A MANAGER'S GUIDE TO

Implementing Broadband Pay Plan Rules

IN MONTANA STATE GOVERNMENT

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Table of Contents

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Introduction

The broadband classification and pay plan (formerly known as the *"alternative pay plan*," or *"Pay Plan 20"*) became the state's primary compensation system July 1, 2007. The state's broadband pay plan is not a market, competency, or performance pay plan. It's an enterprise-wide plan that allows state agencies the flexibility to develop their own pay plan rules[1] using any combination of market, competencies, or performance within broad statutory and policy parameters and authorized funding levels. The system allows state agencies to strategically link their own pay rules to their unique missions and more quickly adapt pay practices to changing demographics and labor markets.

A counterbalancing objective of the system is to mitigate pay differences between state workers in similar jobs employed by different state agencies. Two statutory provisions target this objective: 1) all positions in the broadband plan are classified using the same job-related standards, uniformly and consistently applied (2-18-201, MCA), and 2) all state agencies must use the same centrally-established salary survey for the same job classes within each pay band (2-18-301 (1), MCA). When funding allows, the Office of Budget and Program Planning (OBPP) may also seek an appropriation to further help state agencies mitigate pay differences.[2]

Still, the flexibility state agencies achieved through the broadband plan's enactment is limited by agencies' funding levels. Not all agencies and work units are fiscally able to guarantee employees a certain market ratio or offer performance or competency pay, and the availability of discretionary funds varies from one biennium to the next. At a minimum, however, agencies must develop rules outlining pay rates for newly-hired, promoted, or demoted employees, and for employees whose positions are reclassified.

This guide is intended to help managers develop, implement, and in organized work units, negotiate broadband pay rules. It offers a step-by-step process for classifying jobs, using competitive pay zones, and selecting methods of pay placement and progression. It also

[1] The term "agency pay plan rules" is used throughout this guide to refer to the written policies state agencies develop to comply with the State of Montana's Broadband Pay Policy (3-05-1). Agency pay plan rules are not administrative rules and are not subject to the Montana's administrative rulemaking process.
[2] The 60th Legislature, for example, approved OBPP's proposal for a $5 million general fund appropriation in the 2008-09 biennium. This one-time appropriation provided funding to move all employees' pay to a minimum of 80 percent of the market midpoint in October 2007.

explains the collective bargaining process and provides managers with specific recommendations for communicating important pay decisions.

The State Human Resources Division (the division) can assist agency managers and human resource officers in every step of the pay plan rules' implementation including establishing the measures needed to determine whether the pay plan rules are achieving their intended goals. The division further offers these basic tenets to state managers as they design and modify their agency pay plan rules:

- Broadband pay plan rules must support, and not lead, agencies' missions, goals, and objectives.
- Any discretionary funds used for pay above the statutory pay raises should be strategically linked to the agencies' missions, goals, and objectives.
- Pay is an important communication tool. Agencies must communicate their pay goals to the affected managers and employees. To the extent affected employees are unionized, this communication must be delivered in a manner that meets state government's obligation to bargain in good faith.
- No single pay strategy is right for every state agency or work unit. Different work units, agencies, and bargaining units will require different strategies.
- All broadband pay plan rules must contain a means for measuring and recording their success in achieving the desired goals.

Finally, keep in mind that pay covers only a small area of job satisfaction. Several other factors, including the nature of work, relationships, and opportunities, are key to retaining good employees. The Professional Development Center[3] explores the importance of these factors in their half-day workshop, "Creating a Motivating Environment."

[3] The Professional Development Center is housed in the State Human Resources Division, Department of Administration. Visit their website at http://pdc.mt.gov/

Design

The following steps are provided for managers charged with designing their agency's or work unit's broadband pay rules. Your human resource officer and representatives of the State Human Resources Division will help you take these first steps and can answer any questions you may have about details not addressed here.

Step 1 - Define your pay philosophy.

