

Determining the Market Competitiveness of a Skill-Based Pay System

BACKGROUND:

Pursuant to a clause in the collective bargaining agreement of a large paper goods plant, management and union leadership asked for help in assessing the external competitiveness of their skill-based pay system. The system was implemented a decade ago and the wage rates were based on internal historical levels. There had never been an assessment of the market competitiveness of pay levels at the plant.

ISSUES:

The key issue to be resolved was that published surveys are typically based on traditional job structure rather than a pay-for-skills structure, and market data must be converted to make a comparison.

SOLUTION:

HR+Survey Solutions used a methodology for determining external competitiveness for a skill-based pay system that was acceptable to both the union and management. We based our analysis on published surveys as well as a custom survey of other plants with mature skill-based pay systems. We used a rigorous analytical process to determine the competitiveness of current pay levels which included the following steps:

Step One: HR+Survey Solutions mapped the skill sets to jobs from published surveys. This included developing a comprehensive understanding of the functional areas in the plant (logistics, maintenance, converting and manufacturing) and identifying jobs from published surveys that reflected the tasks and responsibilities required in each area.

Step Two: We mapped the plant's skill levels to the levels in each published survey (for example, entry level, career levels, and supervisor). Since the skill-based pay plan had six levels, and the surveys typically had fewer, we interpolated to develop six corresponding market levels. The result of Steps 1 and 2 was the collection of compensation data for over 130 jobs from published surveys, categorized by functional area and level.

Step Three: To ensure external competitiveness we applied a geographic differential to the national market data.

Step Four: We developed a market consensus value for each of the six levels in each of the four functional areas (for a total of 24 market values). The resulting market values were then compared to the plant's pay levels. We found that the plant generally paid a premium, especially at the more senior levels.

RESULTS:

The results were viewed as credible and accepted by both the plant management and the union leadership as reflecting the market positioning of the existing pay for skills plan. The results have been used since in negotiating changes in pay rates at the plant. Key success factors were (1) involving both management and the union in the entire process and (2) creating an analytically rigorous and sound process that everyone could accept.

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