

TECHNICAL ASSISTANCE – BASE-BUILDING IN-RANGE SALARY MOVEMENTS

Prepared by the Division of Human Resources in the Department of Personnel and Administration. Revised August 19, 2008.

GENERAL

With the implementation of performance pay and the abolishment of anniversary increases, the only means of regularly moving an employee's pay through the pay range is the performance component of achievement pay. During lean budget years, the money allocated for performance has been less than the salary structure adjustments (ranges); hence, employees' pay is not moving through the pay ranges at the same pace under the former longevity system. Additionally, during fluctuating budget seasons, money was not always available at the time of initial hires or promotions to pay employees at competitive or desired rates. Discretionary pay differentials were introduced in 1998, which gave appointing authorities the capability of providing several types of temporary pay for such things as signing bonuses, referral awards, temporary pay, and matching pay to counter a job offer. All of these pay mechanisms were non-base building, except matching pay, which could have been base or non-base building.

Appointing authorities requested the capability of moving employee's base pay through the pay range for reasons not addressed by any existing pay mechanism. Rules were adopted to permit in-range salary movements in the same class and position under specific conditions. These movements are base-building and incorporate the base-building matching pay component formerly under Discretionary Pay Differentials for range compression and counteroffers. Therefore, all **discretionary base-building** pay increases, except for upward and transfer movements, are addressed in this document. All **discretionary non-base building** pay increases are addressed in the *Non-Base Building Discretionary Pay Differentials* technical assistance.

In-range salary movements are **not** to be used in place of, or to supplement, any of the following:

- Annual compensation adjustments, including achievement pay;
- Non-base discretionary pay differentials;
- Demotion and lateral class or position movements;
- Other incentive or reward adjustments;
- Overtime or other pay premiums.

It is imperative that department heads¹ and appointing authorities fully understand the long-term impact of these permanent adjustments to base salaries, especially budgetary. This is the reason for incorporating certain limits and approval requirements for in-range salary movements. Each in-range movement must be used judiciously and in a manner that best serves the critical business needs of the organization. **In-range salary movements are discretionary on the part of the department.**

¹ Note: The terms "department head" and "department" have the same meaning found in rule, i.e., executive director of a department or president of a higher education institution.

GENERAL REQUIREMENTS

- Base-building payments under these in-range salary movements cannot exceed the maximum of a pay range.
- Departments must have a written plan containing the criteria for use of in-range salary movements based on sound business considerations and needs. These considerations may include existing budget (staffing, labor costs, etc.), internal grade compression (pay position of other employees in the class), use of in-grade hires for the job, market conditions (level of scarcity and documented recruitment problems), turnover rates for the job in relation to other jobs and possible causes, and expectations by the manager. The plan must be communicated to all employees on an ongoing basis. Even if the department decides not to use any of the in-range movements, it is recommended that decision be communicated to employees.
- Managers who control budgets and staffing *must* be held accountable for their decisions concerning all aspects of the use of these discretionary pay mechanisms. The discretion to allow these types of salary increases does not override fiscal responsibilities or sound employee management.
- It is expected that any salary increase will be funded within *existing* budgets. These movements shall not be retroactive and only one type of movement to the same employee per 12-month period is permitted.
- At the time a movement is planned, an individual agreement must be created. It should include the type of movement, the reason for use, the amount, any requirements for forfeiture of unearned amounts, and other terms and conditions deemed appropriate. Departments are encouraged to have all agreement forms reviewed by legal counsel.
- Once granted, a subsequent reduction in base salary is subject to appeal.
- No aspect of granting these movements is subject to appeal or grievance, except alleged discrimination. An alleged violation of a department's plan can be disputed and the department's decision is final with no further recourse.
- Departments must be prepared to report on any aspect of these movements whenever requested by the state personnel director or delegated representative. Therefore, attention should be given to the type of records needed and who will maintain them. Depending on a department's justification and approval process, including attendant documents, records often end up in the official personnel file residing in the human resources office.