Agency pay plan rules must support your agency's mission, goals, and objectives[4]. Thus, the first step in the design process is to define a pay philosophy linked to those mission, goals, and objectives. Here, for example, is the Montana Department of Transportation's (MDT) agency pay philosophy:

> *"MDT's mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment…*
>
> *MDT believes that salary market factors, combined with employee competence and an employee's overall contribution to organizational success, should largely determine their compensation and career advancement opportunities. The objectives of this pay for performance philosophy are as follow:*
>
> *First, to be internally equitable… provide a salary range for every position that reflects its value compared to all similar positions in the agency.*
>
> *Second, be externally competitive... in the marketplace so MDT can attract and retain qualified employees vital to organizational success.*
>
> *Third, be motivating… provide the opportunity for future pay based on an employee's individual work performance and development of job-related competencies.*
>
> *With these objectives in mind, the compensation system is intended to reward employees for positive behaviors that contribute to the effectiveness of MDT. This system is intended to*

[4] Strategic planning and work planning define mission, goals, and objectives. The Professional Development Center offers workshop on planning that can help your agency with these efforts.

help MDT fulfill its mission by offering increased opportunities for career advancement and recognition of employees.

Step 2 - Classify jobs.

Montana's *broadband classification plan* serves two purposes: it provides the means for 1) identifying and grouping similar jobs to ensure internal pay equity, and 2) matching jobs for external pay comparisons.

The classification process relies on accurate *job descriptions.* A job description identifies the duties and tasks assigned to the job; the job's supervisory, public contact and decision-making responsibilities; supervisory controls; and the knowledge, skills and abilities required to perform the work. Job descriptions are also called *job profiles* and *position descriptions.* The job's incumbent, the supervisor, a manager, an HR specialist, or a contractor can prepare job descriptions. Regardless of who prepares it, the job description must accurately depict the elements described above and must be signed by the supervisor and approved by the agency director or a designated authority before the job can be classified.

A *trained classifier*[5] will evaluate the job based on the information contained in the job description to assign it to an *occupation* and *pay band*. An *occupation* is one or more jobs that are substantially similar in the nature of duties performed, responsibility assumed, and level of difficulty so the same title can be used and the same qualifications can be required of employees in the occupation.

Under the broadband plan, jobs are allocated to one of nine pay bands according to classification standards developed by the State Human Resources Division. These standards are based on the complexity of the work and the knowledge and skills required to do the work. The 2009-2011 broadband pay schedule is shown under Figure 1.

The State Human Resources Division uses the Standard Occupational Classification (SOC) to place jobs into occupations. The SOC is a national job classification system developed by the federal government listing occupations in which work is performed for pay or profit. The SOC allows the state to compare its occupations to similar occupations employed outside Montana state government for

[5] *Trained classifiers* are certified by the Department of Administration. Trained classifiers are employed by state agencies, the Department of Administration, and contractors.

market pay purposes using a database of worker attributes and job characteristics known as “O*NET.” Thus, accurate market comparisons are dependent on accurate job descriptions and correct job classification.

Figure 1:
Broadband Pay Schedule:
July 1, 2009 - June 30, 2011

	HOURLY		ANNUAL	
Pay Band	**Minimum Base Salary**	**Maximum Base Salary**	**Minimum Base Salary**	**Maximum Base Salary**
01	$7.884	$14.763	$16,400	$30,709
02	$7.549	$18.296	$15,702	$38,057
03	$9.400	$21.122	$19,552	$43,935
04	$11.230	$24.852	$23,359	$51,693
05	$12.250	$34.856	$25,480	$72,502
06	$14.700	$41.862	$30,576	$87,073
07	$18.777	$54.745	$39,057	$113,870
08	$24.489	$66.233	$50,939	$137,766
09	$40.106	$111.046	$83,421	$230,977

Step 3 - Determine pay scales.

The State Human Resources Division identifies market midpoints for all occupations through a biennial salary survey[6]. The market analysis process gauges the competitiveness of state pay against the relevant external labor market. It’s a “measuring stick” to help state managers decide how best to direct available funds. It is not a guarantee of a minimum pay rate.

Market midpoints are reported using the eight-digit SOC code assigned to the occupation through the classification process described under Step 2. The division then uses occupational market midpoints to identify *competitive pay zones (*formerly known as *occupational pay ranges*). The range of these competitive pay zones may differ, depending on the occupation’s skill level (e.g., narrower for lower-skilled occupations and wider for higher-skilled occupations).

