



WELCOME!

DETERMINING THE “RIGHT” PAY FOR EACH EMPLOYEE – A METHODOICAL APPROACH
NOVEMBER 21, 2017
3 P.M. EASTERN

STAR² CENTER

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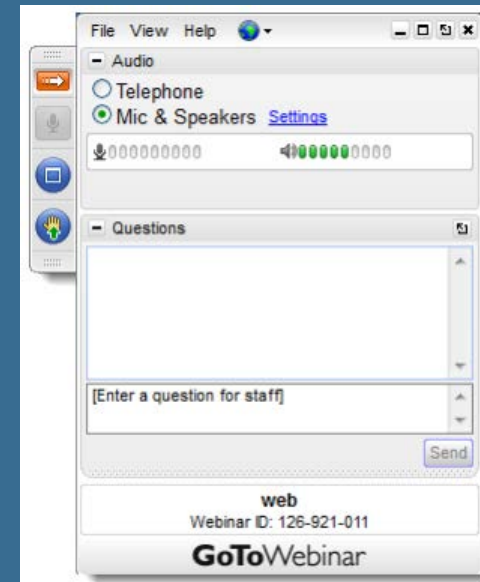
WEBINAR HOUSEKEEPING

We are
Recording

Ask
Questions

Have Fun

- Questions?
 - Raise your hand
 - Use the chat & questions boxes
 - Email mblake@clinicians.org



Association of Clinicians for the Underserved Determining the “Right” Pay for Each Employee – a Methodical Approach

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***“Victorious warriors win first,
and then go to war, while
defeated warriors go to war
first and then seek to win.”***

