

# Developing a Compensation Plan for Your Library

New Jersey Library Association

April 25, 2006

Paula M. Singer, Ph.D.

The Singer Group, Inc.

# Agenda

- ◆ What is Compensation?
- ◆ Trends
- ◆ Preliminary Planning
- ◆ Compensation Philosophy
- ◆ Job Analysis
- ◆ Point Factor Job Evaluation
- ◆ Market Pricing
- ◆ Salary Structure Design
- ◆ Implementation

Reference: Developing a Compensation Plan for Your Library,  
Paula M. Singer, American Library Association, 2002.

# What is Compensation?

Everything the employee  
perceives to be of value  
salary, benefits and work  
environment

# Compensation

## ◆ Financial (aka “Show me the money”)

- Direct Compensation (usually dollars)
- Indirect Compensation (usually benefits)

## ◆ Non-financial

- Public Recognition
- Feedback
- Coaching/Mentoring
- Pleasant Work Group
- Opportunity
- Challenge
- Quality of Work Life
- Job Tasks
- Culture/Leadership

# How Compensation Beliefs Are Changing

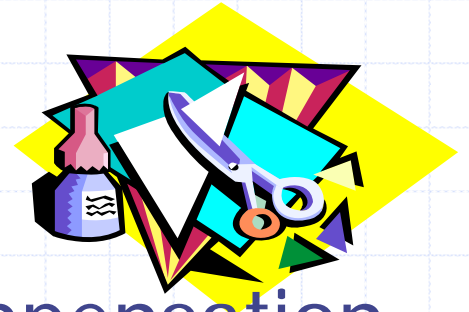
Former Beliefs/Values	Current Beliefs
Avoid problems with employees	Every employee expected to contribute
Consistency highest priority	Flexibility, ability to distinguish based on contributions
Employees excluded from designing pay programs	Employees asked for input
Reward employees based on longevity	Pay increases based on performance
Internal equity principles ensure employees are paid fairly	Pay should reflect market values and individual performance
Consistent with widely used, standard design principles	Program customized for organization's needs and values

# Values transition from traditional to modern Reward Systems Values Model

Reward Philosophy	Entitlement.....Achievement
Reward Delivery	Base Pay.....Base and Variable Pay
Plan Focus	Individual.....Individual and Team
Job Evaluation	Factor-Based.....Market Based
Pay Structure	Salary Ranges.....Broad Bands
Salary Ranges	Many.....Fewer
Job Evaluation Resp.	HR .....Line Management
Basis for Pay	Job Value.....Person's Value
Basis for Increase	Tenure.....Competency/Contribution
Evaluation	Supervisor.....Multi-Rater
Communication	Limited.....Comprehensive
HR's Role	Enforcement.....Consultant
Ownership	HR.....Line Management

Rubino, others

# Exercise



Why would you undertake a compensation study?

What problems do you want to solve?

What do you want it to accomplish for your Library?

What are your fears, concerns?

What ideas or tools do you hope to walk away with?

# Some Reasons Why Libraries Undertake Compensation Studies

- ◆ Improve recruiting efforts
- ◆ Respond to changes in the the workforce
- ◆ Decrease turnover
- ◆ Improve morale
- ◆ Control labor costs
- ◆ Promote fairness and equity
- ◆ Compare to other organizations
- ◆ Reward employees for long service
- ◆ Increase accountability -tie pay to performance
- ◆ Support focus on customer service
- ◆ Create a career ladder
- ◆ Accommodate flatter structures
- ◆ Keep pace with cost of living increases

# Preliminary Planning – How to Start

A successful project requires:

## ◆ Commitment

- Time
- Money

## ◆ Stakeholder Involvement

- Library Director
- Library Board
- Staff Association/Union
- Funders – City, County, University
- Employees

# Preliminary Planning – How to Start

Early steps for successful project:

- ◆ Board Communications - and buy-in
- ◆ Employee Communications – and buy-in
- ◆ Communications with City/County  
College/University/other
- ◆ Engaging a Consultant (*or not*):  
*Pros/Cons*
- ◆ Forming a Committee (*or not*)

# Pros and Cons of Using External Compensation Consultants

## Pro

- ◆ Employees may perceive as more **objective** than employees or management
- ◆ Know **what works** well and what doesn't
- ◆ Bring past **experience** with compensation in other libraries and organizations
- ◆ No pre-set **agenda**
- ◆ Conserves **staff time**
- ◆ **Expert** – subject matter and process

## Con

- ◆ Adds **costs**
- ◆ May be seen as **outsiders**
- ◆ May have less **commitment** than **internal team**
- ◆ Need to come up to speed on your **specific environment** – people, processes, culture, norms

# Using a Committee

Parameters to resolve:

- ◆ Decision-making or advisory
- ◆ Level of employees to be involved
- ◆ Frequency and timing of meetings
- ◆ Committee roles that need to be assigned
- ◆ Groundrules of committee behavior
- ◆ Staff Association/Union involvement
- ◆ Charter is critical!