[6] The market analysis is available through the MINE (Montana Information for Employees) as a resource to agency human resource officers.

Figure 2:
Sample Spreadsheet for Identifying Comparative Market Standing

Incumbent	Band	SOC Title	Base Pay Annual	Market Midpoint Annual	Market Ratio	Career Ladder Level
Washington, G.	5	Financial Specialist	$32,111	$35,174	.91	Step 1
Adams, J.	3	Mail Clerk	$21,979	$26,764	.82	None
Lincoln, A.	4	Maintenance Worker	$31,691	$30,937	1.02	Step 3
Roosevelt, F.	6	Network Administrator	$43,010	$46,284	.93	Step 2

Your agency can prepare a spreadsheet like the example in Figure 2 to gain a better understanding of each position's relative standing.

Competitive pay zones are a good starting point when determining pay ranges for occupations in your agency. However, it is important to consider all aspects of your pay philosophy before defining pay ranges. List each aspect that you identify in your pay philosophy for your agency in your spreadsheet. For example, if internal equity, external competitiveness, and development of job related competencies are the elements important to your agency, you might create a spreadsheet similar to Figure 2.

Step 4 - Identify methods for pay placement and progression.

The agency's pay philosophy should drive decisions about setting and progressing employees' pay rates.

This step is organized under two different categories of pay adjustments, *base pay* and *variable pay* (or "results pay"). Base pay serves as the "platform" for variable pay. Base pay levels should match as closely as possible to the agency's pay philosophy, given the agency's ability to pay, so agencies can compete for qualified workers. The division's recommended pay zone can serve as one of the considerations when creating a range under which your agency sets and adjusts employees' base pay rates under the broadband pay plan. Employee performance and competency pay adjustments are other examples of components that also can be added to base pay.

Variable pay provides another means for linking the agency's mission, values and goals to employee pay. Variable pay is, by definition, "pay at risk." The individual employee or team must achieve certain preset goals every performance cycle, biennium, or contract term to receive variable pay. Variable pay is not applied to the base pay rate and does not become an annuity to the employee or team based on single-cycle achievements. Effective variable pay plan rules can be complicated to design, and the probability is high that the first efforts will not be perfect. Agencies opting to use variable pay may want to pilot efforts with their management teams or in smaller work units where the likelihood of success is greatest.

Agencies risk losing the funding in the biennial budgeting process because variable pay is not applied to the employee's base pay. Managers considering variable pay programs should consult with their budget analysts.

Six base pay and two variable pay options are offered here. They are not inclusive; rather, they represent those options most suitable and relevant to public service.

Base pay options

- ***Market pay*** – Market pay is a wage adjustment type that compares pay for state government occupations to the external labor force. Many agencies use market pay as the single method for adjusting employee pay. Others couple market adjustments with performance, competency, or lump-sum pay components. Agency managers commonly identify a floor within the competitive pay zone and their ability to pay (e.g., "all employees will be paid a minimum of 93 percent of market midpoint"), thereby narrowing base pay disparities between employees in the same job classes within the same agency or work unit.

- ***Competency pay* -** *Competencies* are the sets of measurable and observable knowledge, skills, and behaviors that contribute to success in a job. Competencies range from tangible attributes, such as technical know-how, to intangible attitudes, such as values and behaviors like teamwork and flexibility.

Agencies choosing to implement competency pay are implicitly promising employees the opportunity to acquire the skills needed to increase their value to the agency. It's important, therefore, that agencies determine the extent to which they can assume responsibility for providing training and other developmental opportunities. The Department of Corrections, for example, partnered with the University of Montana to develop and implement specific online training courses for their probation and parole officers. Competency pay adjustments above the market midpoint are contingent on successful completion of upper-level courses that help officers better supervise offenders with addictions, mental illnesses, or histories of violent offenses.

The process of identifying competencies can be time consuming. The division can assist agencies in this process. The state's HR software system captures competencies for statewide use so agencies can use available technology to administer competency pay programs. The division can also assist state agencies in developing training programs to help employees gain needed competencies. The Professional Development Center regularly offers training on "Managing Competencies" and "Competency-Based Performance Management."