-- Sun Tzu

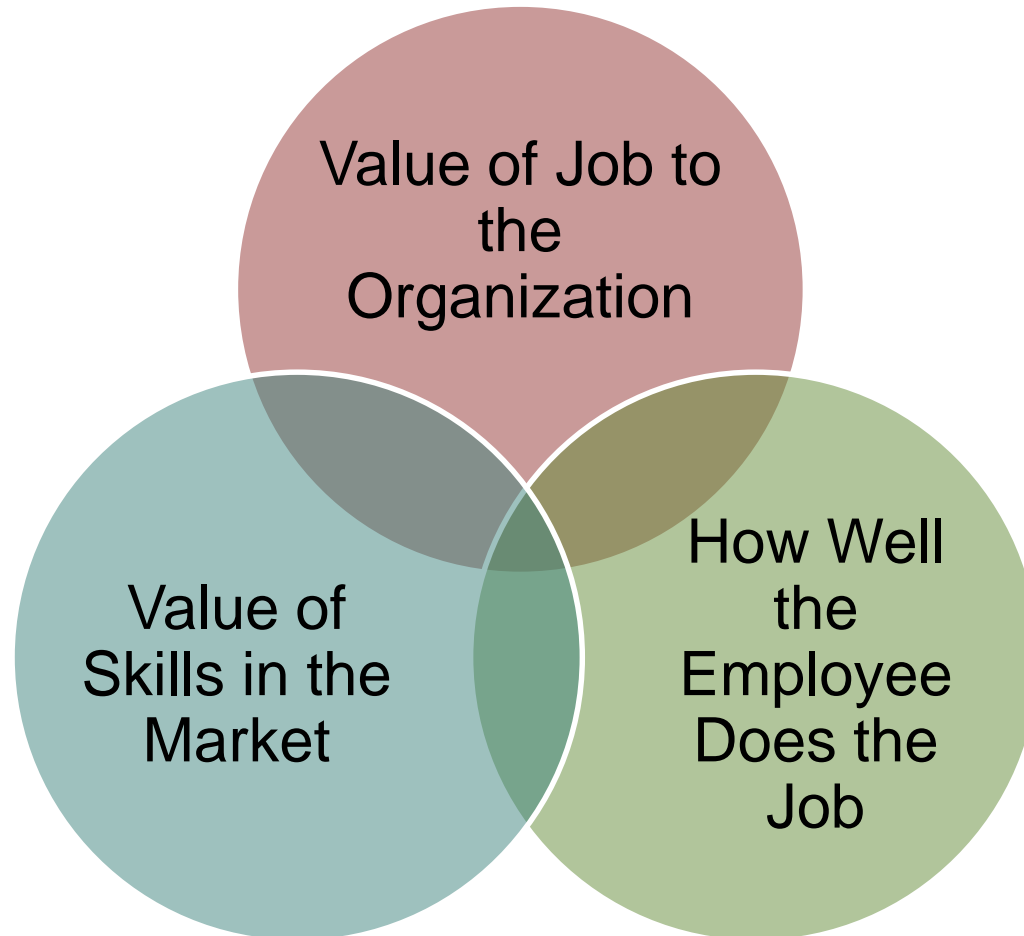
Challenges

- Paying the “right way” requires a different way of approaching the “value” of an employee
- Current pay approaches often hinder, rather than help, paying the “right way”
- Have to change the philosophy to one that is more “business-like”
 - Every person has a “price tag”
 - You get what you pay for

Major Areas to Assess

- Do You Have the Right Structure?
- Do You Use it the Right Way?
- Do You Understand the Implications?

Three Components of an Individual “Price Tag”



