

## Results of Rewards Survey: Competency/Skill Based Pay Programs

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We conducted a nation-wide pay practices survey last year. The survey collected data from 273 organizations regarding specific changes in their compensation programs. 112 (41%) indicated they changed one or more of the following elements of their compensation program in the past three years: Quantitative Job Evaluation, Market Based Grading Systems, Performance Management Systems, Broadbanding, New Salary Ranges, Skill Based Pay, Competency Based Pay, Spot Awards, Team Awards, Gainsharing, Goalsharing.

This article deals with one aspect of Alternative Pay Practices: Competency/Skill Based Pay.

A common objective of developing a competency or skill based pay system is to take various levels of jobs, for example Accounting Clerk I, II and III, and establish the skills/competencies that are needed at each level of the series. Once the levels are established, assessment criteria can be used so that an employee may track their development, demonstrate their competence, and be rewarded for attaining higher-level skills/competencies.

### SURVEY PROCESS

Organizations were asked to identify why they implemented competency/skill based pay system, which job families were included, the method of certification, and the time period it takes to qualify to the next block.

### SURVEY RESULTS

The average organization that adopted new salary ranges had about 1300 employees. 80% of these organizations were City organizations, 7% were County organizations, and 12% were State organizations.

The list below summarizes the most important and least important reasons why they implemented a competency/skill based system and the percentage of organizations that responded.

#### Most Important:

- Improve Service Quality - 83%
- Link with Pay for Performance - 75%
- Foster Teamwork - 67%
- Improve Workforce Flexibility - 67%

#### Least Important:

- Avoid Unionization - 83%
- As a Result of a Collective Barg. Agreement - 75%

The list below indicates the percentage of organizations that implemented a competency and/or skill based pay system for the following employee groups.

- Management - 40%
- Professional/Technical - 50%
- Clerical/Administrative - 40%
- Trades/Maintenance - 90%
- Protective Services - 50%

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All organizations assessed their employees' competencies through a combination of performance evaluation and work evidence. For Skill Based Pay, most organizations (75%) used a form of agency certification, while others (63%) used internal or governmental certifications. Depending upon the level and type of competencies or skills the employee possessed, they were eligible for up to a 6% pay increase.

The percentages in the above tables and paragraphs may total over 100% because organizations were able to choose more than one of the possible choices.

#### **ANALYSIS OF RESULTS**

As an employee's competencies and/or skills increase, it is presumed their quality of work will increase. This is consistent with the majority of organizations implementing this type of system in an effort to improve service quality. Furthermore, an employee's performance is directly related to their quality of work, which is another element why organizations implemented these systems, to provide a link with pay for performance.

An interesting reason why organizations implemented these systems was to foster teamwork. One

would believe that as an employee's competencies and/or skills increase, they would become less dependent on other employees because they are able to accomplish multiple and diverse tasks.

However, as they begin to perform multiple and diverse tasks, they will further their understanding of the work product of those around them. Therefore, the teamwork element is not an element of dependence, but of understanding. The employee will understand their role in the organization in assisting it to function as a stable and more efficient team.

We are not surprised how organizations assess their employees' competencies and/or skills. Competencies can be difficult to objectively define and evaluate. In most cases, performance evaluation and work evidence are a few of the ways to assess competencies. Skills however are more easily defined and evaluated and typically apply to specific classes of employees, usually technical, skilled trades and clerical positions. The difficult task is to select and/or develop tests or criteria that are valid and appropriate for your organization.