- ***Performance pay –*** *Performance pay* is a pay adjustment type based on the documented evaluation of the employee's performance. Performance pay can be applied to an employee's base pay (as addressed here) or in a lump-sum manner (addressed later under variable pay options). Performance pay plan rules function properly when outstanding performers receive the greatest rewards, average performers receive substantially smaller raises, and poor performers receive no raise at all. Effective performance pay systems rely on evaluations that translate agency goals into individual expectations that are easily understood and regularly communicated.

  Successful performance pay plan rules also require trained and competent first-line supervisors. First-line supervisors can make or break performance pay strategies. Unions and employees typically oppose performance pay plan rules because they do not trust first-line supervisors to make fair decisions about performance and pay. As agencies consider their readiness for performance pay, they need to assess their first-line supervisors' abilities to effectively communicate performance criteria and objectively evaluate their workers' performance. The Professional Development Center regularly offers training on "Managing Performance" to provide the knowledge and tools in this area.

There are other performance pay components that have actually caused *demotivating* effects. For example, performance pay awarded to individuals sometimes encourages behavior on the part of employees to maximize their personal stature and benefit at the expense of coworkers and others. The result is a lack of cooperation and collaboration between individuals and groups and the withholding of information that might benefit others.

The Department of Labor and Industry (DLI) took a cautious approach when it developed and negotiated its performance pay plan rules in 2006. They used performance pay in addition to a minimum market base pay rate. There, every agency employee had the opportunity to receive a small performance pay adjustment provided they received overall performance ratings that were satisfactory or better. DLI uses both behavioral and performance assessments.

- ***Career ladders* -** *Career ladders* are a series of defined steps within a specific area (e.g., programming, managerial, engineering) that define organizational requirements at each level, starting with the employee's entry into the career ladder. Well-prepared career ladders are combinations of individual- and job-based pay systems that define routes for legitimate career growth for employees. Progress is based on years of experience, growth in responsibilities, and demonstrated competency and performance results.

  The Department of Transportation uses career ladders for their core engineering, design, and maintenance positions. Their career ladders outline the route to optimal work proficiency. Most have been used successfully since the 1980s.

Like competency pay plan rules, agencies that implement career ladders should be prepared to provide the training opportunities needed to gain the growth attached to the career ladders.

- ***Strategic pay –*** Strategic pay adjustments may be used to attract and retain an employee with the competencies critical or vital to the achievement of an agency's mission or strategic goals. As an example, state agencies with high media profiles may choose to pay their public information officers at or above the far end of the competitive pay zone to help recruit and retain applicants with stronger skills and abilities than the occupational qualifications describe.

- ***Situational pay -*** *Situational pay* is pay based on conditions atypical in the majority of jobs in Montana state government. To be compensable, a job situation should be one that causes difficulty in recruitment and retention because of job requirements such as geographic location, extensive travel, unusual hours of work, environmental hazards, or unusual physical demands.

Variable Pay (or "Results Pay") Options

- ***Lump-sum or performance awards*** – *Lump sum awards* are used to reward employees for individual or team performance. Awards are paid in the form of a single lump sum that does not roll into their base pay. Successful lump sum award programs should be developed through a collaborative process, directly tied to the agency's or work unit's mission, and easily understood with goals that are within the employees' control.

  Like performance pay programs, agencies risk demoralizing the workforce if employees perceive lump-sum awards as inequitable or lack trust in the supervisors and managers administering the award programs.

  Consider the experience at the Montana Chemical Dependency Center (MCDC) when the center piloted a performance pay program several years ago. A committee of managers, supervisors, and unionized treatment specialists worked for over two years developing and testing a performance appraisal tool where individual workers' final evaluations were tied to the distribution of one-time lump-sum performance awards. At the conclusion of the pilot project, committee members were unanimous in their agreement that the performance pay experience caused negative feelings and unnecessary competition among treatment specialists.[7]

In contrast to the experience at MCDC, the Disabilities Determination Services (DDS) Bureau at the Department of Public Health and Human Services successfully negotiated and implemented a two-tiered lump-sum award program several years ago. Under the first tier, individual employees received quarterly lump-sum awards based on the number of disability cases they handled. The second tier of the program described goal sharing (see below) that strategically linked the work unit's specific goals and objectives with predetermined annual team lump-sum awards.

