

# PAY BANDING AND FLEXIBILITIES IN DEMONSTATION PROJECTS AN UPDATE

Or What I Wish I Knew Before I Was  
Volunteered to Help Design and Manage a Pay  
Banding System

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Presented to Strategic Compensation Conference

8/27/02

# Why Is Pay Banding “Hot” Now?

- ☛ Even after 20+ years, we’re still on a learning curve. More to learn. We don’t have all the answers, but we can give the benefit of experience.

# 3 Ways You May Get Involved

## ☞ Currently Existing System

- (Air Force)

## ☞ Design Demo Under Chapter 47

- (China Lake)

## ☞ Design APS under separate legislation

- ( Federal Aviation Administration)

# What Do You Want -- Pay Banding Or A Pay Banding System?

☛ Pay Banding (Broadbanding) – The compensation and classification framework that groups fifteen General Schedule (GS) grades into three, four, five, or six broadbands based on career path and occupation.

# What Do You Want -- Pay Banding Or A Pay Banding System?

☛ Pay Banding System – A human resources (HR) subsystem consisting of: (1) a pay banding core; (2) strengthened by flexibilities and innovations; and (3) integrated into an agency's overall HR system. Pay banding systems are often used to move from an entitlement-based to a performance-based culture and to improve organizational effectiveness.

# Pay Banding System Components/Options

- ☛ Pay Banding
- ☛ Performance Focused Pay. (e.g., Performance, Contributions, Competencies)
- ☛ Categorical Ranking Process
- ☛ Enhanced Three R's (Recruitment, Retention, and Relocation)
- ☛ Extended Probationary Period

# Pay Banding System Components/Options

- ☛ Modified Term Appointment
- ☛ Performance Focused Reduction-In-Force  
Credit
- ☛ Supervisory Differentials
- ☛ Market Based Pay (Market Sensitive Pay)

# Learn From Others

- ☛ OPM's Center for Human Resources Innovation (202-606-2820)
- ☛ Internet Websites  
(<http://www.opm.gov/demos/index.htm>)
- ☛ Project Managers of Pay Banding Systems
- ☛ Agency and OPM Program Offices  
(compensation, staffing, classification)

# Learn From Others

- ☛ Conferences, Seminars, and Briefings
- ☛ Professional Organizations  
(WorldatWork—former American Compensation Association)
- ☛ Non-Federal Users (State governments, corporations, non-profits)
- ☛ Evaluation Reports (demonstration project evaluations)

# Collect and Use “Lessons Learned”

- ☛ Pay banding is effective.
- ☛ Large scale organizational change takes time.
- ☛ There should be a solid business case for change.
- ☛ Diverse systems can create inter-agency and intra-agency challenges.
- ☛ An executive champion is a key to success.

# Collect and Use “Lessons Learned”

- ☛ A supportive culture is essential.
- ☛ One size does not fit all.
- ☛ Communication and training must be priorities.
- ☛ Employees and employee organizations must have “buy-in.”
- ☛ Costs can be controlled.

# Address Employee (And Union) Issues

- ☞ Performance Management (Is there a credible performance system?)
- ☞ Resources (Are there adequate resources?)
- ☞ Type of Job (Are there jobs that should not be covered under a pay banding system?)
- ☞ Management Control (Is management being given too much control?)

# Address Employee (And Union) Issues

- ☛ Pay Equity (Will funds be equitably distributed?)
- ☛ Flexibility (Will the banding system be flexible enough to address differing local needs?)
- ☛ Appeal Rights (Does the banding system include adequate employee appeal rights?)

# Address Employee (And Union) Issues

- ☛ Employee Training (Will employees under banding be given additional job training?)
- ☛ Adverse Impact (Will the banding system have adverse impact on any group?)
- ☛ What's In It For Me? (Are there positive benefits for employees?)

# ADVICE FROM THE EXPERTS

Based on New Focus Group Data

Design Considerations

Communication -- the Key to Success

How to Smooth the Way --

Implementation Tips

Outcomes/Limitations

# Design Considerations

## ☞ Shaping Career Progression

- Decide on the shape of career progression for each band

## ☞ Criteria for Entry into Band

- Base Criteria for Entry of Occupation in a band on Matching Knowledge, Skills and Abilities, Certification Levels of occupations you group together

# More Design Considerations

## ☞ Perception of Fairness

- Design the system so it is perceived as fair.

## ☞ Identify Your Problems

- Identify problems as your target and start from there.
- Be honest. Say these are our targets. We'll try to fix these things, but Demo can't fix everything.

