CCIFP Study Group

Human Resources

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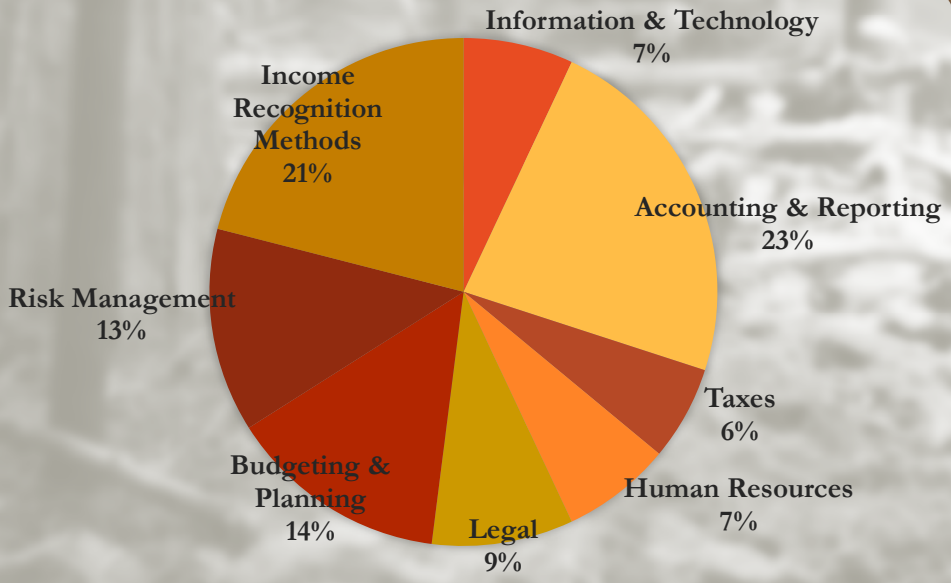
TEST DOMAINS



Developing & Maintaining a Sound Base Pay Program

Reference Material Chapter 25 from "The Book"

Compensation Program

Should achieve 3 objectives

- Assist in the attraction & hiring of the most qualified professionals
- Direct employee effort towards the company's strategic objectives/goals
- Development & retention of a qualified workforce

Three Parts of a Compensation Program

- Employee Benefits: Examples are health insurance, life insurance, and retirement

- Base Pay: Pay that appears in an employee's paycheck each pay period and to which all riders (FICA, Medicare, Workman's Comp etc.) are attached.

- Variable Pay: Cash compensation that varies in amount and timing. Examples include quarterly/annual bonuses, amounts paid associated with achievements, goals.

Base Pay Objectives

- Establishes fairness in pay among job positions
  - **Consistency in hiring, promoting, pay**
- Ensures competitive pay rates
- Helps direct work activity toward company goals
- Helps to control payroll costs
- Complies with laws & regulations
- Effective & Efficient

Establishes Fairness

- Internal Equity: established by treating employees with dignity and consistency. Pay is adequate/consistent relative to skill levels, degree of effort, scope of responsibility, general conditions of work environment.

Ensures Competitive Pay

- External Equity: comparison of pay within the company and with jobs outside the company; known as market rate or market value.

Directs Work Activity

Accomplished by merit & incentive pay.

- Merit pay helps direct individual performance.
- Incentive pay helps direct group performance.

Controls Payroll Costs

- Usually the biggest overhead cost.

Complies w/ Laws & Regulations

- Payroll is usually one of the higher regulated areas.

Achieves Effectiveness & Efficiency

Support functions like accounting and human resources exist to make doing the job of construction easier. Common mistake is making processes complicated and difficult to administer.

Vocabulary

Wage Structure: Includes Job Families, Pay Grades, Min/Mid/Max wages

Job Families: Jobs that function in a similar capacity.

Pay Grades: Refers to all jobs that are of similar "worth"/(monetary value) and content. Each pay grade has a minimum, mid-point, maximum. Can combine jobs that have different functions but similar worth.

Minimum: Lowest base pay. Those paid below the min. are referred to as green circled.

Mid-point: Pivotal in establishing wage ranges and measuring structure distortion.

Maximum: Highest pay. Those paid above the max are referred to as red circled.

Green circled: Paid below min. pay range; impairs equity & leads to higher turn over.

Red circled: Paid above max. pay range: add questionable costs to payroll, put pressure on wage increases & can affect perceptions of fair practices.

Developing a Wage Structure

Identify & Analyze Jobs & Job Content

Resources: Dictionary of Occupational Titles (DOT)

Occupational Information Network (ONET)

Describing Each Job's Principal Features

4 Whys

1. Useful in creating Job Hierarchy
2. Assign appropriate base pay & ranges
3. Communicating Job Expectations
4. Ensure Compliance w/Laws & Regulations

Building a Job Hierarchy

Resources: Bureau of Labor Statics (BLS)

Securities & Exchange Commission (SEC)

Associate General Contractors of America(AGC)

Associated Builders & Contractors (ABC)

National Society of Professional Engineers (NSPE)

Consulting Engineers Council

Collecting Job Wage Information

Wage Committee – Sr. Mgmt

Establishes pay philosophy, guidelines, & pay procedures

Assigning Pay Rates & Pay Ranges

Establish Midpoints

Determine Max & Mins

Calculate Spreads

Address Spread Overlaps

Smoothing Pay Grades

Formulas

Calculating Spreads – *need your mid point & spread*

A. Minimum = (2 x **$**) / 2.**%**

B. Maximum = 1.% x Minimum

$ = Mid Point
% = Spread

[4] Table 4—Pay Grade Overlaps

Table 4 illustrates spread overlaps for two grades, grade 7 and grade 8. The spread for each grade is 50%. The over lap from grade to grade is 20% as measured at the grade midpoints.

Spread	25% Minimum	Midpoint	25% Maximum
Grade 8	$78,720	$98,400	$118,080
Grade 7	$65,600	$82,000	$98,400
Overlap		20%	

Smoothing Pay Grades

Why?

To preserve internal equity & facilitate reasonable grade overlaps. Plot midpoints on a graph, connect with straight lines.

How?

A. Plot midpoints on graph paper in pay grade order.

B. Draw a straight line through each point.

Analyze the plotted line of midpoints and adjust to create a gradual progression. Omit any high-level wages.

Shaping a Misshapen Structure

Compare actual wages to the smoothed wage structure. This will probably show some below and above (green or red circled).

Green think GO – accelerate increase

Red think STOP – slow down acceleration

1. Analyze out of range wages – Have these jobs been properly identified and placed in proper pay grade?
2. Address wages clearly out of range. Gradual alignment, develop a schedule of alignment with impacted employee.

When, How, and What Is Compensation Given

Timing & Frequency of Pay Adjustments

Pay Periods (*Davis Bacon Act and/or other State laws/requirements*)

Basis for Starting Pay & Granting Increases

- Starting Pay – new hires experience/qualifications worth
- Cost of Living Increase – set amount paid to all
- Blanket Increase – set amount/percent within a classification
- Longevity Increase – based on length of time employed – 3, 5, 10, 15 yrs
- Merit Increase – pay-for-performance philosophy. Most ambiguous
- Promotions (or demotions) – higher/lower grades

Maintaining New Wage Structure

Variable Pay

The End