Agenda for Tonight

- What is Skill Based Pay?
- Typical Skill Based Pay system
  - Sample Skill Blocks
- Advantages/Disadvantages of Skill Based Pay
- Determining if SBP is a good fit
- Design summary of SBP program
  - Framework
  - Implementation Steps
  - Next steps
What is Skill-Based Pay

- Skill-Based Pay (Other terms: Competency Based Pay/Pay for Progression)
  - Innovative reward system
  - Promotes workforce flexibility
  - Rewards individuals on the number, type, and depth of skills mastered

- Differs significantly from traditional reward systems
  - Pay a base wage according to the specific job an employee performs

- Exists in a variety of forms and industries
  - Manufacturing, Retail, Financial services

- Philosophy
  - The more an employee learns and is able to apply on the job, the more he or she earns

- Can vary but all have the following similarities:
  - Exclude managers and cover hourly production as well as a number of white collar staff groups
  - Examples include finance, engineering, management information systems, and customer service
Skill-based Pay System

- Purpose of SBP systems:
  - Workforce flexibility
  - Engaged workforce through enhanced skill acquisition
  - Retention of workforce through growth and development opportunities and possibly above market wages
  - What is/are your organization’s reason(s)?

- Number one reason for defined employee engagement among Millennial’s, Gen X and Gen Y
  - Growth and Development...What’s in it for me?
Advantages

- Flexibility in Position Coverage
  - enabling work teams to cover for absent members for short periods of time

- Improved participation in problem solving
  - wider perspective on total work flow
  - focus on problem areas and avoid idle time waiting for problems to be fixed by others

- Higher commitment to organizational goals due to broader perspective

- Increased self-esteem from development of personal talents

- Improved self-managing abilities

- Higher minimum hiring qualifications because employees are required to progress through a multi-skilled job

- Overall increases in total productivity
Disadvantages

- Higher skill levels may require higher wages in the marketplace (can sometimes be offset by lower total unit cost savings or higher productivity)
- Training Investment (time and money)
- Difficulty in identifying comparable jobs/job families
- Administration can be cumbersome
- Personal reluctance from employees to train and learn more
- “Topping out” a the highest pay rate with no more increases (management track and structure movement)
Framework of Skill Based Pay

- Framework of SBP System
  - Articulated skill blocks: group of skills for a particular job category
    - Skill matrix: assembly of skill block
  - Assigned pay rates for mastering skill blocks
  - Mastery obtained through defined OJT and external training
  - Defined period before moving to next skill block (what does complete performance look like?)
  - Upon mastery of all skill blocks, the employee either moves back to a traditional merit based system or moves on to an incentive arrangement
Sample of Core Skills for Skill Block

- Core Skills
  - Technical Skills
  - Expanded Skills
  - Specialty Skills
  - Business Skills
  - Leadership Skills
  - Interpersonal Skills
  - Management Skills

- Workers are paid for
  - Number
  - Kind and or
  - Depth of skills they develop

- Skills May Be
  - Horizontal
  - Vertical
  - Or Depth (depending on the objective)

It all starts with GOOD Job Descriptions
# Sample Skill Block

<table>
<thead>
<tr>
<th>Beginning</th>
<th>Developing</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fulfills role</td>
<td>Fulfills role and engages others</td>
<td>Dynamically moves between and among roles without “stealing thunder” or monopolizing the conversation</td>
</tr>
<tr>
<td>Makes text-to-self connections</td>
<td>Makes self-to-text and text-to-text connections</td>
<td>Makes self-to-text, text-to-text, and text-to-concept connections</td>
</tr>
<tr>
<td>Offers clearly stated opinions and ideas</td>
<td>Builds on the ideas and opinions of others</td>
<td>Is able to either build on or respectfully refute the ideas and opinions of others using support from the text</td>
</tr>
<tr>
<td>Pays attention when others are speaking</td>
<td>Actively listens and uses nonverbal gestures to encourage others</td>
<td>Actively listens with the intention of learning from others rather than being heard</td>
</tr>
<tr>
<td>Asks questions</td>
<td>Asks questions to help the speaker make his or her point more clearly and honors wait time</td>
<td>Asks questions to elicit critical thinking from others in the group</td>
</tr>
<tr>
<td>Sets aside prejudices and misconceptions</td>
<td>Acknowledges and sets aside prejudices and misconceptions</td>
<td>Examines own prejudices and misconceptions as growth opportunities</td>
</tr>
<tr>
<td>Maintains respectful tone and language when disagreeing</td>
<td>Embraces different points of view</td>
<td>Invites other points of view and restates and summarizes what others are saying</td>
</tr>
<tr>
<td>Helps the literature circle be successful</td>
<td>Helps the literature circle be a safe place for expression</td>
<td>Helps the literature circle be an authentic conversation</td>
</tr>
</tbody>
</table>
### Sample Skill Block