# A Compensation Philosophy

Should include:

- ✓ Program goals and objectives
- ✓ Definition of the marketplace for library's staff
- ✓ Desired degree of competitiveness with the market
- ✓ Internal equity \* Individual Equity
- ✓ Pay equity
- ✓ Responsibility for on-going administration, revising the plan, assessing fairness
- ✓ Alignment with the Library's mission & SP

# Sample Compensation Philosophy

*page 3A*

*The goals of Anytown Public Library are to:*

- ⑩ Recruit and retain well-qualified, high quality and high performing employees in order to be on the leading edge of providing services and outstanding customer service to best meet the needs of a fast-growing and dynamic environment;
- ⑩ Establish, ensure and maintain internal equity among positions as well as individual employee salaries; and
- ⑩ Reward for performance, contribution and experience.

# Sample p. 2 Market Competitiveness

Anytown Public Library's labor market for employees is comprised of:

- ◆ Local and regional libraries
- ◆ Local K-12 schools and community colleges
- ◆ Local private sector organizations for non-exempt positions
- ◆ A broader geographic market may be considered for senior librarian and management staff.
- ◆ Salary ranges will be set at the median of this market.

Sample p. 3

# To Achieve These Goals the Library will:

- ◆ Pay new and current employees at market;
- ◆ Address internal equity and employees' longevity by placing them at appropriate salaries within the assigned salary ranges; and
- ◆ Provide appropriate training, development and career opportunities to enhance promotion, recruitment and retention efforts.

The Library Director is responsible for ensuring external and internal equity and will review the market every 3-4 years.

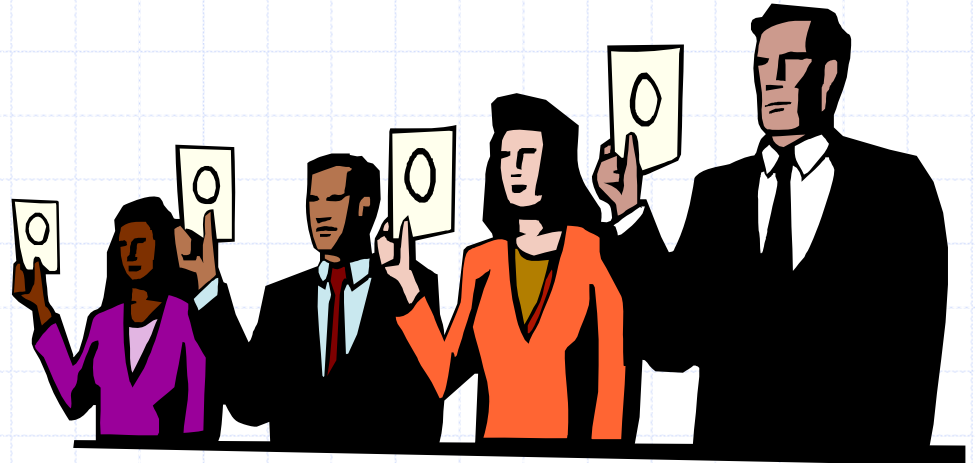
# Creating a Compensation Philosophy



- Reflect on your library's current state and needs
- Draft:
  - Goal summary statement
  - Goals of the compensation program
  - Labor market identification
  - Role of internal equity in program
  - Role of performance management or what will reward for?

# Job Analysis & Evaluation

- ◆ Identifying the most important responsibilities & KSAs of a position
- ◆ Determining it's value