# More Design Considerations (2)

- ☛ Keep it Simple
- ☛ Seize Opportunity to Clean Up/Streamline Current Processes
- ☛ Decide Up Front What Baseline Evaluation Information You'll Track
  - Good Metrics are Essential to Follow Outcomes

# Final Design Considerations

## ☞ Allow Flexibility

- Give enough leeway in your plan to allow units to customize to meet their unique needs.
- Don't dictate how each pay pool should implement their appraisal system.

# Communication -- The Key to Success

## ☛ Keep People Informed in a Variety of Ways

- One-on-One Meetings
- One-on-Two Meetings
- Huge Briefings
- Newsletters
- Emails to Managers
- Emails to Employees
- Hotlines

# Communication -- The Key to Success

- ☛ Educate the people in your approval chain
  - Educate approving officials for your proposal on the unique nature of the environment in which you must operate (nature of funding, culture, etc.)

# Communication -- The Key to Success

- ☛ Explain How All the Systems Integrate -- How it All Works Together.
- ☛ Market Through Communication, Especially to Get Buy-In From the Unions

# Communication -- The Key to Success

## ☞ Use Comparisons With the Traditional System

- People need to know how the traditional system works as well as a newly designed one.
- Educate on both. Show how they differ side-by-side, and how the new one is better.

# Communication -- The Key to Success

## ☛ Communicate to Ameliorate Fear

- Communication can build trust.

## ☛ Be honest

- Say, these are targets. Demo won't fix everything.

## ☛ Communication Should Be Personal

- Tell people you need their help
- Everyone should feel they are in it together to improve the organization

# How to Smooth the Way -- Implementation Tips

## ☛ Work in Teams

- It's not just Human Resources (HR) anymore. Include managers in behind the scenes work. Shift from it all being on HR to really working with managers.

# How to Smooth the Way -- Implementation Tips

## ☛ Use Process Action Teams (PATs)

- Address all important design features.
- Use PATs to develop the entire project plan, including the pay-out systems.
- Involve Senior Management and all sectors of the workforce.

# How to Smooth the Way -- Implementation Tips

## ☞ Communication Should be Personal

- Tell people you need their help to do it.
- Everyone has to feel that they are in this together to try to make things better for the organization.

# How to Smooth the Way -- Implementation Tips

## ☞ Conduct Mock Simulations

- Conduct a “dry run” before you implement the actual pay out to test the new processes within the pay pools.

# How to Smooth the Way -- Implementation Tips

## ☛ Get a Champion

- Should be “top banana” like a Laboratory Director
- Could be a team of Champions, like five Senior Executives
- Have that person or persons present at all briefings
- Having a Champion lends continuity to the effort

# How to Smooth the Way -- Implementation Tips

## ☞ Don't Let HR Conduct All the Training

- Let Managers train their own staff.
- Team Managers with HR to allow more sensitivity to what each unit requires in the training.

# Did Demo Make Better Managers?

- ☞ It encourages better and more frequent communication
  - Better communication builds trust
- ☞ Turned subject of communication away from HR and towards the work employees are doing
  - Shift in focus helped managers manage the work

# Did Demo Make Better Managers?

- ☛ Problems are rapidly surfaced to the top in a change environment.
- ☛ Managers are forced to rise to the occasion

# Do you have a Better Organization Because of Demo?

## ☞ Visibility through metrics

- When you are forced to concentrate on measurement, you get better at it
- For example, normalization of ratings

# Do you have a Better Organization Because of Demo?

- ☛ “It made it easier to hire, pay, reward, and rid our ranks of dead weight.”
- ☛ “There are some happier people whose lives are made easier by this.”

# Limitations

## ☞ Life Goes On

- Other “noise”
  - regionalization, laboratory reorganization,
  - shift in HR profession from specialist to generalist
- Hard to make strict cause and effect statements
  - Experience has shown it has had positive impacts,
  - We can advise on how to create environment that we’ve seen is conducive to innovation
  - Can’t make the leap “if A, then B”

# Limitations

☞ Can You Measure Mission Accomplishment Yet?

# Limitations

## ☞ Time will Tell

- Even with longstanding demos, we're still on a learning curve, and don't have all the answers
- Most demos are still evolving and yielding new findings

# Prospects/Wrap Up

## ☞ Pay Banding is Here to Stay

- Not just “flavor of the month”
- Numbers have increased since China Lake
- We expect trend to continue
- We’re positive about Governmentwide application
- Trend is also reflected in what we’re seeing in the Non-Federal sectors