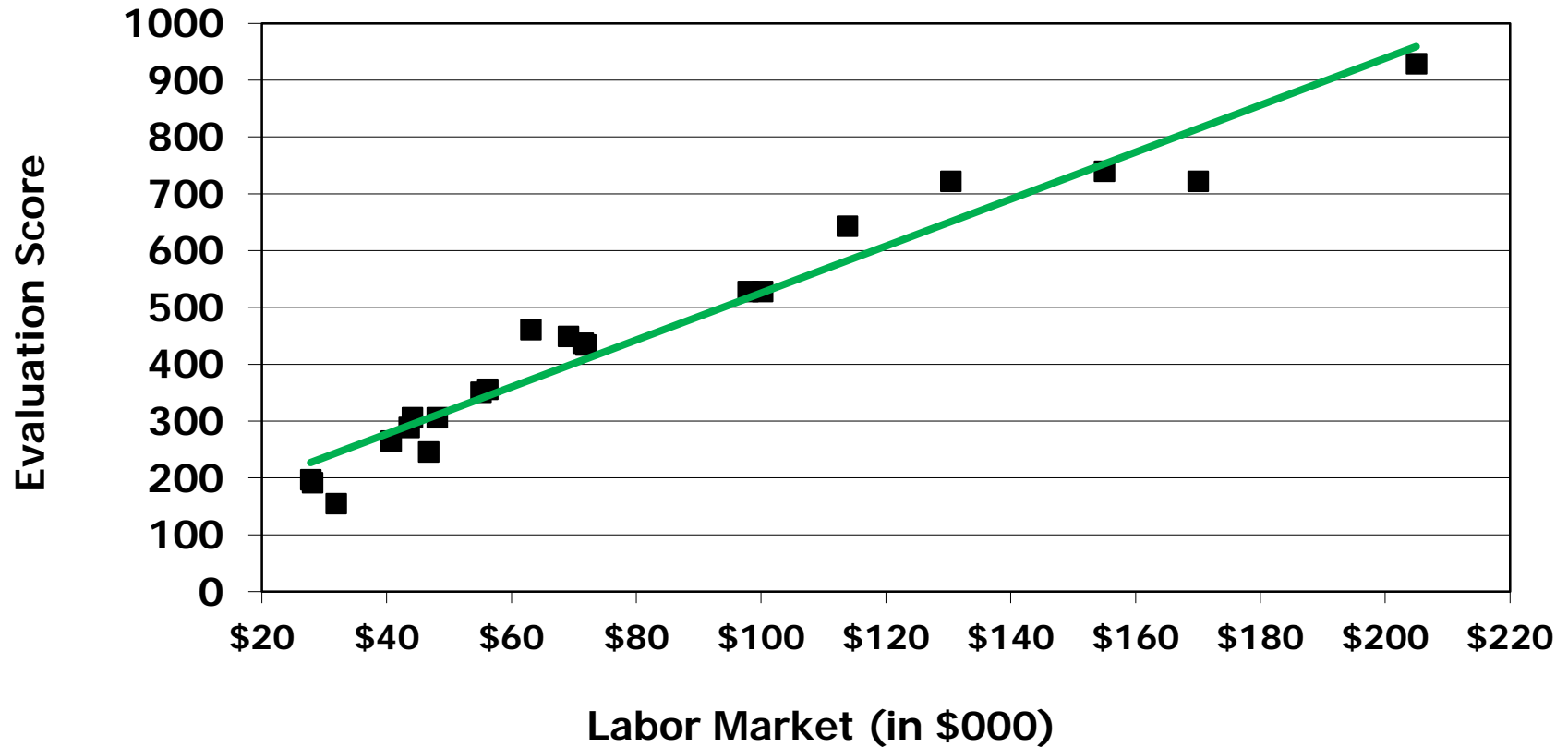
Internal Value

- What it Addresses
 - Jobs that are different than other organizations
 - Jobs that aren't in surveys
 - Combined functions or roles
- How it is Accomplished?
 - A formal job evaluation plan
 - Measure jobs on objective criteria
 - Jobs with similar value have same opportunity

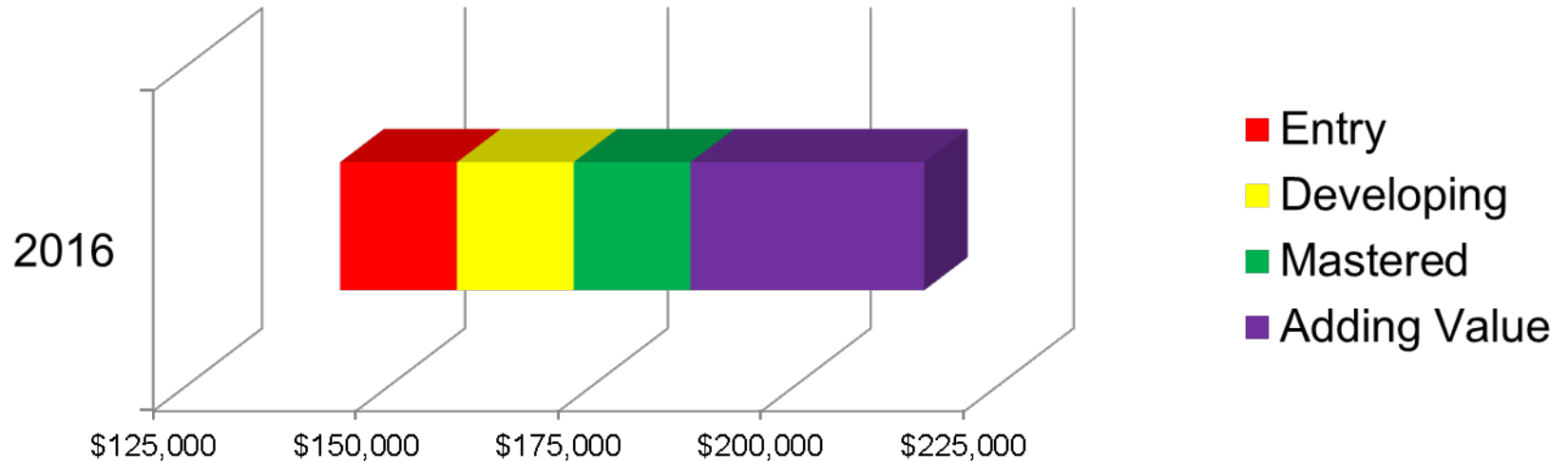
External Value

- Use the “right” data
 - Use multiple and varied reputable published surveys.
 - Carefully consider data for each job in light of:
 - geographic area
 - industry
 - organization size and resources.
- Understand how the market changes
 - Labor market “movement” is not always intuitive
 - Blind dependence on data leads to mistakes