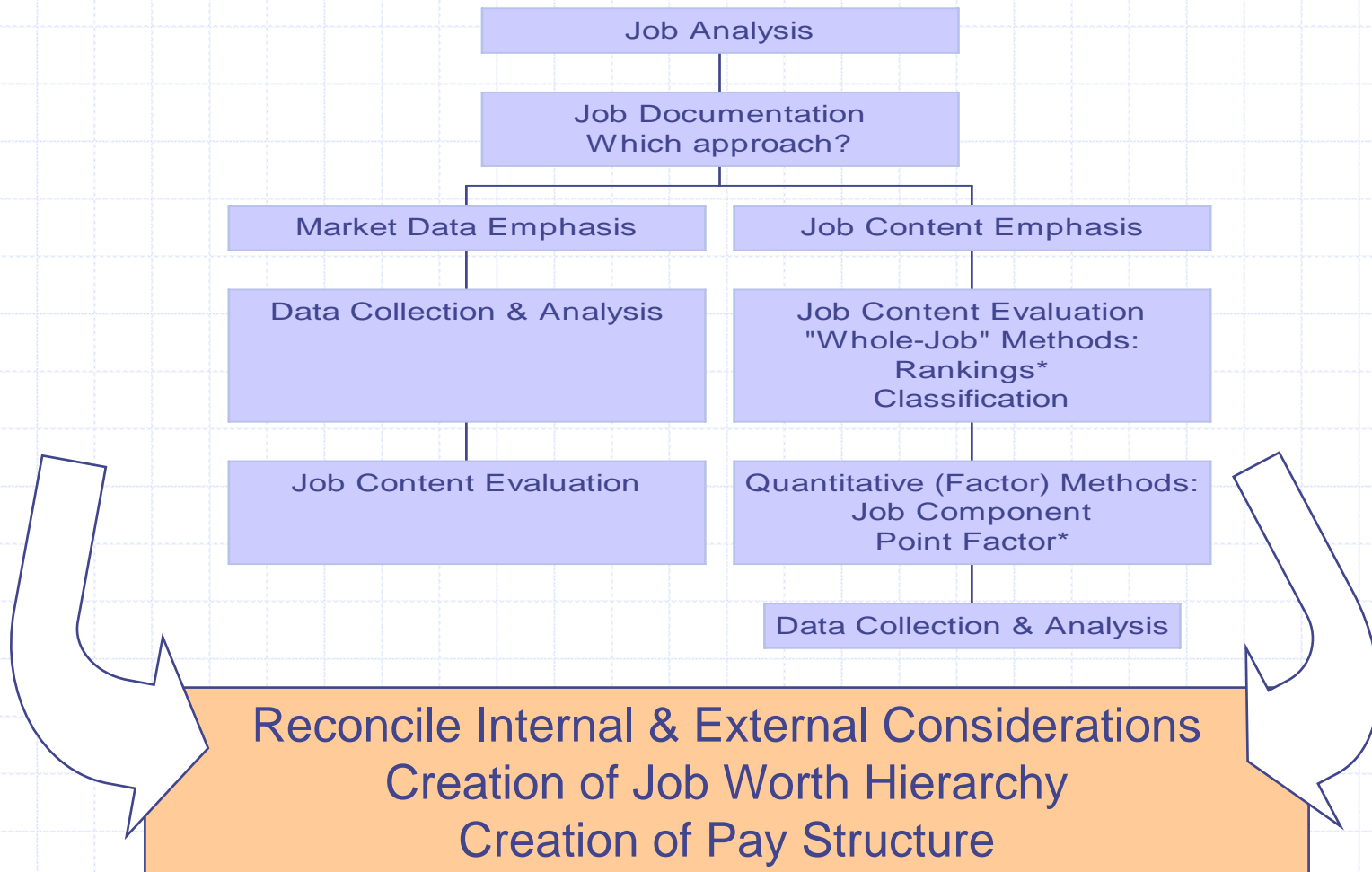
# Human Resources Infrastructure: Job Descriptions



# Primary Sources

- ◆ Job descriptions
- ◆ Direct Observation (desk/on-site)
- ◆ Individual Interviews
  - Open-ended
  - Highly structured
- ◆ Questionnaires
- ◆ Group Interviews

# Job Evaluation Approaches

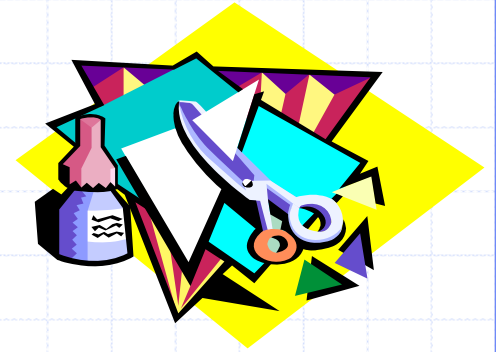


# Point Factor Job Evaluation

- ◆ Uses defined factors and degrees
- ◆ Library defines compensable factors based on what library values (and pays for)
- ◆ Job descriptions/questionnaires compared to the definitions of degrees for compensable factors
- ◆ Corresponding points awarded to each job and combined to derive a total score
- ◆ Results in numerical ranking or hierarchy of positions

