

New Classification & Compensation System for Administrative, Professional and Technical (APT) Personnel of the University of Hawai'i

Executive Summary

The Office of Human Resources (OHR) has initiated the development of a new Classification and Compensation System for the University's Administrative, Professional and Technical (APT) personnel. This system will be more responsive to the operational needs of the University, will facilitate and expedite the classification process of APT positions and will create compensation mechanisms to permit the recognition of employees for growth in their jobs and exceptional work performance.

The current APT Classification and Compensation System is based on the position classification method of job classification which is over 30 years old and is designed for a centrally administered system that requires significant staff support and complex analytical procedures. In the past, the current system worked and met the needs of the University; however, there are increasing demands for operational and programmatic flexibility, delegated decision-making, quicker response time and rewarding employee growth and performance.

This project will address the emerging needs of the University by creating a new system based on the concept of broadbanding. Features of other successful broadband based classification systems used in the Federal Government and other institutions of higher education will be incorporated into the new system. Additionally, to ensure that the new classification and compensation system will be responsive to the needs of users, active participation of a broad spectrum of stakeholders will be made a priority with the establishment of a Technical Advisory Committee (TAC). Membership of the TAC will be systemwide and be comprised of representatives of program managers, administrators, APT personnel and union representatives from the Hawai'i Government Employees Association with the intended purpose of assisting OHR in the development of the new system.

The development and implementation of the new system is being targeted for December 31, 2001. As part of this project, the approximately 1,300 APT positions (except information technology positions which have already been converted to a broadband system of classification) assigned to some 240 different existing APT classes will be converted to the new classification system.

Current Project Status

To date, the following have been developed by the TAC and OHR and are being prepared for discussion in draft form with Senior University Executives for modification/approval. After senior level decision-making, materials will be submitted to the Union for consultation (or negotiations, as appropriate) with training on the new system and the conversion of position descriptions into the on-line system to begin in August/September:

- Project Proposal and Plan - **background information**
- On-line Project Orientation Module - **provides on-line orientation to project and new system**
- Broadband Group Concept Definitions & Illustrative Examples of Work - **defines Professional Career Groups**
- Bulleted Definitions of Generic Broadband Levels with Descriptors - **defines Band levels**
- On-line Position Description Generator System - **successfully tested and operational**
- Generic Position Descriptions (PDs) - **generic PDs for each band** have been created for four (4) different types of positions to facilitate the on-line creation of PDs: Administration; Academic Support and Media Design and Production; Instructional, Student and Health Services; and Facilities Planning and Design
- On-line PD Generator Training Module - **provides on-line user training on system operations**
- Draft Revisions to Applicable Administrative Procedures (APs)

**New Classification &
Compensation System for
Administrative, Professional and
Technical (APT) Personnel
of the University of Hawai‘i**

Project Proposal and Plan

By

**The Office of Human Resources
Summer 2001**

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New Classification & Compensation System for Administrative, Professional and Technical (APT) Personnel of the University of Hawai'i

INTRODUCTION

The Office of Human Resources (OHR) has initiated the development of a new Classification and Compensation System for the University's Administrative, Professional and Technical (APT) personnel. This system will be more responsive to operational needs, facilitate the classification of positions and permit recognition of employee growth and performance. The current APT Classification and Compensation System, based on the position classification method of job classification, is over 30 years old and is designed for centralized governance with significant staffing to ensure timely action. Although in the past, this system has worked and has met the needs of the University, there are increasing operational and programmatic demands for flexibility, delegated decision-making, quick responses and the ability to reward employee growth and performance.

The development of a new classification and compensation system for APT personnel will address the needs of the University and will be based on sound concepts designed to promote compensation in recognition of an employee's performance consonant with merit principles. Other classification systems and job evaluation methodologies used in the Federal Government and in other educational institutions will be the basis for the development of the conceptual framework for the University's new system. To ensure that the new classification and compensation system is responsive to the needs of users, active participation of a broad spectrum of stakeholders will be made a priority with the establishment of a Technical Advisory Committee (TAC). The membership of this TAC will be comprised of system wide representatives that includes program managers, administrators, APT personnel and union representatives. The TAC is being

created to provide input and feedback to OHR as OHR develops the new system (See the attachment for a listing of TAC members).

A target date of December 31, 2001 has been identified for the completion of this project. By this target date, it is planned that the approximately 1,300 APT positions which are currently assigned to 240+ existing APT classes will be converted to the new classification system which will be based on the concept of broadbanding. In addition, related compensation policies and procedures will be developed to better serve the University and its emerging and future human resource needs.

LEGAL AUTHORITY

Chapter 76, Hawai'i Revised Statutes (HRS), Civil Service Law, provides that a position classification system shall be established for all employees of the State of Hawai'i.

Chapter 77, HRS, Compensation Law, establishes a compensation system for all employees of the State of the Hawai'i covered by Chapter 76, HRS. According to Section 76-16(11), HRS, Civil Service and Exemptions, APT personnel are specifically exempted from the Civil Service.

It is the Board of Regents of the University that is charged with the responsibility to adopt a classification system for administrative, professional and technical personnel of the University, as provided by Section 304-13, HRS, Classification Schedule. This statute furthermore provides that the classification system adopted by the Board of Regents for APT personnel shall be similar to the schedules set forth in chapter 77. Accordingly, the University, as set forth by the Board of Regents Bylaws and Policies, Chapter 9-2d, adopted the current classification and compensation system for APT personnel and has the authority to establish and maintain its own classification and compensation system for APT personnel of the University.