- ***Goal sharing –*** *Goal sharing programs* pay employees a predetermined amount tied to the achievement of goals, contrasted with *gain sharing programs* used in the private sector where employees share the financial gains associated with improvements in organizational performance. Under goal sharing, a predetermined lump-sum amount is associated for each organizational goal. If the goal is achieved, all employees receive the associated lump-sum award.

  The downside to goal sharing is similar to those of performance pay and lump-sum award programs. A goal-based pay system may lack credibility with employees if they are not involved with setting the goals, or if the goals are set at unrealistically high levels.

Step 5- Measure success.

All agency broadband pay rules must contain a means for measuring and recording the agency's success in achieving its desired goals. These are known as *metrics.* Metrics allow agencies to monitor the

[7] *An Alternative Pay Plan Report: Treatment Specialists at Montana Chemical Dependency Center,* February 2001

effectiveness of a particular approach. By identifying early trends, agency managers can adjust their approach to better ensure achievement of their organizational goals and objectives.

An agency's pay philosophy will determine which metrics are appropriate. Agency pay plan rules that are performance- or competency-based, for example, use metrics to measure quality, customer satisfaction and value, and productivity. These require baseline assessments established through interviews, questionnaires, delivery data attainment, and lead time reductions. Agencies that intend to become more competitive in the labor market can measure progress through average market ratios, turnover rates, and the size and quality of applicant pools. The division can help agencies identify appropriate metrics and, in many cases, support data collection in areas related to human resource management.

The division collects data annually about the overall number of employees changing jobs. The information is reported in the state employee profile. The division can break that information down by agency, division, bureau, or work unit. The division can also distinguish terminations from transfers, identify turnover rates by employee's' years of service, and compare overall turnover rates to trends in national turnover rates.

The exit interview system provides reliable data about why employees change jobs and where they go when they leave. With the creation of the statewide online employment application in 2008, Montana state government is now able to track:

- the number of applicants for each recruitment effort,
- the number of times an agency recruits for specific positions,
- the amount of time to hire with and without advertising time,
- where and why applicants are screened out of the process, and
- the demographics of applicants who are screened out.

Negotiate

This chapter is offered for managers of organized work units. While collective bargaining over broadband pay negotiations have sometimes been difficult and time consuming, it's important to recognize that state government is legally bound by the process under Title 39, Chapter 31, and that negotiated settlements help ensure agencies' pay plan rules are well communicated, easily understood, and implemented with employees' buy-in.

Negotiations in Montana state government are unique in that significant pay and benefit matters are bargained prior to the legislative session, while other bargaining issues – like seniority, scheduling, clothing allowances, and *agency broadband pay plan rules* – are bargained immediately prior to the agreement's expiration. All state bargaining agreements expire June 30 of odd-numbered years.

The second bargaining phase used in Montana state government requires that Montana state government and unions negotiate individual bargaining agreements for the 60+ collective bargaining units in Montana state government. These negotiations could involve any provision within those agreements. This guide, however, only addresses pay plan rule negotiations. Pay plan rule provisions must be negotiated within the economic parameters framed in the state employee pay bill.

Following are the most commonly-asked questions about the negotiating broadband pay plan rules:

How do collective bargaining laws operate? Employees select a labor organization as their exclusive legal agent to represent them on matters of pay, hours and certain other conditions of work. Management's bargaining team and the union's bargaining team must meet and negotiate "in good faith" in efforts to reach agreement. Both parties submit proposals and counterproposals. Neither party is required to agree to the other party's proposal or make a concession, but both parties have a mutual interest in reaching agreement. Under certain conditions, management may have a right to implement its "last, best and final offer." Unions, at the same time, have the right to engage in concerted activity such as a strike. These ultimate rights that both management and labor may exercise in absence of a negotiated agreement serve as incentives for both sides to reach agreement.

