



Compensation Plan Design

Aledo Independent School District

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April 15, 2013

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Aledo ISD (AISD) engaged the HR Services Division of the Texas Association of School Boards (TASB) to conduct an employee compensation study. The HR Services Division has been providing compensation consulting and support service to Texas schools for over 30 years. This report presents a summary of the findings and recommendations from this project. The report includes a description of the study process, an explanation of the definitions and general purpose and methodology of pay systems, and a summary of findings and recommendations resulting from this study with supporting data.

Purpose

This study was conducted to objectively examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. The primary goals for the project included the following:

- provide an objective assessment of pay based on job value;
- develop an affordable salary plan to correct existing pay inequities; and
- develop pay system controls for the future.

The employee groups included in this pay study are:

- Teachers, Librarians, and Nurses
- Administrative/Professional
- Clerical/Paraprofessional
- Auxiliary

Project Activities

In consultation with the district, a work plan was developed to complete the study. HR Services consultants completed the following work tasks through the course of the review:

- **Initial planning and data collection**
Consultants conferred with district administrators to ensure a clear understanding of the concerns, problems, and objectives for the study. Pay data was collected on personnel employed at the start of the project.
- **Assess competitive pay levels for common jobs**
The competitive job market group was approved by the district. Market data on competitive pay practices was compiled and compared to district pay practices. Consultants analyzed the data to determine where the district is at risk and identified priorities for pay system improvements.
- **Evaluate job assignments and recommend pay classifications**
Consultants assessed job requirements against common indicators of skill, effort, and responsibility. Recommendations were then made for grouping jobs of similar value into pay grade levels. Consultants also reviewed the exemption status of jobs for compliance with the Fair Labor Standards Act (FLSA).
- **Build pay range structures**
Benchmark jobs were identified in each employee group and used as the basis for market pricing and setting pay ranges. A pay range hierarchy was designed for each employee pay group to provide competitive pay ranges and internal pay system controls.

A market-based, competitive salary schedule was built for teachers, nurses (RN), and librarians. The teacher hiring schedule illustrates schedule placement based on total years of service.
- **Design implementation plan**
Pay data of current employees was applied to the new models to assess the cost and impact of implementing the proposed pay structures. The implementation plan was designed to achieve the following:
 - provide a general pay increase to employees who are already within the recommended pay range;
 - bring all employees up to the recommended minimum pay rates for their position; and
 - hold harmless employee pay that is already above the recommended maximum rates until future adjustments to the pay structure recapture their salary.
- **Conduct draft review meetings and prepare final report**
Consultants met with administrators to review the initial draft of findings and recommendations before preparing the final report. TASB consultants also reviewed administrative procedures for placement and promotion in the pay system and made recommendations where needed.

Data Sources

Data sources for this project were obtained from:

- District payroll
- Peer districts
- Other salary surveys

Market Comparisons

The following districts were used as the comparison districts to assess the competitive job market. Comparison districts were selected on the basis of enrollment and location. School district data was obtained from the most recent surveys conducted by TASB HR Services and reflect salaries and wages paid during the 2012–13 school year.

EXHIBIT 1 – COMPARISON DISTRICTS

DISTRICT	ENROLLMENT
Azle ISD	5,974
Burleson ISD	10,578
Carroll ISD	7,710
Castleberry ISD	3,813
Crowley ISD	15,059
Eagle Mountain-Saginaw ISD	17,511
Fort Worth ISD	83,772
Granbury ISD	6,511
Joshua ISD	5,342
Kennedale ISD	3,145
Northwest ISD	17,789
Springtown ISD	3,459
Weatherford ISD	7,643
White Settlement ISD	6,529

Other survey sources used:

- Economic Research Institute, 2012
- Kenexa, CompAnalyst
- Mercer 2012 Benchmark Survey
- Texas Workforce Commission. <http://www.texaswages.com>.