The 2000 Session of the State Legislature passed Senate Bill 539, which proposed a Constitutional amendment to Article X, Section 6, of the Hawai'i Constitution. This amendment provided that the University of Hawai'i was to be granted autonomy in all matters related to the University, except for laws of statewide concern. By a majority vote in the 2000 General Election, the proposed Constitutional Amendment granting the University autonomy was adopted.

It is in the context of the statutory provision exempting from the Civil Service all faculty and APT personnel of the University, the Board of Regents' statutory authority under Section 304, HRS, to control the internal operations of the University and the most recently enacted Constitutional Amendment granting the University autonomy that the

development of a new classification and compensation system for APT personnel is being undertaken. Once created, the new classification and compensation system for APT personnel will be submitted for formal adoption.

CURRENT APT CLASSIFICATION AND COMPENSATION SYSTEM

Currently, the University utilizes position classification as the job evaluation method for its APT employees (with the exception of the UH Information Technology (IT) Specialists who are currently subject to a new broadband based classification system that has been implemented as a demonstration project). The position classification system has been utilized in the public service since the 1920s when it was first implemented by the federal government. Key elements of the long-standing system continue to be the governing principles for many public sectors, including the State of Hawai'i and the University of Hawai'i. The current APT classification and compensation plans utilizing position classification was established in July 1976.

Position classification is a job evaluation method that groups positions into classes or grades of positions, and tends to narrowly define the scope and value of work. Duties and responsibilities assigned to a position are analyzed to assess the different kinds (occupation/nature of work) and levels (difficulty/complexity) of work performed, grouping similar positions together under common class titles.

The maintenance and administration of a position classification system is very complex, time consuming and labor intensive. OHR is responsible for establishing, maintaining and updating class specifications and taking action on all classification requests. When a request is submitted to OHR to establish or redescribe a position, OHR reviews the position description to evaluate the position's duties and responsibilities for basic allocation factors. Oftentimes, a position description does not have enough information to perform a thorough evaluation, therefore, phone calls and/or desk audits are conducted to get further information and/or to clarify information in order to determine the nature of the job and/or the level of complexity of the position. Upon completion of the evaluation, a position is then allocated to the appropriate class, reflecting the appropriate kind of work, level of work, and classification concept. OHR is also responsible for assigning and reassigning classes of positions to salary ranges, a

process called “pricing” and “repricing.”

This position classification process may take weeks to complete and involves the efforts and time of many individuals. Although the maintenance and administration of the position classification system by OHR insures that the concepts are applied fairly and consistently on a Universitywide basis, it also limits programs' flexibility in the use of its human resources and its ability to timely respond to organizational changes because of the lengthy review required. Thus, the implementation of the new or changing services and functions of the organization may be delayed.

While position classification is a useful management tool because it groups similar jobs based on duties and responsibilities and minimum qualifications, assists in the recruitment and selection process by defining the requirements of the job, and assists in defining the performance standards and expectations of a job, it is labor intensive and time consuming. Since position classification is based on the duties and responsibilities assigned to a position, employees can only move to a higher-level through movement to a new job or by assignment of higher-level duties warranting reallocation to a higher class. As a consequence, programs have resorted to creating artificial levels within the organization to justify upward reallocations or alternatively, inflating position descriptions such that position classification is rendered a paper exercise and not reflective of the true nature of work assigned and performed.

In today's flatter organization, organizations want and need to have personnel and jobs that are broader in scope and can perform a wide variety of tasks. By broadening the scope of a position, it is reasonable to create compensation mechanisms that reward employees for accepting these broader responsibilities. Additionally, other compensation mechanisms that also recognize and reward an employee's performance appear needed in order to not only recognize exceptional employee work performance but also to attract and retain qualified employees.

Under the current APT Classification Plan, there are over 1,300 APT positions

classified into approximately 240 classes. The Compensation Plan consists of 17 pay ranges to which the 240 classes are assigned. The dollar values of these pay ranges result from the salary schedule negotiated with the Union. Under the current negotiated salary schedule, each pay range currently consists of 36 steps, as negotiated. The intent of this project is to convert the 1,300 APT positions from the current 240 different classes into a new classification system with characteristics that will better serve current University needs.

Based on a series of meetings, the APT TAC identified and echoed the major criticisms of the current APT Position Classification System:

- **Solely Position Based.** Since position classification is based on evaluating a position's duties and responsibilities, it is not designed to recognize and reward employee performance, which is a critical factor to retaining and rewarding competent employees.
- **Centrally Controlled.** The system is centrally controlled by OHR to ensure the integrity of the system and to ensure that the concepts are applied consistently; however, it does not allow programs sufficient flexibility.
- **Complex.** Programs view the system as too complex; therefore, management as well as employees, are not confident in the system. It is a concept-based approach which is not readily understood by supervisors and employees, and where performance is easily confused with scope and complexity of work.
- **Time Consuming.** The system is time consuming because classification actions are based on detailed examinations of duties and responsibilities.

In summary, there are valid criticisms of the current APT classification and compensation system. It is in the context of these criticisms that OHR is taking the

initiative to create a new classification and compensation system.