# Point Factor System

*Page 11*



## Sample compensable factors

- ◆ Experience
- ◆ Education/training
- ◆ Licenses/certifications
- ◆ Customer service
- ◆ Communications
- ◆ Complexity or Problem-Solving
- ◆ Decision-Making Impact/Authority
- ◆ Physical/Working Conditions
- ◆ Technology
- ◆ Budget
- ◆ Supervision

*Each factor weighted based on value to Library.*

# Whole Job Evaluation

- ◆ Based on job descriptions, questionnaires, job titles, evaluators' knowledge of position duties and responsibilities
- ◆ Compares whole jobs against each other
- ◆ Positions each job in hierarchy by ranking it against other whole jobs
- ◆ Produces ranking of jobs in order of relative importance

# Whole Job Evaluation: *an example*



1. Postal Clerk
2. Math Teacher
3. CEO of Verizon
4. Flight Attendant
5. Librarian
6. Surgeon
7. Bank Teller
8. Fireperson
9. Police Officer
10. Day Care Provider
11. Accountant
12. Housing inspector

◆ Place in order of most to least valuable

# Point Factor vs. Whole Job

## Point Factor

- ◆ Quantitative
- ◆ More objective, reliable
- ◆ Easy to evaluate new or revised jobs
- ◆ Compensable factors tailored to organization
- ◆ Results in data base
- ◆ Time-consuming

## Whole Job

- ◆ Non-quantitative
- ◆ Subjective
- ◆ Simplest
- ◆ Produces hierarchy without numerical values

# Market Pricing Steps

Page 17

- I. Establish a Time Line
- II. Select Benchmark Positions to Survey
  - ◆ Easy to describe, stable
  - ◆ Varied re: education and experience requirements
  - ◆ In common use by other libraries/employers
  - ◆ Represent multiple levels in library
  - ◆ Represent large # of employees
- III. Define Market
- IV. Target Survey Participants; notify
- V. Decide If Survey Will Include Pay Practices and/or Benefits

# Market Pricing Steps

## V. Design the Survey (1+)

- ◆ Clearly define data requested
- ◆ Data should include base salary, salary range, degree of job match, other position information

## VI. Access Other Market Data Sources

- ◆ Published Surveys
- ◆ Industry/Professional Group Surveys
- ◆ Recruiting ads

# Market Pricing Steps

## VII. Follow-Up; Verify Survey Responses

## VIII. Analyze and Adjust Data

- ◆ Mean, weighted mean, median, data range
- ◆ Adjustments
  - scope of job, level, education, breadth of responsibility, geography