Who are the exclusive bargaining agents? Under Montana law, at 39-31-103 (4), MCA, ""[e]xclusive representative" means the labor organization designated by the board [of personnel appeals] as the exclusive representatives of employees in an appropriate unit..."

Management's spokesperson for collective bargaining is the Chief of the State Office of Labor Relations in the State Human Resources Division (39-31-301, MCA, and Executive Order No. 40-2008).

Who will represent the agency in bargaining? A management team represents the state's and agency's interests in negotiating successor agreements and pay plan rules. The team is made up of a labor negotiator from the State Office of Labor Relations, the agency human resource officer, and agency managers.

What aspects of broadband pay plan rules are negotiable in a unionized workplace? All aspects of pay are negotiable, meaning they are mandatory subjects of bargaining under state law. That includes the selection and application of all pay components available under the broadband system (e.g., market, performance, competency, variable pay, etc.), individual pay rates, and pay adjustments. In a unionized work unit, what managers communicate, how managers communicate, and when managers communicate their broadband pay proposals all fall within Montana state government's obligation to bargain in good faith.

Aside from the legal duty to bargain, is there any benefit from union involvement in the development of broadband pay plan rules? Most experts agree that a new pay system works best when employees have a substantial role in its development. They view the benefits of employee buy-in and ownership in the new system as highly desirable. In a unionized environment, employee involvement eventually takes the form of a union and management bargaining team sitting down together to negotiate the deals of the new pay plan rules. Union involvement is indeed "the law," but it's also a good idea. Employees and unions are more likely to accept new ideas if they have a role in developing them.

What if we hire an outside consultant to help development competencies and other pay components – is the process any different? The process is the same – contact the Office of Labor Relations at the State Human Resources Division at the point management starts developing pay proposals in a unionized work environment. Consultants can help agencies identify employee competencies and improve performance appraisal tools, but they can't negotiate with unions. An agency cannot implement pay plan rules until the state bargains the subject with union officials. The State Office of Labor Relations is the only authorized bargaining agent for state government.

Are performance appraisal tools subject to bargaining? If management wants to link pay to performance, be prepared to bargain the appraisal tool and procedure. Traditionally, management could revise the performance appraisal tool without unions showing much interest because the appraisal did not affect pay. But performance standards that determine pay could very well constitute the type of pay standards and criteria that would be deemed "mandatory subjects of bargaining." Refusing to bargain a mandatory subject constitutes an illegal unfair labor practice (ULP).

Do unions categorically oppose pay that's tied to employee competencies or performance? Some unions have been supportive of competency-based efforts and other types of alternative pay. Unions base their positions on the desire of each bargaining unit. If a majority of employees in the unit are reluctant to pursue certain pay changes, the union's position on pay for that unit is likely to reflect the majority sentiment. Thus, there is no universal union "position" on competency or performance pay, but some concerns recur throughout pay negotiations in state government. Two questions seem almost inevitable before labor and management will agree on a new pay plan rules. First, labor will want to know whether management can guarantee that all employees will receive a minimum pay raise. Second, labor will want to know how employees can appeal or grieve a pay decision in the new plan. Your labor negotiator at the State Office of Labor Relations will provide some options for proposals to exempt individual pay decisions from the union contract's final and binding arbitration provision.

How do we begin the appropriate discussions with the union about our broadband pay plan rules? Once you've taken the prerequisite steps explained previously, your agency should contact your representative from the State Office of Labor Relations. The office will work with your human resources professionals and managers to help develop a management proposal and bargaining plan. Labor relations staff will contact the union representative at the appropriate time and help coordinate the necessary labor-management communications.

Because performance, competency and variable pay must be win-win propositions to be successful, agencies that choose to implement these options in unionized work units should consider designing the plans through a collaborative labor-management process, and not through a traditional bargaining process. Traditional position-based bargaining is adversarial by nature. Both sides come to the table with their own proposals and eventually "settle" with results that are less than satisfactory. When management develops its own pay proposal under these circumstances, unions and employees will predictably react with skepticism and suspicion. Agencies exploring these pay options should contact their representative in the State Office of Labor Relations to discuss the best ways to proceed.

