

Strategic Compensation Update

Strategic Compensation Conference 2001
August 28-29, 2001



Background

- Chorus of calls for compensation change from
 - Agencies and interagency councils
 - GAO and Congressional leaders
 - Government experts (e.g., NAPA, Brookings)
- Agencies now poised to use pay strategically - dissatisfied with “one size fits all” system



Background *(Continued)*

- Difficult to “fine-tune” system
 - Agencies have limited authority to make changes
 - Law specifies many details (e.g., grades and step system)
- Agencies have sought and obtained exemption from the General Schedule
 - Congress increasingly willing to grant exemptions
 - Jobs moved from the regular General Schedule pay system now at 20% of workforce



Background *(Continued)*

- Many Federal compensation systems and policies (e.g., GS structure) designed decades ago for a world where:
 - Work was routine and process-oriented
 - Performance and skills requirements were stable
 - Top-down approach was the norm and was unquestioned
 - One size did fit all



Background *(Continued)*

- Today's Federal Government faces:
 - Unprecedented competition for talent
 - Rising expectations
 - Demand for better, faster, lower-cost services
 - New ways to provide service (e.g., e-government)
 - Stable or declining resources
 - Greater complexity and pace of change
 - Greater diversity in the workforce and the public it serves



President Bush's Agenda

- ...if government reform is to help the Federal Government adapt to a rapidly changing world, its primary objectives must be a Government that is:
 - Citizen-centered,
 - Results-oriented, and
 - Market-based

President George W. Bush

July 11, 2001



How Does Federal Pay Stack Up?

- Citizen-centered?
- Results-oriented?
- Market-based?



Current Environment

- Based in law (title 5, U.S.C.)
- Internal equity a central value
 - Considered important
 - Rigidly defined in statute
 - Heavily outweighs other forms of equity
- Limited market sensitivity



Current Environment - Title 5 Features

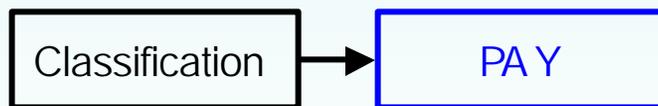
- Position-centered:
 - Classification = grade = pay
 - Grades defined in law
- Narrow pay ranges (30%)
- Performance differences have little effect on an employee's pay



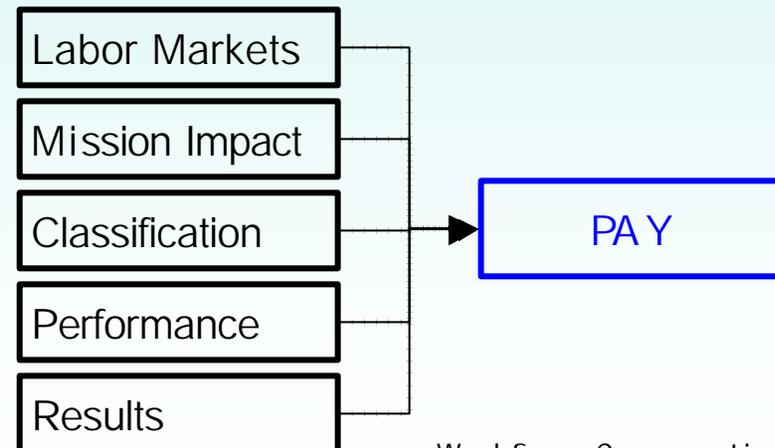
Current Environment

- Agencies have sought flexibility to:
 - allow more factors to influence pay
 - balance internal, individual, and external equity

Current Process



Desired Process



Workforce Compensation
and Performance Service



Federal Alternatives

- Demonstration projects (DoD, Commerce)
- Non-title 5 systems (VA, FIRREA, FAA)
- Based on examination and adaptation of private sector practices



Federal Alternatives - Major Themes

- Agencies use pay to
 - attract and retain critical staff
 - communicate and reward desired performance and results
 - support organizational culture



Federal Alternatives - Major Features

- Support mission, strategic goals
- Include wide range of private sector practices
- Greater market sensitivity
- Less emphasis on position
 - streamlined job evaluation
 - looser link between job evaluation and pay
 - broadbanding common



Federal Alternatives - Major Features (Continued)

- More emphasis on person
 - Wider pay ranges
 - Pay changes linked to employee's value (contributions, competencies, performance)
 - Requires credible measures to work well
 - Continuing challenge in public and private sectors
 - Agencies must invest thought and effort



OPM Leadership

- Developed a comprehensive strategic rewards framework
- Creating and leading a compensation community
 - Strategic Compensation Conferences
 - Compensation an emerging HR specialty



OPM Leadership *(Continued)*

- Improved existing system:
 - Administrative flexibilities (3 Rs)
 - Performance management deregulation
 - Support for learning and development
 - Family-friendly leave
 - Paybanding (demonstration projects, IRS)



Strategic Compensation Initiative

- Goal – develop legislative and regulatory proposals to improve the ability of Federal compensation tools to support agencies' strategic goals
- Timeframe – complete process in FY 2002



Strategic Compensation Initiative (Continued)

- Method
 - Conduct research
 - Outreach to Federal community
 - Work with stakeholders



Strategic Compensation Initiative - Progress

- Identified seven major components of Federal compensation
- Established review process with stakeholders
 - agencies
 - unions
 - management associations
 - public service organizations



Strategic Compensation Initiative - Progress

- Researched compensation practices
- Workgroups underway to:
 - review major components
 - produce observations about possible new pay practices
- Informing and educating stakeholders
(web site, focus groups, presentations, etc.)



Special Sneak Peek!!!

The SCPC Web site!!!



Next Steps

- Inform new OPM leadership
- Complete working group discussions
- Pursue interim steps, like “Freedom To Manage” legislation
- Proceed with preparing more comprehensive reforms



Strategic Rewards

Compensation

- Base Salary
 - Variable Pay
 - Other Payments
 - Paid Time Off
- Support Processes*

Benefits

- Health Care
- Retirement
- Savings
- Other Insurance

Learning & Development

- Workforce Planning
- Training
- Career Development
- Learning Experiences

Work Environment

- Work/Life Balance
- Leadership
- Performance Support
- Organizational Climate



Strategic Rewards and OPM

<p>Compensation</p> <ul style="list-style-type: none"> • Pay • Classification • Pay-for-Performance • Performance Management • Leave 	<p>Benefits</p> <ul style="list-style-type: none"> • Retirement <ul style="list-style-type: none"> – Regular – Disability • Insurance <ul style="list-style-type: none"> – Health – Life – Long-term care
<p>Development & Learning</p> <ul style="list-style-type: none"> • HRD Leadership • Training • Individual Learning Accounts • Career Development • Workforce Planning 	<p>Work Environment</p> <ul style="list-style-type: none"> • Flexible Schedules • Family-Friendly Workplace Advocacy • Leadership • Organizational Climate

- Workforce Compensation and Performance Service
- Retirement and Insurance Service
- Office of Workforce Relations
- Employment Service
- Office of Executive and Management Development/ Office of Executive Resources Management