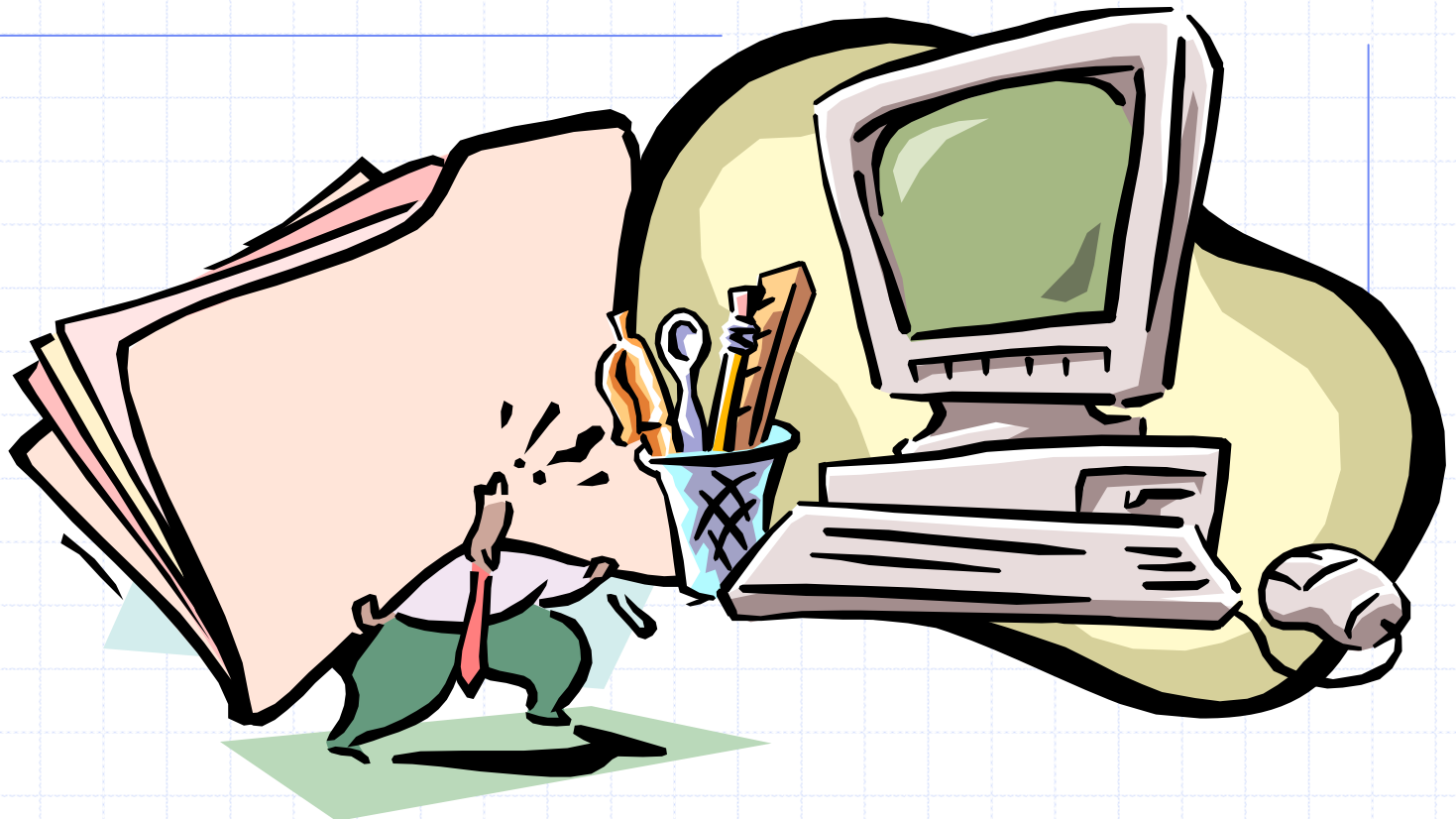
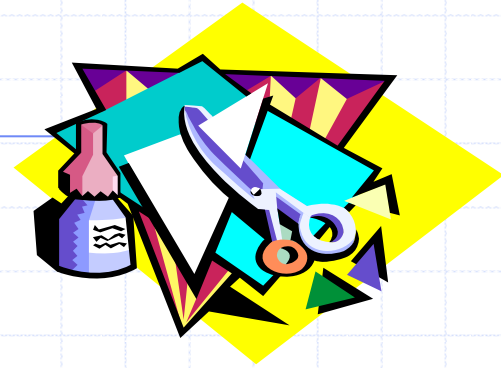
# Positions/Who to survey – and for which jobs

## ◆ Benchmark jobs

- Reference Librarian
- Circulation clerk
- Technical Services Supervisor
- Finance/Accounting Clerk
- HR Director
- Delivery Driver

- ◆ ➤ Libraries (public and academic)
- ◆ ➤ Local government jurisdictions
- ◆ ➤ Local school board
- ◆ ➤ Community and 4-year colleges in the area
- ◆ ➤ Non-profit organizations
- ◆ ➤ General industry.

# Review data



# Management Positions

<sup>a</sup>	Low	Avg.	High	25 <sup>th</sup> %	50 <sup>th</sup> %	75 <sup>th</sup> %	Diff. @ 50 <sup>th</sup> %/hour
<b>Library Director</b>	\$15.15	\$14.84	\$24.33	\$18.19	\$19.91	\$25.69	
Public Works	\$10.50	\$22.32	\$75.58	\$13.51	\$16.83	\$27.21	-6.92
Engineer	\$24.22	\$30.24	\$42.22	\$27.34	\$30.87	\$31.84	-20.96
Planning	\$15.72	\$27.33	\$49.38	\$20.24	\$25.48	\$29.10	-15.57
Finance	\$10.85	\$25.52	\$54.72	\$16.54	\$24.30	\$30.85	-14.39
Parks & Rec	\$12.63	\$22.85	\$48.20	\$16.19	\$22.46	\$25.67	-12.55

# Position Analysis @ our Library and City

<b>Position</b>	<b>Average</b>	<b>%</b>
Librarian	\$13.28	
Building Inspector	\$15.79	84%
Police Officer	\$10.55	126%
Purchasing Agent	\$16.24	81%
City Clerk	\$11.38	117%
Fire Fighter	\$11.06	120%
Code Enforcement	\$16.68	80%