OBJECTIVES

The APT TAC identified the following objectives for the new classification and compensation system:

- **Simplicity.** The new system should be simple to understand and to administer in order for management to effectively and efficiently attract and retain competent employees. It is anticipated that the new system will reduce narrow distinctions between classes of work and create broader definitions.
- **Flexibility.** The new system should provide flexibility so that the classification and compensation system can attract and retain competent employees. It is anticipated that programs will be delegated authority to classify positions up to the Band B level and to be able to recognize and reward employees for growth in the job and for exceptional performance.
- **Criteria.** Although the new system should be flexible, there should be well-defined criteria to ensure the integrity of the system and to ensure the system is fair and administered consistently throughout the University. Therefore, criteria and safeguards will be built into the new system.
- **Employee Growth in Job and Performance.** Compensation should not be solely contingent on the classification of a position. While the kind and level of duties and responsibilities assigned to a position determines classification, employee growth in the job and performance are additional factors to determine compensation. It is anticipated that in-grade adjustments and performance awards will be incorporated into the new system.

- **Union Concerns.** The new system must be sensitive to and address collective bargaining issues of APT employees. The APT TAC includes a representative from HGEA who has been kept abreast of the progress of this proposed system and had access to all system development materials. However, it is recognized that attendance of the union in project development activities is not to be construed as endorsement of the concepts and resulting proposal. Furthermore, once a new classification and compensation system has been developed for APT personnel, the University is expected to, and is committed to, fulfill its obligations to consult and/or negotiate on appropriate subjects as required by Chapter 89, HRS.

ALTERNATIVE JOB EVALUATION SYSTEMS

In the context of the objectives of a new classification and compensation system identified by the TAC, a variety of alternative classification and job evaluation systems were considered and evaluated.

Whole Job Ranking

This method is one of the simplest to administer. Jobs are compared to each other based on the overall worth of the job to the organization. The 'worth' of a job is usually based on skill, effort (physical and mental), responsibility (supervisory and fiscal), and working conditions.

This method is simple and very effective when there are relatively few jobs to be evaluated. However, as the number and diversity of jobs increase, it becomes difficult to administer and rank judgments become subjective. In addition, since there is no standard used for comparison, new jobs would have to be compared with all existing jobs to determine its appropriate rank. Therefore, the ranking process becomes time consuming as the process would have to be repeated each time a new job is added to the organization.

As previously mentioned, this system becomes difficult to administer as the number of positions increase. We currently have over 1,300 APT personnel and one of the objectives was to develop a simpler system. It does not recognize an individual's growth in the job or performance. For these reasons, this method does not appear appropriate for the University.

Point Factor

Under this method, factors are the bases for determining the value of the job. Each factor is defined and various degrees of the factors are set forth. Points are assigned to each degree and the position is evaluated by selecting the appropriate degree and points for each factor. The worth of the position is determined by totaling the points. Factors can be tailored to the needs of the organization, but are time consuming to develop. Since this method involves points, results should be rather consistent as long as evaluators are properly trained. On the other hand, points assigned to factors could be biased, and it is difficult to explain the rationale of the point assignments, which may not sufficiently address qualitative factors.

This method may be inappropriate for the University as it is not conducive to the college setting and is more applicable to jobs with readily quantifiable elements. Additionally, it does not recognize an individual's growth in the job or performance.

Factor Comparison

Common factors such as skill, responsibilities, effort, etc. are identified, while benchmark jobs are identified and ranked. The salary or hourly rate of each benchmarked job is divided among the factors and those benchmarked jobs that are not consistent with the dollar value assigned with the factors are eliminated. The rest of the positions are then compared to the benchmarked jobs. This method can be applied to a wide range of jobs; however, it is time consuming to develop, benchmarked jobs could be biased and it is complex to administer.

This method must be centrally controlled with limited flexibility or delegation to programs. Additionally, this method does not recognize an individual's growth in the job or performance. Therefore, the factor comparison method does not appear appropriate for the University.

Rank In Person

This method is based on an individual's credentials and experience. The University's faculty classification plan is based on this method, which is typical of academe. It must be noted that this method is not a true job evaluation method as it does not consider the duties and responsibilities assigned to a job, but rather considers the individual's abilities and performance.

The "pure" rank-in-person method may not be appropriate as it only considers the individual's credentials and experience. The new system must also consider the duties and responsibilities of a position in order to ensure equal pay for equal work. Thus, an approach that blends both recognition for duties and responsibilities of a position, as well as an individual's growth in the job and/or performance, may be more appropriate.

Broadbanding

Broadbanding reduces the fine distinctions between classes of work and its associated narrow and limited pay ranges, thus redefining classes into broader groups with broader pay ranges. The narrow distinctions between classes of work are eliminated with a broader range of definitions, thereby ensuring simpler analysis to place a position in the appropriate class of work or job group.

Broadbanding creates: 1) a framework that facilitates pay for performance, 2) supports dual career ladders (permitting recognition of supervisory responsibilities at the same level as a subject matter expert) for technical experts and supervisors, 3) facilitates employee career development (by enabling the granting of lateral compensation adjustments within the same band), and 4) enhances organizational effectiveness by promoting the creation of flatter organizational structures and reducing the perceived need to create artificial levels of supervision to justify higher position classifications.

RECENT CHANGES IN THE FOCUS OF CLASSIFICATION METHODOLOGIES

THE FEDERAL GOVERNMENT EXPERIENCE

Approximately 75% of the non-postal civilian workforce is covered by the General Schedule (GS) classification and basic pay system. The GS system includes 15 grades and describes the level of work at each grade. The work is evaluated on difficulty, responsibility and qualification requirements. Problems such as complexity and inflexibility with this current system are also similar to that of the University's current system.