Internal & External Values Should Be Combined

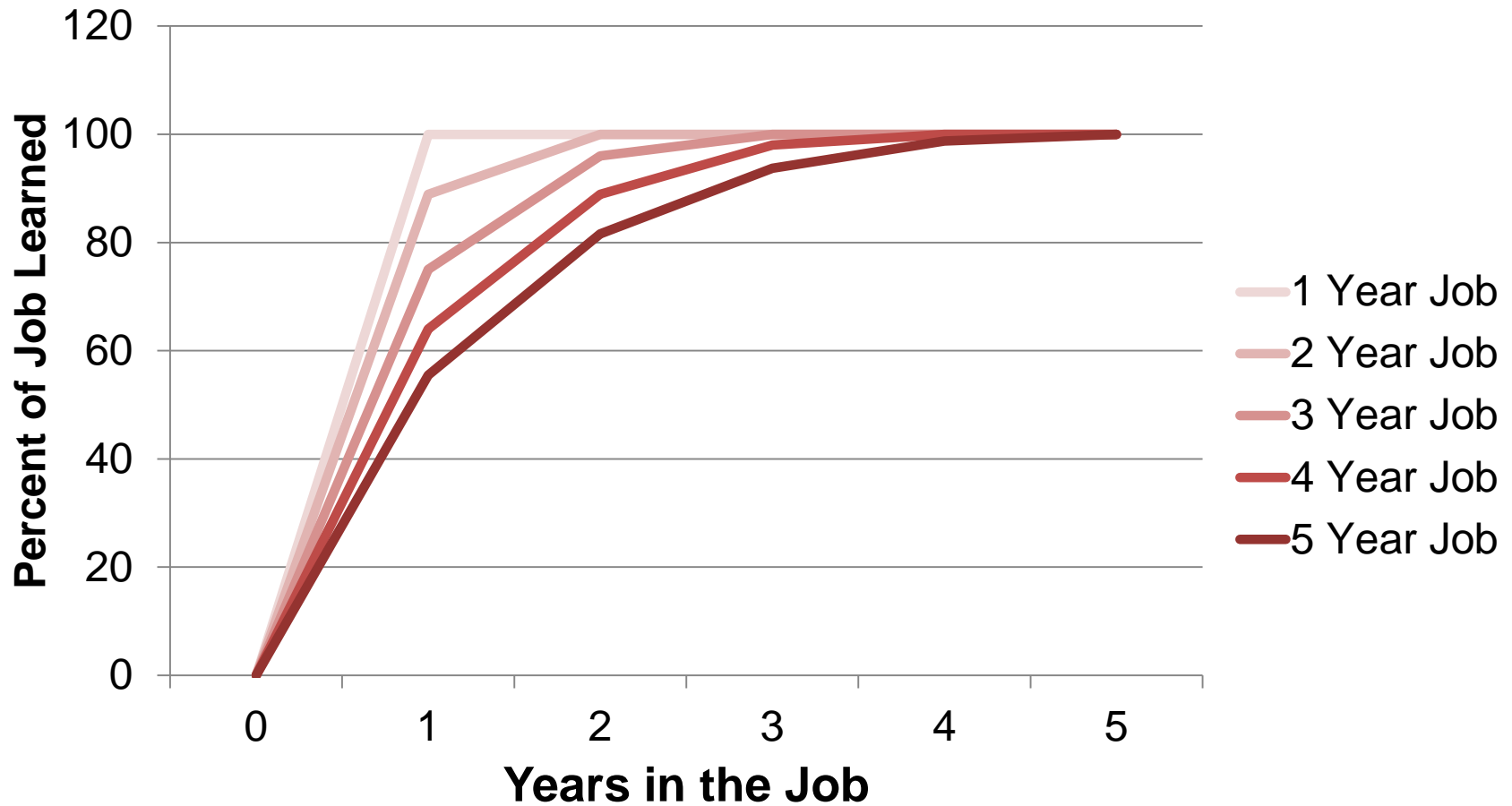


Ranges – And What to Do With Them

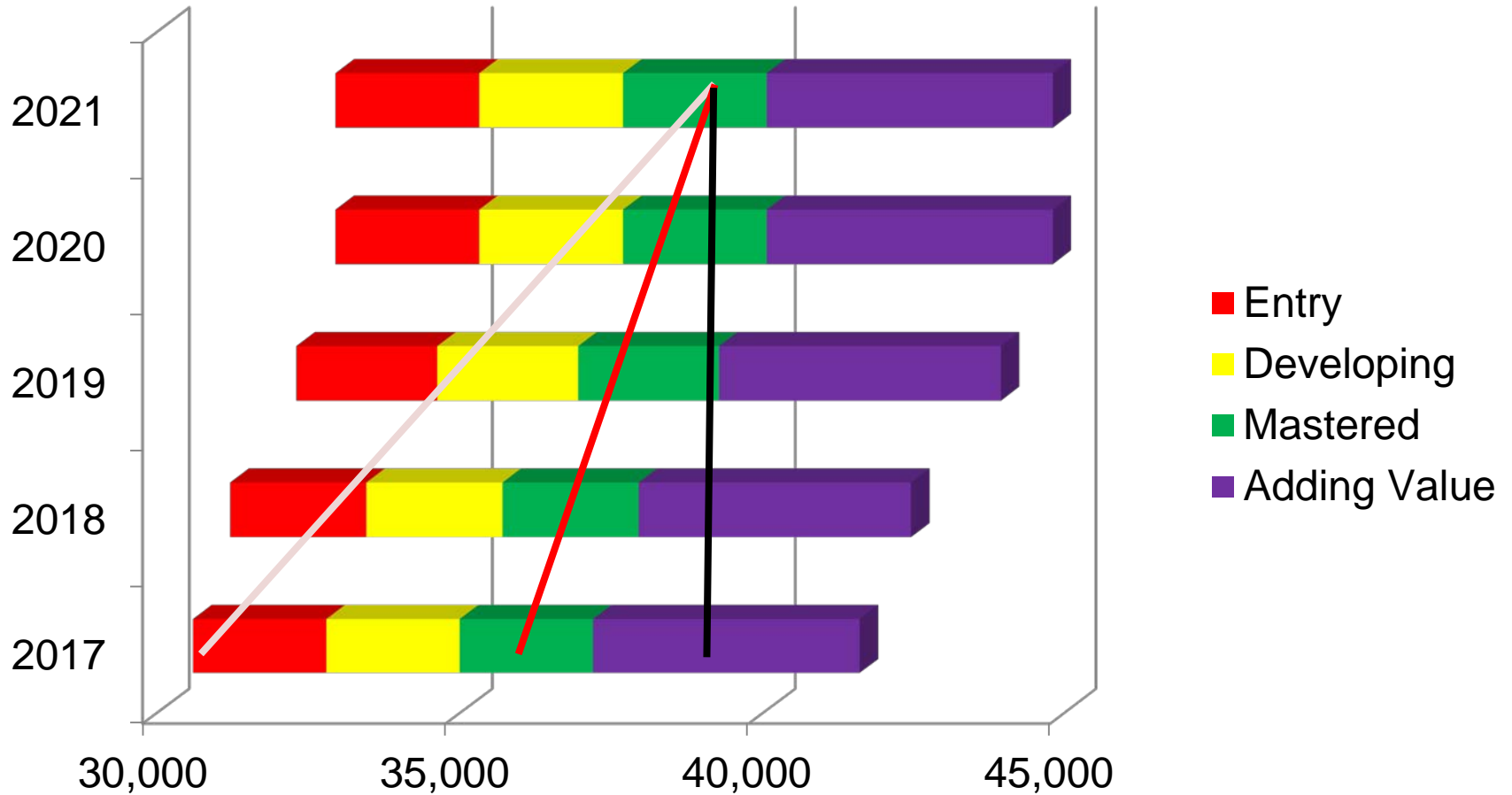


Criteria	Entry	Developing	Mastery	Adding Value
Qualifications	< 75%	75% - 95%	95% - 105%	> 105%
Actual Performance	< 50%	50% - 100%	100% - 110%	> 110%
Intangibles	< 70%	70% - 90%	90% - 110%	> 110%

How People Grow



What We Have to Do



What NOT to Do

- General Increases (e.g., COL, AtB)
 - Locks people in at hire rate
 - Never brings pay into line
 - CAN use them as a way to keep pace with market inflation, but...
 - Must be tied to labor inflation, not cost of living
 - Can't allow rates to just keep growing forever
- Steps
 - Unless they reward performance at the right pace
 - Unless they also keep pace with the market

What NOT to Do (cont.)