KEY CONSIDERATIONS

- What amount will be allowed? Aside from the pay range maximum and the limits in rule, decide what other limits apply and how these limits integrate with the department's other policies on pay increases such as promotions, hires, transfers, incentives, and pay premiums.
- Who is eligible and how often? A department must consider eligibility requirements such as the type of occupation or position and any minimum service requirements (e.g., six months or one year of state personnel system service). The employer must realize some return on the investment (ROI) and the limits should prevent continual "job hunting" for the sake of obtaining counteroffers. Although the same employee is limited to one type of movement per 12-month period, departments may wish to set further limits on the number or frequency of these types of salary adjustments in order to actively manage pay administration.
- Where will the money come from? Of course, availability of funds and affordability must be considered. Base-building movements will also impact the costs of retirement contributions, tax withholding, pay premiums, and overtime rates for non-exempt positions.
- Some employers develop specific forms used in a routing process to record approvals and funding certification. Each department needs to keep adequate documentation to support reasons for granting such pay increases and must furnish such records upon the state personnel director's request. Also, be mindful of using the proper codes when entering transactions into employee and payroll systems.
- Who has authority to request and approve the movement? Typically, the supervisor requests the movement, including the appropriate justification and any required forms. Consideration needs to be given to who has approval authority. Some ideas include division directors, executive directors, vice chancellors or presidents, college deans, deputy directors, and advisory or approval committees. As seen by these examples, approval authority is generally not delegated below division level managers. The decision will depend on the review process the department designs and whether multiple approval levels are desired.

Every attempt is made to keep this information updated. For additional information, refer to the *State Personnel Board Rules and Director's Administrative Procedures* (rules) or contact your department human resources office. Subsequent revisions to rule or law could cause conflicts in this information. In such a situation, the law and rule are the official source upon which to base a ruling or interpretation. This document is a guide, not a contract or legal advice.

FEATURES OF BASE-BUILDING IN-RANGE SALARY MOVEMENTS

	RANGE COMPRESSION	COUNTEROFFER	DELAYED PROMOTION	NEW HIRE
Eligibility	Current Employee	Current Employee	Current employee	New employee to state personnel system.
Purpose	Keep employees in current positions by a compression adjustment – salary leveling of longer-term or more experienced employees lower in the range for the class due to in-grade hire of newer or less experienced employees.	Keep employees in current positions by a counteroffer to a bona fide job offer.	One-time increase to base pay when funds are available or the employee’s production expectations are proven.	One-time increase to base pay when funds are available or the employee’s production expectations are proven.
Requirements	Compression must have taken place over a period of time resulting in documented ongoing retention difficulties; must be a need to adjust one or more employees’ base salaries in the same class to recognize contributions equal to or greater than the newly hired or less experienced employee; satisfactory performance on most recent final performance evaluation.	Only for retention of critical, strategic set of competencies; written confirmation of the other entity’s salary offer; satisfactory performance on most recent final performance evaluation.	Within 12 months of the date of promotion; must be documented at the time of the promotion; satisfactory performance on most recent final performance evaluation.	Within 12 months of the date of hire; must be documented at the time of hire; early satisfactory completion of specified training objectives must be documented.
Pay Type	Permanent.			
Frequency	One in-range movement per 12-month period.			
Limits	Amount: Up to 10% or the maximum permitted by the department’s <i>hiring</i> policy, whichever is greater.	Amount: Up to 10% or the maximum permitted by the department’s <i>promotional</i> policy, whichever is greater.		
Payment	Base is regular payroll.		*Paid through regular payroll within 12 months of action.	
Retirement	Included as salary.			

FLSA	Included for overtime calculation.
Budget	Within existing dollars.
Plan	Department must have a written plan and communicate it within the department.
Agreement	Must have an individual written agreement with amount, terms and conditions.
Dispute	No grievance or appeal on granting a pay movement. Dispute of department's plan is allowed, but internal decision is final and no further recourse is allowed.

*** A transfer, promotion, or demotion of the employee will negate the delayed increase.**

SAMPLE -- department plan statement – not reviewed by legal counsel.

Date:

TO: All staff

FROM: [name]
Executive Director

SUBJECT: Use of In-Range Salary Movements

The state personnel director's rules allow in-range salary movements. I have decided that none of the in-range salary movements will be used in our department. We gave the matter careful consideration and reached our decision based on [give appropriate rationale for the business decision, e.g., lack of funds].

If you have any questions, please contact [name, phone, email].

SAMPLE -- department plan statement – not reviewed by legal counsel. Modify for purposes of a policy on counteroffers, delayed promotions, and new hires.

Department XYZ

Policy on In-Range Movements for Salary Compression

As of [date], we will allow the use of In-Range Salary Movements for compression salary increases subject to the following conditions.

Purpose: To ease compression in the [insert applicable class title] for those employees hired prior to [insert date], when an in-grade hire rate of \$ [insert rate] was implemented for all new employees. The adjustment will be available as long as documented turnover in the department remains at [insert turnover value]% or higher for this class, as verified by the Office of Human Resources.