Since 1980, several Federal agencies/projects, such as the China Lake Demonstration Project, the National Institute of Standards and Technology (NIST) and the Sacramento Air Logistics Center (known as the Pacer Share project) have implemented broadbanding.

China Lake Demonstration Project

In 1980, approximately 8,000 scientists, engineers, technicians, clerical and administrative staff were consolidated into seven (7) groups and 18 pay grades were consolidated into 3 to 5 bands, dependent on the job group. The system was designed to provide a simplified and flexible classification system, which consolidated the GS grades, thereby providing: 1) a streamlined, objectives-oriented performance appraisal system closely integrated with organizational objectives and 2) a performance-based pay system linking pay increases to individual performance ratings. The demonstration project became permanent in 1994.

The China Lake Demonstration Project established that application of the concept of broad bands in the public sector is possible and may serve as a model for the University of Hawai'i.

National Institute of Standards and Technology (NIST) Project

In 1988, approximately 3,000 scientists, engineers, technicians and administrative staff were consolidated into four (4) groups (professional, administrative, technical and support) with each group having five (5) pay bands, where formally 10 to 15 salary grades existed. The system was designed to improve hiring capability, motivate and retain staff, strengthen the manager's role in personnel management, increase the efficiency of the personnel system, simplify classification and support pay for performance. NIST's broadbanding system became permanent in 1996. The NIST Project also established that broadbanding in the public sector is possible.

Sacramento Air Logistics Center (Known as the Pacer Share Project)

Also in 1988, approximately 1,400 white collar and blue collar employees in 66 job series were consolidated into six (6) groups and 15 salary grades were consolidated into four (4) pay bands. The system was designed to demonstrate that productivity could be improved by a more flexible personnel system and to replace individual performance appraisals with a productivity gain-sharing system. The Pacer Share project ended in 1992, primarily due to its strong hierarchical culture and its resistance to flat organizational structure.

The Pacer Share Project established that broadbanding is not a panacea and lessons learned from this project will be considered in the development of the new system.

VIRGINIA COMMONWEALTH UNIVERSITY (VCU) AND THE COMMONWEALTH OF VIRGINIA

VCU implemented its IT Pilot in 1996, utilizing the broadbanding concept by consolidating 34 State IT classes into seven (7) groups and 23 pay grades into three (3) bands. It was designed to provide a flexible, market-competitive compensation program to reward employee performance, encourage employee skill development, attract and retain top technology employees, and decentralize compensation decision-making to departments which established a competency/skill-based approach by which salary advancement is contingent upon demonstrated attainment of specified competencies.

VCU's IT Pilot served as a model for the Commonwealth of Virginia. Therefore, on September 25, 2000, the Commonwealth of Virginia implemented a variation of broadbanding by consolidating 1,650 job classifications into seven (7) groups and 23 pay grades into 9 bands. Virginia's new system was designed to provide new pay practices, greater opportunities for career growth within state government, greater management flexibility and accountability, and new ways to recognize and reward exceptional employee performance and acquired skills.

To date, there have been no major problems with the implementation of broadbanding in the Commonwealth of Virginia, indicating that broadbanding is beneficial and can work in the public sector and in the environment of higher education.

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT (DHRD), STATE OF HAWAI'I

DHRD currently utilizes position classification and has identified problems with position classification, such as system complexity, time and labor intensive, lack of recognition of employee growth in job, etc., similar to that identified by the APT TAC.

DHRD envisions developing and utilizing customized classification systems for each of their occupational families, rather than just one system for all personnel. To date, the boundaries of the families have been identified; redesign is close to completion for two (2) families and in progress for two (2) additional families. DHRD's preliminary analysis indicates that broadbanding may be appropriate for some occupational families, but may not take the same form in different families because of differing departmental needs and occupational characteristics. Although they do not have definite plans as to what type of system(s) they will develop, they believe change is needed.

CITY AND COUNTY (C&C) OF HONOLULU

The C&C also currently utilizes position classification and has identified similar problems with position classification that the APT TAC has identified as issues. At this

time however, the C&C does not have any definite working plans to change their current system, but the C&C also believes that change is needed. The C&C is currently reviewing its occupational groups and envisions that different occupational groups will have different systems.

UNIVERSITY OF HAWAI'I, INFORMATION TECHNOLOGY (IT) DEMONSTRATION PROJECT

On November 1, 2000, the IT Demonstration Project, which affected approximately 137 APT IT positions, was implemented. Under the existing position classification system, class specifications in the IT area became obsolete and required constant updating. In addition, due to increased competition in the labor market, it was becoming increasingly difficult to attract and retain competent employees because compensation in the existing system was significantly lower than that of the labor market. Under this demonstration project, the concept of broadbanding replaced the existing position classification system.

The objectives of the IT Demonstration Project were to provide the University with qualified IT professionals to fulfill its mission and accomplish its strategic plan; recruit, motivate and retain IT professionals at market-competitive rates; provide flexibility to managers regarding salary determination; recognize skill development, competencies and exceptional performance of employees; reduce the delays associated with classification and compensation; and enable quick responses to changing needs in the IT field.