- Merit Increases
 - Usually general increases and distribution of what's left
 - Rarely contributes to actual pay growth
- This might work:

Performance	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Far Exceeds Expectations	24.0%	12.0%	5.0%	3.0%
Exceeds Expectations	18.0%	10.0%	4.0%	2.0%
Meets Expectations	12.0%	8.0%	3.0%	1.0%
Below Expectations	3.0%	2.0%	1.0%	0.0%
Far Below Expectations	1.0%	1.0%	0.0%	0.0%

How We Let Staff (and Ourselves) Down



Performance Assessment

- Performance Assessment should be “job-specific and continuous” rather than “generic and annual” – use the job description!
 - Use a “living” form with multiple years of results
 - Start from the prior assessment rather than from scratch
 - Fully document all performance variations and look to prior comments for the current year
- Remember – “great” is what you expect!

Measure “Value” vs. “Performance”

- Determine value against the purpose of the job
 - Measure mastery against the job description
 - Measure what we can see (actual behaviors)
 - Measure things that are objective (doesn't require supervisor “opinion”)
- Every part of the job is important – no averaging to avoid weaknesses
 - The job is mastered when the entire job is mastered
 - When only part of a job is done, someone else does it
 - or no one does it

An “Initial Assessment” (at hire?)

Duty	Performance	Start Date
1	Has no experience in this duty; objective will be to start working on this in three months	0%
2	Has performed to a limited extent; needs additional practice.	25%
3	Won't have time to do this this year.	0%
4	Needs practice.	25%
5	Needs training; should go to NACHC meeting next year to learn how to do this.	0%
6	Needs training; will take intensive Executive MBA course to learn.	0%
7	Has no experience in this duty; will need to start working on this in second quarter.	0%
8	Needs practice	25%
Total		0.75/8.0
Percent		9.4%

The Next Year

Duty	Performance	Start Date	Year 1
1	Has been working hard, almost there.	0%	75%
2	Got better, but still work to do.	25%	50%
3	Won't have time to do this this year.	0%	50%
4	Needs one more cycle.	25%	75%
5	Got trained; just needs some practice	0%	75%
6	Did coursework, will attempt to work on this in upcoming year.	0%	50%
7	Started in second quarter need another year at least.	0%	50%
8	Progressing well	25%	75%
Total		0.75/8.0	5.00/8.0
Percent		9.4%	65.0%

Several Years of Data

Duty	Start	Year 1	Year 2	Year 3	Year 4	Year 5
1	0%	75%	100%	100%	100%	100%
2	25%	50%	75%	125%*	125%	125%
3	0%	50%	75%	100%	100%	100%
4	25%	75%	100%	100%	100%	100%
5	0%	75%	100%	100%	100%	100%
6	0%	50%	75%	75%	100%	100%
7	0%	50%	75%	125%*	125%	125%
8	25%	75%	100%	100%	100%	125%
Total	0.75/8.0	5.00/8.0	7.00/8.0	7.75*/8.0	8.50/8.0	8.75/8.0
Percent	9.4%	65.0%	89.0%	98.0%	106.2%	109.4%

Use the Equation

- Forget every other method of setting pay
- Don't let performance dictate an increase, let it dictate a value
- $C_{(x)} = V_{(y)} * P_{(x)}$
 - $C_{(x)}$ = employee's pay at any moment
 - $V_{(y)}$ = value of the job, at "target"
 - $P_{(x)}$ = percentage of job mastered

* Actual calculation: $((\text{target} - \text{minimum}) * P_{(x)}) + \text{minimum}$

Sample Pay Growth – The Right Way

Year	Score	Minimum	Target	Value	Increase
Start	9.4%	32,500	39,000	33,111	--
1	65.0%	33,300	40,000	37,643	13.7%
2	89.0%	34,100	41,000	40,223	6.8%
3	98.0%	35,000	42,000	41,859	4.1%
4	106.2%	35,900	43,000	43,494	3.9%
5	109.4%	36,800	44,100	44,816	3.0%

In Summary

- Every employee's "value" is the function of:
 - The contribution of their job to the organization
 - The cost of their skills in the market
 - Their ability to master job requirements
- To be effective, staff compensation programs must:
 - Determine the potential value of a job
 - Translate performance to a specific "price tag"
 - Change strategy from "distributing scarce resources" to "paying for value"

Questions & Contact Info

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THANK YOU!