

## Best Practices Survey Results: Changes in Pay Systems

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In today's labor market, Salary Management and Alternative Rewards systems are extremely important in attracting, retaining and motivating employees. In addition, public sector organizations are competing with traditional and non-traditional organizations for talent. Salary Management and Alternative Rewards systems can help organizations compete by utilizing conventional and progressive forms of rewards to develop programs that are internally and externally equitable.

In an effort to discover what types of conventional and progressive forms of Salary Management and Alternative Rewards systems public sector organizations are using, Fox Lawson & Associates distributed over 6,000 surveys to various public sector organizations and the following is a summary of the survey process and results.

Organizations were asked to identify if any aspect, other than cost of living adjustments (COLA), of their compensation program has changed in the past three years. Responses were classified into two categories: Salary Management and Alternative Rewards. The Salary Management category identified the following six different types of systems:

1. Quantitative Job Evaluation
2. Market Based Grading Systems
3. Performance Management Systems
4. Broadbanding
5. New Salary Ranges
6. Any 'Other' system

### The Alternative Rewards category identified the following seven different systems:

1. Skill Based Pay
2. Competency Based Pay
3. Spot Awards
4. Team Awards
5. Gainsharing
6. Goalsharing
7. Any Other system

Organizations were also asked to identify which rewards system(s) they studied but failed to implement, and why they were unable to implement the system(s). Based on their responses, additional follow-up surveys were distributed to gather the information pertaining to the changes in their compensation programs. The following is a summary of the survey results.

273 organizations participated in the survey and 112 have changed one or more aspects of their compensation program in the past three years. The table below depicts what types of systems have changed.

### Salary Management Systems Changed

- \* New Salary Ranges 62%
- \* Performance Management System 38%
- \* Market Based Grading System 30%
- \* Broadbanding 18%
- \* Quantitative Job Evaluation 15%
- \* Other 7%

### Alternative Rewards Systems Installed

- \* Skill Based Pay 19%
- \* Spot Awards 14%
- \* Competency Based Pay 11%
- \* Team Awards 6%
- \* Gainsharing 5%
- \* Goalsharing 3%

**Fox Lawson & Associates LLC solves strategic compensation and human resources issues of organizations experiencing significant change.**

**We assist organizations to align their compensation, benefits and human resources systems to their organization objectives.**

**We have solutions for people who pay people.**



**FOX LAWSON & ASSOCIATES** LLC  
COMPENSATION AND HUMAN RESOURCES SPECIALISTS

Offices:  
1335 County Road D. Circle East  
St. Paul, Minnesota 55109-5260  
Phone: 800-383-0976  
Fax: 651-635-0980  
E-mail: [jfox@foxlawson.com](mailto:jfox@foxlawson.com)

P. O. Box 32985  
Phoenix, Arizona 85064-2985

Phone: 602-840-1070  
Fax: 602-840-1071  
E-mail: [blawson@foxlawson.com](mailto:blawson@foxlawson.com)

In addition, 49 of the organizations indicated they have studied one or more of the systems. The tables below depict what programs they studied.

#### **Salary Management Systems Studied**

- \* Broadbanding 47%
- \* Performance Management System 39%
- \* New Salary Ranges 20%
- \* Quantitative Job Evaluation 0%
- \* Market Based Grading System 0%
- \* Other 0%

#### **Alternative Rewards Systems Studied**

- \* Competency Based Pay 27%
- \* Skill Based Pay 14%
- \* Spot Awards 14%
- \* Gainsharing 12%
- \* Goalsharing 6%
- \* Team Awards 0%

The majority of the organizations indicated they were unable to implement these systems due to one or more of the following: lack of board or union approval, or budget constraints.

#### **ANALYSIS**

The most widespread system that changed is New Salary Ranges; 62% have changed this system. Chances are organizations have changed this system to allow them the flexibility to apply their market strategy by increasing their range spreads and/or structure according to market.

There has been a dramatic increase in the use of Performance Management Systems. In our previous survey only 1 in 10 were using this type of system; today it is 1 in 3.

Skill and Competency Based pay have also increased, up 10.4% from 1996; and when 41% of the organizations have studied this system, we expect this to increase as it becomes more popular.

Broadbanding edged up by only 1.5% from our previous survey, but when 47% of the organizations have studied this system, its usage will also increase as organizations become more comfortable with the concept.

From 1991 to 1996, the use of Gainsharing doubled from 3% to 6%. However, today Gainsharing has declined slightly by 1.1%.

With the labor market and economy in the employee's favor, these results are not surprising. With the increase

and high prevalence of Performance Based Pay, Skill and Competency Based Pay, Broadbanding, New Salary Ranges, Market Based Grading and Spot Awards and the decline of Gainsharing, Goalsharing and Team Awards, companies are looking for flexible and efficient ways to attract and reward individual employees. Employees are demanding that you recognize their individual efforts and the popular programs allow you to have the flexibility to do so. Fox Lawson & Associates are no strangers to Salary Management and Alternative Rewards systems. Along with facilitating two previous Salary Management and Alternative Rewards surveys in 1991 and 1996, we have assisted over 500 organizations in developing and implementing various forms of Salary Management and Alternative Rewards systems. If you feel you need assistance or more information regarding either of these systems you can contact us at (651) 635-0976, or visit us online at [www.foxlawson.com](http://www.foxlawson.com).

Look for detailed follow-up summaries of the survey results in our upcoming newsletters.

#### **RECENT ASSIGNMENTS**

**District of Columbia Municipal Government:** A four-year project to simplify and reform the compensation and classification system.

**City of Hartford, Connecticut:** Revise the compensation and classification system to reduce the number of separate job titles and establish market competitive pay rates.

**State of Iowa Department of Transportation:** Review selected jobs to update the job classifications and personnel allocations, and conduct a market survey of competitive pay rates among similar organizations