Under the IT Demonstration Project, 13 classes - UH Computer Specialist I through VI, UH Systems Programmer I through VI, and the UH ITS Division Manager, were consolidated into four (4) broad classification bands (A, B, C, D). Band A reflects the entry to intermediate worker level; Band B reflects the journeyworker level; Band C

reflects the supervisor or subject matter expert level; and Band D reflects the division manager or highly exceptional and widely recognized technical expert. Under this system, the turn around time for classification actions may be quicker since there are no longer 13 classes, but rather only four (bands) to which IT positions are allocated.

In addition, a mechanism to attract IT professionals through the new hire process was created. Under the current system, new hires must be compensated at the minimum step of the respective pay range, which is usually lower than the starting rates in the private sector. A salary matrix was developed and implemented to assess points based on an applicant's relevant education, course-work or formally recognized, industry based certifications, quantity of relevant experience, and quality of relevant experience. Using the salary matrix point conversion worksheet, total points from the salary matrix are then converted to a salary rate. This salary rate may oftentimes be greater than the minimum step of the band, which assists in attracting highly competent employees. Note that under the proposed new APT classification and compensation system, a salary matrix and worksheet may not be implemented as the nature of work is clearly different and does not readily lend itself to this process.

The IT Demonstration Project also provides special compensation adjustments in the form of in-grade adjustments and performance awards based on employee growth in the job and performance. An in-grade adjustment is an adjustment to base pay and is intended to reward those employees who demonstrate continual professional growth in the job and who acquire additional skills that enhance job mastery. A performance award is a one-time cash bonus that is paid in the form of a stipend and is intended to reward such attributes as initiative, effort, dependability and overall contribution to a work unit's mission.

To date, there have been no major problems with the implementation of the IT Demonstration Project and it has established that the concept of broadbanding can work at the University of Hawai'i. Broadbanding has sparked interest and has created a sense of urgency to develop a new system for the rest of the APT personnel. While the

new APT system may have conceptual similarities to the IT Demonstration Project, there will be differences, e.g., in the absence of additional funding, the conversion from the existing classification system to the new system will be **budget neutral**, and there will be no use of a salary matrix/worksheet to justify additional compensation upon conversion.

PROJECT PROPOSAL

The objectives of the project are to design, develop and implement a criteria-based, simple and flexible system that can be easily understood and administered. In addition, the new system should be able to provide the mechanisms to recognize and reward employees for growth in the job and performance through in-grade adjustments and/or performance awards.

BASIC COMPONENTS OF THE NEW APT CLASSIFICATION AND COMPENSATION SYSTEM BASED ON THE CONCEPT OF BROADBANDING

Career Groups

The current APT Classification and Compensation Plan has approximately 240 classes encompassing positions ranging from accounting, human resources management, public information and publication specialists, research associates, teaching and academic support specialists, skilled trades workers, engineers and architects.

In the new system, the 240 classes will be converted into 16 broad career groups. The career group defines the general concept of the group along with illustrative examples of typical work assignments performed by positions assigned to the group. The illustrative examples of work are intended to serve as guides and not absolute standards.

The 16 career group concepts are essentially based on the existing occupational groupings in the current APT classification and compensation plan. For example, the classes, UH Personnel Officer I to VI, are now in the "Human Resources Services Group." The classes, UH Engineer I to II, UH Electronic Engineer I to II, UH Mechanical Engineer I to II, UH Registered Engineer I to II, UH Architect I to II, UH Registered Architect I to II, and UH Facilities Planner I to II, are all now in the "Facilities Design and

Planning Group." The career group only defines the nature of work. The career group does not determine the pay range or band of the position.

Generic Band Levels

While the group concepts will determine the nature of the work being performed, the generic band levels will determine the inherent level of complexity.

There will be four (4) generic Band Levels:

Band A: Entry/Intermediate/Independent

Band B: Journeyworker/Working Supervisor

Band C: Supervisor/Subject Matter Expert

Band D: Program Manager or Administrator/Foremost Subject Matter Expert

These band levels are based on the basic position classification concepts of entry, trainee, journeyworker, super journeyworker/working supervisor, etc. There may be more than four (4) bands to mirror the basic classification concepts; however, one of the objectives of the system is to keep the system simple. Creating more band levels would involve creating narrower distinctions between bands making it difficult to differentiate one band from another. Therefore, in order to differentiate the distinctions between bands, only four (4) bands have been identified and defined. In addition, these definitions are similar to those bands used in the IT Demonstration Project.

These band levels, also considered the "pay bands," will be used in conjunction with each career group. Under this new system, it is the band level assignment, rather than the career group concept assignment that will determine the "pay band" of the position.

Under the current compensation plan, the salary schedule consists of 17 pay ranges with 36 steps in each pay range. Under this new system, steps from existing pay ranges will be consolidated into four (4) pay bands. For example:

Band A = All steps in Pay Range 01 to 07*

Band B = All steps in Pay Range 07 to 12*

Band C = All steps in Pay Range 11 to 17*

Band D = All steps in Pay Range 13 to 17*

Each band level will also have generic minimum qualification requirements. Programs may also include additional job related minimum qualifications to meet their unique needs.

*Subject to change

Compensation - In-Grade Adjustments

Under the current system, an employee's salary increases through collective bargaining adjustments or through the process of reallocation or promotion to a higher class. While employees may enjoy compensation adjustments based on negotiated collective bargaining increases, such increases are beyond the program's and the individual supervisor's control. Typically the only way an employee, whose position is allocated to the journeyworker class, can receive increased compensation is to reallocate the employee's position to a supervisory level. Unfortunately, due to the nature of some programs, some positions will never evolve to a supervisory role; therefore, limiting an employee's opportunities to be reallocated to a higher class.