# Library Comparison

	<b>Anytown Library</b>	<b>Others</b>	<b>%</b>
Library Assistant	<b>\$11.34*</b>	\$8.47	133
Librarian	<b>\$20.81*</b>	\$13.37	155
Adult/ Children Services Dept. Head	\$15.40	\$16.18	95
Circulation Dept. Head	\$10.15	\$13.30	76
Head, Tech Services	\$10.40	\$17.55	59
System Administrator	\$14.00	\$22.98	61
Library Director	\$22.81	\$21.84	104

**\*Note: Represents NJLA recommended 2006 starting salary of \$23,607 for Library Assistant and \$43,277 for Librarian, with 4.8% increase this year.**

*Paula M. Singer for NJLA34*

# Salary Structure Design

Effective design and administration requires a balance b/w:

- ✓ employee pay levels inside the organization (internal equity); and
- ✓ pay levels the employees could command in competing markets (external equity).

# Salary Structure Design

- ◆ Develop pay ranges
  - Determine variance between market data and your data, excel
  - Group Jobs into Clusters
  - Calculate Range Spreads
  - Determine Range Progression
  - Grade number, midpoint progressions
- ◆ Draft the structure
  - Grade number, title, salary range, range spread, midpoint progression
- ◆ Slot non-benchmark jobs
- ◆ Estimate cost of applying the salary structure
  - ◆ Cost could include to minimum, in-range adjustments, across the board, etc.

# Salary Structure Design

- The number of ranges in a salary structure is determined by:
  - ◆ Number of skill/responsibility distinctions w/in jobs;
  - ◆ Number of supervisor/subordinate relationships;
  - ◆ Degree of emphasis on career development and progression; and
  - ◆ Resources available to administer plan (more ranges = more administration).

# Implementation Guidelines

- ◆ Know *why* you want to change and *what* the new system should accomplish
- ◆ Get buy-in from leadership and management and be prepared for period of culture change
- ◆ Design to measure, reinforce and reward behaviors that support strategic initiatives
- ◆ Communicate with employees
- ◆ Train employees and managers

# Implementation

- ◆ Communication
- ◆ Salary Administration
  - Salary Budgeting Process
  - Hiring new employees
  - Moving employees through the range
    - ◆ Automatic Increases
    - ◆ Merit Increases
    - ◆ Combination of Automatic and Merit
- ◆ Role of Cost of Living Adjustments
- ◆ Managing Compensation Challenges
  - Compression
  - Promotions
  - “Acting” capacities
- ◆ Document in clear policies

# Evaluation - Factors to Analyze

Should periodically evaluate compensation program effectiveness

- ◆ Employee and organizational performance
- ◆ Employee commitment to the organization, measured by:
  - Turnover
  - Absenteeism
- ◆ Ability to recruit and retain talented candidates

# Evaluation – Factors to Analyze

- ◆ Employee satisfaction with the pay program (employee satisfaction survey)
- ◆ Employee job satisfaction
- ◆ Employee perception that pay is fair
- ◆ Employee acceptance ---is the process valid and credible?
- ◆ Employee trust

# 10 Good-to-Great Ideas: Are You Ready?

1. Change titles to reflect position and level of responsibility, e.g. Librarian III to Manager
2. Dual career ladders
3. Paraprofessionals
4. Don't just survey libraries....
5. Who is the competition?
6. Have a compensation philosophy
7. Give employees what THEY want and need
8. "Grow" your own – send Library Associates to library school
9. Recognize and pay for "professionals" in other fields
10. Identify skills you need not job titles

# A Few Ideas on Retention

It's not JUST about  
money...\$\$\$\$\$\$\$\$\$\$\$\$

# Retention Tools

## Flexible benefits packages

Variety in work force; employers bring more alignment to what employees want & what they get!

