspectors
- * police officers
- * engineers
- * clerical
- * fire fighters
- * public works jobs
- * social workers
- * water and waste water treatment plant operators

The characteristics that these jobs have in common are that the tasks and responsibilities can be broken into smaller, learnable skill blocks and the skills are, for the most part, observable. Management and other "knowledge workers" are noticeably absent from the list. Organizations interested in new pay models for

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these job families appear to be using broad banding instead of skill based pay programs because of the subjectivity involved in determining skill block differences and certification.

Methods to Certify Skill Acquisition

One of the toughest issues in skill based pay programs is deciding how to certify that an employee has achieved the requisite skill at a level of proficiency that is satisfactory. Most organizations use some type of "certification board" in order to verify that the skills are actually learned. Respondents indicated the following methods are used to certify skill acquisition:

- * supervisor approval
- * performance evaluation
- * joint committee
- * agency standards
- * state or national association standards

Regardless of how skill acquisition is verified, employees can only advance at a prescribed rate. Most organizations place limits on how often an employee is eligible to be recertified. The respondents indicated that the range that an employee must remain in a skill block varies from 1-3 years, with the most common being 2 years. Depending on the number of skill blocks, this means that a rapidly advancing employee may take up to 12 years to reach the maximum skill level. Since most public sector step plans have between 7 and 10 steps, it might be

questioned whether these organizations have simply replaced step plans based on seniority with step plans based on skill acquisition. There isn't anything wrong with this approach because the adoption of skill based pay programs are often used to change the culture and perceptions of pay from an entitlement to an earned reward.

Number of Skill Blocks and Pay

Finally, respondents indicated that the average number of skill blocks is in the 5-6 range. One organization has 15 skill blocks which are job family specific and each skill block has three skill sets per block that must be mastered to advance in pay.

The most common way of rewarding the mastery of skills is by setting a flat rate of pay for each skill learned and certified.

If you have questions about the application of skill based pay programs in your organization, or are interested in a pay for performance audit to identify the potential for adopting new pay programs, please give Bruce Lawson a call in our Phoenix office, or Jim Fox in our Roseville office.

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Sacramento, CA: Broad banding for management jobs.