Programs may resort to creating artificial organizational layers to justify upward reallocations to reflect a position in a "supervisory" role. This may have worked in the past, but today, with economic pressures, having to do more with less, programs can no longer justify the need to create more hierarchical layers.

Oftentimes, employees may demonstrate professional growth in the job by acquiring relevant skills that enhance job mastery, such as performing the same duties at the

same level of complexity, but with expanded expertise. However, under the current system, professional growth in the job is not recognized, nor warrants reallocation to a higher class. An employee who demonstrates professional growth in the job under the current system does not receive additional compensation.

Under the new system, an employee may be recognized and rewarded for professional growth in the job through in-grade adjustments (IGA). IGAs will permit employees the ability to move laterally within the pay band. An employee who has not been assigned duties and responsibilities to move from one band to another vertically may move horizontally by means of an IGA and be eligible to receive additional compensation. An IGA is to be an increase to an employee's salary base within the same band.

Appropriate criteria and procedures must be developed to insure the appropriate use of an IGA. Initially, procedures will be designed to include higher level review to insure compliance with procedures and to help build trust and integrity in the initial implementation of the new system. IGA will be in addition to collective bargaining adjustments that may be negotiated.

The remaining issues are the amount of the adjustment and the rate of progression. These must be considered to ensure that the lateral movements are not so swift as to prematurely reach the end of the band.

Compensation - Performance Awards

In order to recognize and reward employees who perform well, supervisors have often resorted to using classification to provide some means of salary adjustment especially in the absence of regular collective bargaining increases. This is an improper use of the classification system.

Under the new system, employees who perform exceptionally well can be recognized and rewarded through Performance Awards. A Performance Award (PA) is a lump sum bonus (no increase to employee's base salary) recognizing attributes such as initiative,

effort, dependability and overall contribution to a work unit's mission and is intended to reward work performance which exceeds performance expectations established for the individual.

Again, the issue of the amount of the lump sum adjustment must be determined. In addition, with performance awards, performance management becomes a more critical issue to determine exactly what is exceptional performance.

Under the new system, procedures must be in place in order to ensure supervisors meet with their employees to go over work standards and performance expectations.

In addition, relevant criteria must be established to insure the appropriate use of a PA. Initially, procedures will be designed to include a higher level review process to insure that procedures are being followed and to help build trust and integrity in the initial implementation of the new system. The PA will be in addition to negotiated collective bargaining adjustments.

ISSUES AND CONCERNS TO BE ADDRESSED BY THE PROJECT

Program Flexibility

The current APT classification and compensation plan is centrally controlled by OHR, which ensures the integrity of the system. However, central control does not provide for program flexibility or rapid actions.

Under the new system, it may be appropriate to delegate Chancellors and/or selected programs, the flexibility to classify positions and responsibility for compensation management. Allowing this flexibility may provide programs a sense of ownership and confidence in the new system. In addition, allowing programs the flexibility to classify positions may expedite the classification process, which in turn will expedite the program's recruitment and retention needs. It will be necessary to create appropriate oversight and safeguard mechanisms to insure integrity on a systemwide basis.

Should programs be delegated responsibility to classify and manage the compensation for all positions up to and including Band D? It may be more prudent to delegate programs initial flexibility and authority only up to Band B, with OHR maintaining authority for Bands C and D. In the future, as the new system builds more credibility and there is assurance that the system can be administered fairly and consistently, full delegation to the Chancellors/programs to classify positions up to Band C and D, may be appropriate.

Compensation

Current compensation maintenance procedures will be reviewed and revised as necessary. Of concern are the designated entry rates and the compensation adjustments for transfers, promotions, demotions and reallocations.

Designated Entry Rates. Under current compensation maintenance procedures, new hires are compensated at the designated entry rate, usually, the minimum step of the respective pay range. For example, when an applicant is hired for a position allocated to the class, UH Administrative Officer III, Pay Range 07, the applicant is compensated at the minimum step of Pay Range 07 (\$2,910/month).

It is proposed that current compensation maintenance procedures for entry rates still be retained upon initial implementation; however, in order to be more competitive to attract and retain competent employees, periodic market surveys shall be conducted to determine appropriate hiring rates for each band in each career group. For example, if the market entry rate for a position in the Human Resources Services Group at the journeyworker level (Band B) is found to be \$4,500/month and not the salary rate in the first step of P07, \$2,910, then the hiring rate under the new system may be the appropriate step in the band closest to \$4,500/month.

In the conduct of market surveys, consideration will be given to the fact that the majority of APT personnel are hired within the State and, therefore, local competing hiring rates may be the most relevant. However, to maintain a competitive relationship with other institutions of higher learning it may be appropriate and necessary to consider national salary information from benchmark and peer institutions.

If market surveys are used to determine hiring rates, the impact to existing employees must be considered, as the results of market surveys may cause hiring rates to fluctuate. It is simple to raise employees' salaries to new higher hiring rates; however, automatic increases to the higher hiring rate may not be appropriate. Conversely, it may be impossible to decrease employees' salaries when the hiring rates decline. The issue of hiring rates, salary surveys and compensation adjustments to incumbent employees for hiring rate adjustments

are issues that will require further consideration.

Transfers. Under current compensation maintenance procedures, employees who transfer from one position to another position in the same pay range continues at the same basic rate of pay. However, programs may now want the ability to offer additional compensation adjustment to a transferring employee. Criteria and procedures will be incorporated into the new system if programs are given this added flexibility.