Varying levels of sick and vacation accrual

Enhanced life insurance

Increased contribution to pension

## Alternative Scheduling/Work Locations

Flexible work scheduling

Part-time jobs

Job-sharing

Telecommuting

# Retention Tools

## **Training and development opportunities**

Develop needed skills internally, rather than recruiting for the talent

Provide challenging opportunities for high-potential employees

Mentoring program

Job enrichment/job enlargement opportunities

Tuition reimbursement policy

# More Retention Tools

## **Support**

Quality supervision and leadership

Orientation programs

Employees involvement programs - quality circles,  
process improvement teams

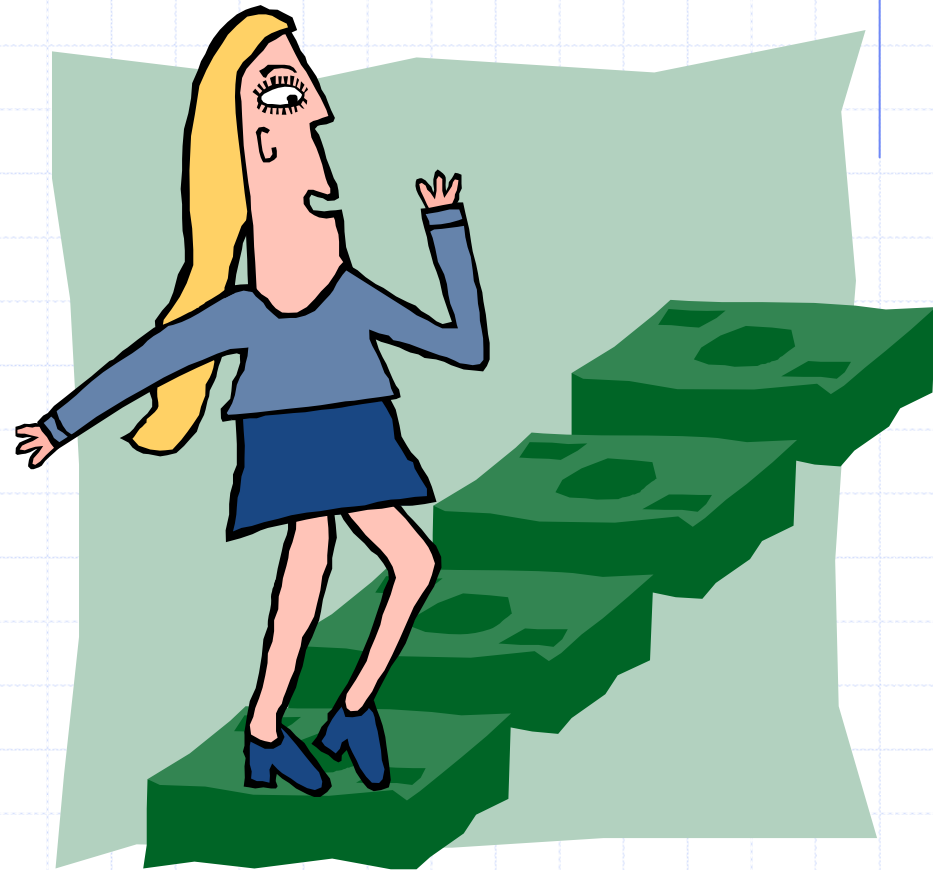
Promote innovation and creativity on the job

# Emerging Benefit Trends

- ◆ Lactation Rooms
- ◆ Domestic Partner
- ◆ On Site Child Care
- ◆ Retirement Plan  
Portability
- ◆ Adoption Support
- ◆ Auto, Pet Insurance
- ◆ Casual Dress
- ◆ Legal Insurance
- ◆ Paternity Leave
- ◆ Expectant father  
Pagors
- ◆ Sick leave: children  
and parents
- ◆ EAP
- ◆ Wellness
- ◆ Relocation
- ◆ Pets @Work
- ◆ Concierge Services
- ◆ Sabbaticals
- ◆ Discounts
- ◆ Mentoring, Coaching
- ◆ Flexible spending  
Accounts
- ◆ Tuition Assistance
- ◆ Job-sharing
- ◆ Work life LOA
- ◆ Defining a family.....

# Base Pay Alternatives

- ◆ Skill/Knowledge-Based Pay
- ◆ Market Based Pay
- ◆ Temporary/ Supplemental Pay
- ◆ Broad Banding
- ◆ Pay-for-Performance (Merit Pay)



# Skill/Knowledge-Based Pay

## ***What:***

- ◆ Pay linked to skills an employee is qualified to perform, or competencies acquired
- ◆ enhancement to compensation program

## ***Pros:***

- ◆ recognizes the development of new job-related skills
- ◆ gives employees a reason to build capacities
- ◆ supports internal recruiting, development and retention

## ***Potential drawback:***

- ◆ expensive if used at all levels, though can be offset by higher productivity

# Market Based Pay

## ***What:***

- ◆ Applies the labor market, adjusted by your compensation philosophy, to set rates at, above or below the market.

