

APPROACH TO RESTRUCTURING COMPENSATION SYSTEMS



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Introduction

Public sector organizations that want to restructure their compensation systems must first ask themselves a key question: What do you want your compensation system to do? This is the first step in moving from a compensation system that merely rewards time in place and demands nothing in exchange from employees.

The “live another day, get another dollar” mentality may allow your employees to be among the most active players in the “how much can I spend this year” derby that has gripped our country for the last decade, but it is unlikely to create more value for your organizations or your citizens.

Chances are your answer to this key question contains some or all of these goals:

- Develop and reward **Skills**
- Increase and pay for **Individual Contribution**
- Foster and reward **Innovation**
- Create a culture in which **Service to the Community** is recognized and rewarded
- Enhance and compensate for **Adding Value**

You can accomplish all of these things without bankrupting your municipality or taxing your citizens until they move elsewhere.

Changing the way people work by changing the way they look at their organization and their role within it is a difficult and challenging process. It would be easy, in some ways, if changing an organization or a unit of an organization were like changing a cassette tape or a software program; eject the old, install the new.

Unfortunately (or maybe fortunately), human beings and human organizations are not created according to a spec sheet, and, in most cases, they can't be changed by a standardized approach. That is not to say that there are not common elements and tools employed in nearly every case. However, those elements must be tailored to fit the needs of each organization.

Best Compensation Systems

The sort of compensation system that most directly supports increased performance, engagement and organizational improvement is a system that is connected to intrinsic motivators:

- Sense of personal control
- Expertise
- Connection to something bigger than oneself

A compensation system that demands nothing of its recipients and that disconnects all motivators from its operation is not only not productive, it is likely counter-productive.

Process of Restructuring Compensation Systems

There are many approaches to redesigning or restructuring a compensation system. The approach The Weissman Group used with great success at The City of Vandalia utilized the knowledge, expertise and commitment of the City's staff.

The first step was to establish and train a cross-functional team of staff members. This team researched issues, got input from employees across the organization and used data and information to build the foundation for the system. They approached the process without any pre-conceived notions. They designed a system to meet the goals set for it. They did not tinker with or redesign the existing system.

Goals of Restructuring Compensation Systems

A compensation system, such as that designed by a committee of committed, engaged City of Vandalia managers, can help reestablish the mindset of productivity, service to citizens and a collaborative approach to improvement and problem solving.

The goals this committee set for itself included:

- Reducing the established 26 job classifications to fewer than 10
- Eliminating the automatic step increases and replacing them with pay increases for knowledge, skill and performance
- Reducing the long term cost of personnel through increased productivity and value added

Steps in Restructuring the City of Vandalia Compensation System

The committee spent months meeting the goals set for the compensation restructure through the following steps:

- Review and assessment of the present system
- Competitive wage survey
- Creation of job bands and knowledge and skill requirements
- Review validation of preliminary system by managers and supervisors
- Revision based on input
- Presentation of the system
- Creation of the performance management system

Conclusion

Needless to say, every organization and every compensation system is unique. Thus, moving from where an organization is to where it needs to be requires a unique analysis, process and path to create the right system.