Promotions. Currently, employees who are promoted by moving from a position in a lower pay range to another position in a higher pay range, receive at least a 5% increase in salary. Under the new system, consideration is to be given as to whether or not the percentage should be increased to be more in alignment with the faculty promotional increase of 8%. Further, programs may request flexibility to adjust compensation based on the assessment of the individual's background experience and education relative to programmatic needs. Thus, in some cases, a fixed rate would not be appropriate. Criteria and procedures will be incorporated into the new system as appropriate.

Demotions. Employees who elect voluntary demotions by moving from a position in a higher pay range to another position in a lower pay range receive no more than a 5% decrease in compensation for voluntary demotions or receive the same basic rate of pay for involuntary demotions.

Under the new system, it is appropriate to define a demotion as being when an employee moves from a position in a higher pay band to another position in a lower pay band. For voluntary demotions, a change to the fixed rate may be proposed. However, an issue to be considered is that programs may want the flexibility to adjust salary based on an assessment of the employee, rather than automatically decrease salary by a fixed rate. Criteria and procedures will be incorporated into the new system as appropriate.

Potential of Increased Salary Costs

The results of the Federal Government projects indicate that salaries increased under a broadbanding system. An Office of Personnel Management (OPM) Study identified the following factors to be considered in order to control costs: 1) method of conversion, 2) policy on starting salaries, 3) size of salaries and bonus budgets, 4) range spread of journeyworker band and 5) overall position management.

1) Method of Conversion. Salary costs increased under the federal government projects primarily due to salary adjustments during the conversion process. The projects had the monies to fund the anticipated increased salary costs upon conversion.

There have been no additional monies allocated for the development of a new APT Classification and Compensation System. Thus, **this project will be implemented on the basis of budget neutrality**, i.e., minimization of additional costs that may be associated with or arising from system conversion. In the context of budget neutrality, it is planned that, upon conversion, existing positions will move from current salary rates to identical salary rates in the new system. It is believed that because of the wide spread of the band ranges it will be possible to accomplish this budget neutral conversion. Some programs may experience additional costs as a consequence of position redescrptions that may be long over due or as a result of changes in work assignments, i.e., redescription of position from independent worker to the journeyworker level. In the conversion process, it is possible that some positions may be assigned to lower level bands. These employees may feel that broadbanding has devalued their jobs, as positions in the new system are classified into broader bands. For example, an employee who was once classified as a UH Personnel Officer IV, P09 (super journeyworker or working supervisor), may be classified under the new system into Band B (journeyworker band), thus decreasing his/her morale. This possible negative consequence must be recognized and responded to by

pointing out that the employee may still move laterally, e.g., in-grade adjustment, and even vertically in the event that the work assignments of the position should change. Information sharing, education and communication will be important to assist the employee to understand that his/her contribution to the workplace is important and, thus, may be rewarded with in-grade adjustments and/or performance awards. Focus group meetings and other informational meetings will be conducted throughout the development of the project to inform employees of the status of the project and to provide employees an opportunity to voice their concerns.

It is planned that extensive communications and training information about the new classification system and its benefits will be conducted with the intent to allay many of the fears and concerns of employees.

2) Starting Salary Policy. Salary costs increased under the federal government projects because managers were given the flexibility to pay higher starting salaries in order to compete more effectively with private industry. Under the projects, the compensation strategy changed from paying low starting salaries and moving up quickly through annual promotions to paying more up front and then slowing down progression.

Over time, however, studies show that costs from higher starting salaries with slower pay progression balanced out. Initially, it may be necessary to continue to use existing hiring rates with some modification to compensation policies in regard to extending more flexibility to programs to hire above the minimum hiring rate with justification. The use of market surveys to identify possible hiring rates and revision of compensation policies will be essential to insure control of new hire salary costs.

For the time being however, budget neutral conversion will result in no changes to the starting salaries until the conduct of a salary survey is determined

necessary by the University.

3) Managing Payroll. The federal government projects established a budget for salary increases, using historic spending levels as a guide. The OPM study showed that establishing a budget for salary increases was an effective mean to control salary costs. Under this new system, budget is one of the major issues since the new system creates more mechanisms to increase an employee's compensation through in-grade adjustments and/or performance awards. Programs are concerned that there will not be enough money to fund the adjustments/awards.

While budget policies and budget preparation and execution practices are beyond the scope and control of this project, it may be appropriate that information be shared with Executives regarding feedback from programs on the need to consider reexamining current practices and procedures that will support the "tools and mechanisms," e.g., broadbanding, in-grade adjustments, performance awards, etc., that are being created in this new classification and compensation system.

Programs have indicated that, in addition to the flexibility and compensation mechanisms provided by the new classification and compensation system, there is also a need for mechanisms to identify methods of reallocating limited financial resources and managing their program budgets to meet changing operational priorities.

Range Spread of Journeyworker Band. Another factor with important cost implications is the range spread of the journeyworker band as this is the band in which the majority of employees will be placed. Eventually, many employees may migrate to the top of the band, hence, if the upper band limit is set too high, salary costs will increase in the long run. On the other hand, if the band maximum is set too low, it may limit an employee's potential to grow in the job. Therefore, the range spread of the

journeyworker band must be carefully determined. For example, it is anticipated that all of the steps in Pay Ranges 07 through 12 may be sufficient for the journeyworker band.