## ***Pros:***

- ◆ Maintains market competitiveness
- ◆ Flexible
- ◆ Market data available for most positions

## ***Potential drawbacks:***

- ◆ Can be time consuming
- ◆ Slotting non-market based jobs can be seen as subjective
- ◆ Can reflect biases in the market

# Temporary/Supplemental Pay

## *What:*

- ◆ Premium on top of base pay for a designated time frame for “hot” skills or special work

## *Pros:*

- ◆ rewards employees who take on responsibility “above and beyond the call of duty”
- ◆ promotes retention of hot skills during tight labor market
- ◆ provides motivation to work on special projects where assignment is higher scope and responsibility

## *Potential Drawbacks:*

- ◆ tough to define “regular job” duties versus “special”
- ◆ addition to base salary can be expensive and permanent if management reluctant to ‘take away’ salary

# Broad-banding

## ***What:***

- ◆ Combines job classifications and ranges into wider pay bands
- ◆ may feature broader job descriptions, flexible policies, management empowered to move employees through ranges
- ◆ can be combined with skills- and knowledge-based pay

## ***Pros:***

- ◆ encourages lateral transfers versus promotions
- ◆ employees can grow jobs without reclassification or promotion
- ◆ improves recruitment and retention efforts
- ◆ promotes employee development and employability

## ***Potential drawbacks:***

- ◆ employees expect they will earn up to the maximum of the range
- ◆ managers must be trained in administration

# Pay for Performance

## *What:*

- ◆ link salary actions directly to performance during rating period
- ◆ typically - larger (%) increase for employees in lower quartile of ranges; % decreases as salaries move past midpoint

## *Pros:*

- ◆ sends message that performance is important - motivates
- ◆ allows top performers to earn more

## *Potential Drawbacks:*

- ◆ managers not experienced in managing performance, coaching and providing feedback
- ◆ limited budgets do not allow sufficient differentiation
- ◆ inflated ratings
- ◆ changing from sense of entitlement
- ◆ tied to base pay forever



# Incentives

## ***What:***

- ◆ lump-sum payment (or bonus) recognizing goal achievement or outstanding contributions
- ◆ can include employees at all or select organization levels
- ◆ proportionate with employee's level of responsibility or contribution

## ***Pros:***

- ◆ focuses employees on organization goals and objectives
- ◆ rewards actual contribution against predefined objectives
- ◆ encourages teamwork, increased morale, productivity, and retention

## ***Potential drawback:***

- ◆ may create inequities in total compensation

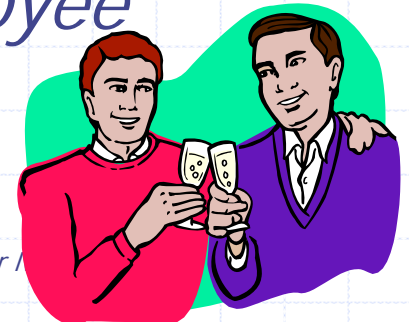
# Incentives

## Types of Incentives

- ✓ Project (Team) incentive to reward team for completion of long-term initiative
- ✓ Individual incentive to reward employee for meeting pre-determined outcomes
- ✓ Spot (Lightening) incentives to reward for on-the-spot special achievement or performance
- ✓ Referral or sign-on bonuses to help recruitment

# Non-Cash Incentives/ Recognition

- ✓ can cost employer nothing (e.g., “Thank You for doing a great job!”)
- ✓ can be given “on the spot” as immediate reward
- ✓ research indicates a 3:1 payback on your investment
- ✓ incentives should fit the contribution and be based on what *the individual employee* values

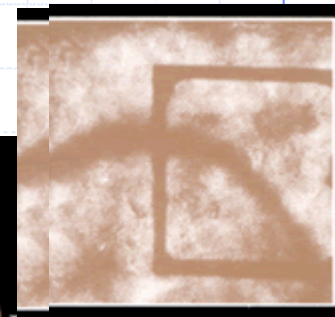


# THANK YOU!

Paula M. Singer, Ph.D.  
The Singer Group, Inc.  
12915 Dover Road  
Reisterstown, MD 21136  
410-561-7561

[pmsinger@singergrp.com](mailto:pmsinger@singergrp.com)

[www.singergrp.com](http://www.singergrp.com)



# The Singer Group: Capabilities

- ◆ **Managing Compensation:** Pay Structure Design & Implementation; Classification Programs; Traditional & Streamlined Job Evaluation; Internal & External Equity; Market Pricing & Custom Surveys
- ◆ **Managing Change:** Creating an Environment Conducive to Change; Organizational Effectiveness; Executive coaching; Management Retreats

# The Singer Group: Capabilities

## ◆ **Managing the Organization:**

Organization Assessment; Organization Design and Development; Strategic Planning; Program Evaluation; HR Department Audits; Consulting Skills for the HR Department; Climate/Attitude Studies

## ◆ **Managing People:** Performance

Assessment Programs; Coaching, Training & Developing Managers and Supervisor; Hiring & Selection Guidance; Recruitment & Retention Strategies; Job Analysis & Job Design; Developing Teams