Eligibility: The current employee must have been hired into the [insert class title] prior to [insert date], and current base salary must be lower than \$[insert rate] per month, prorated for part-time. The employee must be performing satisfactorily as evidenced by the latest final evaluation. It will be available only for those [insert applicable information] positions working on the [inset rationale]. No eligible employee is guaranteed a compression adjustment.

Amount: Base pay may be increased by any amount up to [insert value]% and not to exceed the [insert class] range maximum of \$[insert class range maximum] per month.

Authority: The supervisor may submit a written request for a compression adjustment to the appointing authority. The request must include the recommended amount and appropriate supporting justification. The appointing authority will determine whether to grant the movement and the exact amount in each case. Approval is subject to the Budget Office's certification that funds are available and the HR Office's verification of turnover.

Payment: The adjustment is base building and paid through regular payroll. A compression adjustment is included in salary calculations for retirement contributions, tax withholding, pay premiums, and overtime purposes.

Other Terms and Conditions: If the appointing authority decides to use this adjustment, a *Compression Adjustment Individual Agreement* must be completed with the employee and submitted to Office of Human Resources by the payroll cutoff date prior to the effective date. The granting of compression pay is not subject to grievance or appeal, except for alleged discrimination or failure to follow our department's plan. In the case of a dispute involving the department's plan, the executive director's decision is final. Additional information on grievance and appeal rights will be specified in each individual agreement. The individual agreement may contain other terms and conditions.

SAMPLE -- individual agreement – not reviewed by legal counsel. May be modified for use with counteroffer adjustments.

**Salary Compression Adjustment
Individual Agreement**

Department [insert department name] agrees to increase the base pay of [insert employee name] in position number [insert position number], an [insert class title], from \$[insert current salary amount] to \$[insert new salary amount] per month. The adjustment will take effect on [insert date], assuming the approval process is completed by [insert date], and will be paid through regular payroll.

The adjustment is made to the employee’s base pay, subject to pay range maximum, and regular personnel rules apply. The employee understands that a compression adjustment is included in salary calculations for retirement, tax withholding, overtime if non-exempt, and any pay premium purposes.

The employee also understands that no aspect of the granting of this adjustment is subject to grievance or appeal, unless discrimination is alleged. An alleged violation of the department’s plan may be disputed and the executive director’s decision is final with no further recourse. If base pay is reduced in the future, any appeal rights will be communicated in accordance with personnel rules that apply to the action that is reducing base pay.

The above terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions. This agreement is void if the employee separates, transfers, demotes, promotes, or is placed on corrective or disciplinary action prior to the salary effective date.

Employee Signature

Appointing Authority Signature

Printed Name

Printed Name

Title

Date

Date

SAMPLE -- individual agreement – not reviewed by legal counsel. May be modified for use with new hire adjustments.

**Delayed Promotion Salary Increase
Individual Agreement**

Department [insert department name] agrees to increase the base pay of [insert employee name] in position number [insert position number], an [insert class title], from \$[insert hire salary amount] to \$[insert new salary amount] per month. The employee was promoted on [insert date of promotion]. The adjustment will take effect on [insert date], assuming the approval process is completed by [insert date], and that funds are available at that time. It will be paid through regular payroll, providing the following expectations are met.

- The supervisor documents that the employee’s performance is satisfactory (Level 2) or higher.
- The employee successfully completes the probationary or trial service period.
- The supervisor affirms the employee successfully completed the training syllabus or on-the-job training on time or ahead of schedule and the application of critical skills are proven.

The adjustment is made to the employee’s base pay, subject to pay range maximum, and regular personnel rules apply. The employee understands that the adjustment is included in salary calculations for retirement, overtime if non-exempt, tax withholding, and any pay premiums.

The employee also understands that no aspect of granting this adjustment is subject to grievance or appeal, unless discrimination is alleged. An alleged violation of the department’s plan may be disputed and the executive director’s decision is final with no further recourse. If base pay is reduced in the future, any appeal rights will be communicated in accordance with personnel rules that apply to the action that is reducing base pay.

The above terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions. This agreement is void if the employee separates, transfers, demotes, promotes, or is placed on corrective or disciplinary action prior to the salary effective date.

Employee Signature

Appointing Authority Signature

Printed Name

Printed Name

Title

Date

Date

**TECHNICAL ASSISTANCE
DHR APPROVAL FOR PUBLICATION**

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Movements

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