In the conversion process, positions will be converted from the old to new classification system, and employees will retain their existing salary rates. Currently the journeyworker level positions are assigned to P07 and in the new classification system the journeyworker level will continue to be assigned to the equivalent of P07. Because there will be no change in the compensation rates of journeyworkers, no additional costs are anticipated.

Position Management. Another factor that may contribute to increased salary costs under a broadbanding system is managerial flexibility in compensation management. With this new flexibility, comes the potential for unnecessary salary adjustments. Under the federal government projects, classification authority and the responsibility for cost control were transferred to line managers. The OPM study found that having effective policies and procedures in place may mitigate unnecessary salary adjustments.

Therefore, under this new system, effective policies and procedures must be established to ensure compensation is administered fairly. Relevant University of Hawai'i administrative procedures may need to be reviewed and revised as necessary.

Program Funding

As previously mentioned, the implementation of this project is not predicated or dependent upon any expectation that any additional funding will be provided.

Therefore, programs will be responsible for any costs associated with conversion and funding of any future in-grade adjustments and/or performance awards.

The reality is that the new classification and compensation system is intended to

establish new compensation mechanisms, and programs will be able to use these mechanisms. This new system cannot solve, and is not intended to resolve, all problems, particularly those relating to funding. Minimally, the mechanisms to reward employees when needed will now be in place.

CONVERTING FROM THE CURRENT TO THE NEW CLASSIFICATION AND COMPENSATION SYSTEM

OHR will classify existing APT positions into the new system based on the current position descriptions, new career group concepts and new band level concepts. For example, an existing APT position currently classified as a UH Personnel Officer III, P07 (journeyworker), will be classified to the Human Resources Services Group, Band B, journeyworker/working supervisor.

As part of the project, an on-line position description generator will be developed and will be made accessible via the World Wide Web to expedite and facilitate the position description process. It is anticipated that this generator will enable employees to revise their position descriptions on-line, which will be electronically submitted and reviewed by the appropriate levels. To establish new positions, supervisors or programs will be able to create new position descriptions on-line.

The on-line position description generator will provide templates of typical work assignments of the different bands and will define the characteristics of the different bands enabling position descriptions to be created/revise on-line. In order to input the existing 1,300 position descriptions into the on-line position description generator, it is anticipated that employees will be responsible for inputting their respective position descriptions into the generator. When the employee logs into the generator, the appropriate template will appear. From that template, the employee may select the appropriate duties and responsibilities listed on the template and/or may "customize," the generic duties and responsibilities, i.e., adapt to reflect the specific details unique to the program. Duties and responsibilities may also be typed into the template or may be cut and pasted from another electronic file. Once the position descriptions are inputted into the generator, they will be electronically submitted to the appropriate levels of review (employee to supervisor to appropriate Administrative/Personnel Officer,

ultimately to the Chancellor).

A prototype of the on-line position description generator has been created and testing has begun.

Testing will first be conducted on two (2) career groups to ensure the new system meets its objectives and to resolve major issues or problems. System adjustments and testing will be complete in sufficient time to meet the Project Target Completion Date of December 31, 2001.

IMPLEMENTATION

It appears that the success of this project and subsequent implementation of the new system are impacted by the following:

Senior Executive and Management Support: Key to the ultimate success of this project will be the continued support of the project by Senior University Executives and Managers. To this end periodic briefings and updates will be provided Executives to keep them apprised and involved.

A Plan for Communications: Communication is another key factor to successful project implementation. A diverse array of communication methodologies have been established and are being maintained: (a) Meetings with key stakeholders have been convened to assist in the design of the new system (Attachment); (b) a secured website has been created to facilitate the dissemination of draft materials and assist in the communication efforts amongst the APT TAC members; (c) feedback from executive and managers through interviews have been solicited to ensure that components of the new system are sound; and (d) focus group meetings are being conducted to begin the process of informing employees of the status of the project while concurrently seeking feedback on the project.

Education and Training: An extensive training program will be developed for all managers, supervisors and employees. These training sessions will be held to insure that all affected parties have an understanding of the new system and associated policies. It is anticipated that training will begin during September 2001.

Union Concerns: Since APT personnel are exclusively represented by the HGEA, union concerns must be given due consideration. While representatives of the HGEA are members of the APT TAC, when the final classification and compensation system and associated policies and procedures are developed, the University must fulfill its

collective bargaining responsibilities by formally consulting and/or negotiating with the HGEA on behalf of members of BU 08.

PROJECT MILESTONES AND TARGET COMPLETION DATES

PROJECT MILESTONES	TARGET COMPLETION DATE
With participation from the TAC, develop Career Group Concepts	04-15-01
With participation from the TAC, develop Band Definitions	05-15-01
Develop an on-line position description generator and test	05-30-01
With participation from the TAC, develop proposed compensation rules	05-30-01
Complete the redrafting of applicable Administrative Procedures	05-30-01
Beta test on-line position description generator and conversion process with small career group and revise systems and plans as necessary	06-15-01
Present drafts of Project Documentation, i.e., Career Group Concepts, Band Definitions, revised Administrative Procedures, conversion procedures to key personnel	06-15-01
Develop training module and transition/conversion plan	07-01-01
Initiate formal consultation and/or negotiations with BU 08 on matters subject to Chapter 89	07-01-01
Initiate implementation training and conversion activities	09-01-01
Project Phase I Completed	12-31-01

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