Pay plan information was also collected from the following public sector employers:

- City of Dallas
- City of Fort Worth
- Dallas County
- Dallas County Community College
- University of Texas at Arlington
- University of Texas at Dallas

- Collin County Community College
- Tarrant County Community College
- Tarrant County

Purpose and Objectives of Pay Systems

All organizations have common management needs and employee expectations that must be translated into pay practices. An effective pay system should address both the needs of the organization and the expectations of its employees.

Management needs to:

- recruit and hire qualified employees,
- prevent the loss of good employees, and
- control spending by paying the proper amount for job value.

Employees expect to receive:

- fair pay for their job responsibilities,
- fair pay compared to what other employers pay for the same work, and
- annual pay increases for continued service.

Basic Pay System Elements

Job Families: A job family includes jobs that share common characteristics and are grouped into a common pay structure. These characteristics include the type of work performed, the competitive job market, potential career paths for employees, and state and federal laws regulating wages and salaries. Separate pay range structures are typically built for each job family.

Pay Grades: Compensable job factors such as skill, effort, and responsibility serve as the basis for assigning jobs to different pay levels to achieve internal pay equity among employees. The greater the degree of skill, effort, and responsibility required by a job, the higher the level of pay. The process of evaluating compensable factors and assigning jobs to different levels of pay is called job evaluation and classification. A job title alone is not adequate to determine proper pay classification for a position; nor is the reliance on the personal characteristics or qualifications of incumbent employees in the position. The actual content of the job itself must be analyzed to assign jobs to proper pay levels for internal equity. Jobs that have similar value and are grouped into the same range of pay are assigned or classified to pay grades.

Job Pricing: While objective job evaluation and classification contributes to internal pay equity, job pricing contributes to external pay equity. Job pricing uses data collected from salary and wage surveys of other employers to determine the external market value of benchmark jobs. This data is used to set

pay ranges that are competitive with the external job market. Because jobs have been analyzed and classified into groups of similar value, job pricing does not require a survey match for each unique job.

Job Market: Job markets may be different for different employee groups. By definition, a job market represents the employers that a district typically competes with to attract and retain employees. Professional employees may be recruited from a larger geographic area than paraprofessional or auxiliary employees. School districts may be the only competitors for instructional positions while other types of businesses may be competitors for business or technology jobs. For this reason, different job markets and survey sources may be used to accurately assess the district's true competitive job market.

Pay Structure: The pay structure itself is the key management tool that provides control over the district's competitive position in the marketplace and internal pay equity among all employees. Designing the pay structure involves setting the proper control points (midpoint, minimum, and maximum rates of pay) for each pay grade and ensuring that appropriate pay differentials between pay grade levels are established.

Issues that must be weighed and balanced in the design of pay structures include:

- positioning the district competitively,
- impact on current pay practices,
- adequate pay differentials for higher levels of job responsibility,
- internal consistency and rationality, and
- controlled variance within each pay range.

Pay System Implementation and System Administration

Current employees may not be paid within the recommended pay ranges. Decisions must be made during this transition period of how to deal with employees who are paid outside the pay range for their position. If employees are paid below the minimum rate of their pay range, additional adjustments should be provided to increase their pay to at least the minimum rate of pay. If employees are paid above the maximum of the pay range, they are left outside the range. No employee's pay should be reduced in this event.

Employees advance in pay through pay adjustments tied to budget planning that are determined on an annual basis. These management decisions are based on current economic conditions, including projected district revenues, the cost of living, and market competition.

The midpoint of the range is recommended as the base for calculating employee increases. This ensures a more equitable distribution of the dollars available for pay increases and moves employees up to the range midpoint more quickly. Using the range midpoints instead of current salaries will deliver equal dollars to employees at the same job level and helps the district to control the rate of advancement through the pay range.

Long-Term Salary Administration

For any pay plan to meet its intended goals on a long-term basis, it must be updated regularly and administered properly. Salary administration involves four primary activities requiring administrative decisions:

- adjusting pay ranges for job market changes and general economic inflation,
- budgeting for annual salary increases for employees,
- placing new employees in the system, and
- calculating special increases for promotions or other job changes.