Communicate

The importance of thoroughly communicating your agency's broadband pay rules cannot be overstated. Effective communication is the foundation where agencies build positive cultures and employees work toward common goals and objectives. Poor communication can derail those efforts.

Effective pay communication is well planned, sustained, and repetitive. When it comes to significant organizational change, remember people panic in herds and recover one by one. The responsibility for effective communication is shared between agency management teams. Top managers (agency directors, deputy directors, and division administrators) demonstrate their support for the pay plan rules by taking the lead in explaining and clarifying how those rules support the agency's mission, goals, and objectives. Human resource officers communicate the design, answer questions, and generally support the pay strategies. Immediate supervisors, however, play the most critical role. They become the center of effective communications.

Your agency's best chance for embracing pay system changes rests with supervisors who engage employees. Good supervisors will ensure that employees understand the change. They will provide the leadership for employee acceptance. Educating direct supervisors to provide clear, truthful, balanced and employee-specific communications will ensure direct and continuous personal contact.

The Professional Development Center regularly offers its core series, "Essentials of Management" and "Essentials of Management 2." These curricula explore in depth the challenges of leadership and communication in all areas of supervision. Another useful workshop is "Managing Change."

As your management team designs its pay communication strategies, also bear in mind these realities unique to Montana state government:

- ***Pay is public information under Montana's constitution***. The public has the right to know a state employee's title and salary[8]. While this can be frustrating to some managers, public pay rates can positively reinforce the concept that employees are responsible for their own career decisions and pay rates. In fact, management consultants in the private sector now promote "open pay" as critical to creating high-trust, high-performance work environments. Secret pay practices lead to misunderstandings and perceptions that are more negative than real. Open pay practices can increase trust, employees' perception of fairness, and their understanding of the agency's goals and objectives.

- ***Montana state government can only guarantee pay increases for one biennium.*** Some state agencies have adopted broadband pay rules that establish specific pay rates (e.g., 95 percent of the market midpoint, five steps to the market midpoint, etc.). There are many sound reasons for designing these pay plan rules. The communication challenge rests in 1) the implicit promise that employees will continue to receive regular pay raises or be paid at a certain percent of market beyond the current biennium and 2) the agency's ability to "keep" this implied promise as the agency's finances and/or the labor market changes.

  Montana state government operates under a biennial budget cycle. Increases in personal services funding depend on available revenues, collective bargaining and executive and legislative approval. While the agency's pay philosophy remains long-term, funding levels may change from one biennium to the next.

  Agency pay plan rules should be flexible enough to respond to the ebb and flow of financial resources. Agencies with pay plan rules tied to an external measurement such as a percent of the market midpoint may find themselves out of compliance with their own pay plan rules and/or pay philosophy as their financial

[8] Attorney General Opinion 38-109

resources tighten and the agency can no longer afford this approach.

Agencies may also find themselves out of sync as external market conditions change. External labor markets may experience a surge in supply resulting in a decrease in the occupation's competitive pay zone. Agencies with pay plan rules tied to this external measurement may find themselves in a position whereby their employees' pay now exceeds their pay plan rules leaving the agency to wrestle with questions of how they should proceed.

If your agency ties their pay play rules solely to an external measure such as the market midpoint, take careful steps to explain the above realities to employees.

Agencies must revisit their pay plan rules at least every two years.

- ***Pay communications in a unionized office cannot occur until the agency has reached a ratified agreement with the employees' exclusive bargaining agent.*** The previous chapter addressed Montana state government's obligation to bargain broadband pay plan rules with employees' exclusive representative. It's worth mentioning again. Communicating pay decisions before reaching agreement with employees' exclusive representative subjects the agency and the State of Montana to potential unfair labor practice charges.

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We designed this guide to assist executive branch human resource professionals, supervisors, and managers in understanding the broadband pay plan. It is a companion to information contained in statute and policy.

We will provide alternative accessible formats of this Guide on request. If you need an alternative format, please contact the State Human Resources Division, Department of Administration, 125 N. Roberts St., PO BOX 200127, Helena, MT 59620-0127. Telephone 406-444-3871. Those using a TTY may call through the Montana Relay Service at 711.