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Engineer I (Associate Engineer)</th>
<th>Engineer II (Engineer)</th>
<th>Engineer III (Senior Engineer)</th>
<th>Engineer IV (Principal Engineer)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td>0-2 Years with Bachelor’s degree (Technical, Scientific, Engineering)</td>
<td>3-5 Years with Bachelor’s degree (Technical, Scientific, Engineering)</td>
<td>6-10 Years with Bachelor’s degree (Technical, Scientific, Engineering)</td>
<td>10+ Years with Bachelor’s degree (Technical, Scientific, Engineering)</td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Knowledge Proficiency</strong></td>
<td>Requires detailed knowledge of a specialized or technical field.</td>
<td>Requires in-depth knowledge of principles and practices within a specific area of a professional field.</td>
<td>Requires in-depth knowledge of principles and practices within a specific area of a professional field.</td>
<td>Requires broad knowledge of principles and practices within a professional field.</td>
</tr>
<tr>
<td></td>
<td>Limited use and/or application of technical principles, theories and concepts.</td>
<td>Requires frequent application of technical standards, principles, concepts and techniques.</td>
<td>Complete understanding and wide application of principles, theories and concepts in the field. General knowledge of other related disciplines.</td>
<td>Applies extensive technical expertise and has full knowledge of other related disciplines.</td>
</tr>
<tr>
<td><strong>Planning/Analysis</strong></td>
<td>Develops solutions to routine technical problems of limited scope.</td>
<td>Provides solutions to a variety of technical problems of moderate scope and complexity.</td>
<td>Provides imaginative and thorough solutions to a wide range or difficult problems.</td>
<td>Develops technical solutions to complex problems which require the regular use of ingenuity and creativity.</td>
</tr>
<tr>
<td></td>
<td>Information is utilized and analyzed after selecting the proper method of analysis.</td>
<td>Some original analysis and interpretation is needed to arrive at conclusions.</td>
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</tr>
<tr>
<td></td>
<td>Moderate ongoing planning is required with frequent review of activities.</td>
<td>Moderate ongoing planning is required with periodic review of activities.</td>
<td>Moderate ongoing planning is required with periodic review of activities.</td>
<td>Significant ongoing planning requires regular formal review of programs and coordination with other organizational units and resources.</td>
</tr>
</tbody>
</table>
## Sample Skill Block

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>IT Coordinator</th>
<th>Network Analyst</th>
<th>Senior Network Analyst</th>
<th>Unit Manager – Technical Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education and Experience</strong></td>
<td>3+ years experience, or equivalent, in PC Support and Help Desk functions. High School diploma or equivalent. Certifications such as: MCSE, MCAS, CCNA/CCNP/CCIE, Comp TIA A+.</td>
<td>4-7 years experience, or equivalent, in Network Systems administration, support &amp; maintenance. Bachelor’s Degree preferred, or equivalent experience. Certifications such as: MCSE, appropriate set of MCP’s, CISCO, Novell CNE.</td>
<td>4-7 years experience, or equivalent, in Network Systems administration, support &amp; maintenance. Bachelor’s Degree preferred, or equivalent experience. Certifications, plus work experience. Certifications such as: CCNP/CCIE, MCSA Windows Server 2008, VCP5-DV.</td>
<td>8+ years experience, or equivalent, in Network Systems administration, support &amp; maintenance. 3+ years management experience. Bachelor’s Degree, preferred, or equivalent experience.</td>
</tr>
<tr>
<td><strong>Knowledge, Skills Abilities</strong></td>
<td>Basic knowledge of servers, routers, switches, cabling, and network drops. Basic verbal and written communication skills required.</td>
<td>Intermediate knowledge level of servers, routers, switches, cabling, and network drops. Intermediate verbal and written communication skills.</td>
<td>In-depth knowledge level of servers, routers, switches, cabling, and network drops. Intermediate verbal and written communication skills, leadership, and conflict resolution skills.</td>
<td>Expert knowledge of servers, routers, switches, cabling, and network drops. Advanced cross-functional communication, leadership, partnership building, negotiation, and conflict resolution skills.</td>
</tr>
</tbody>
</table>
Traditional Skill-Based Pay System

- Types of skill blocks:
  - **Horizontal Skills**—Skill acquisition across several jobs (most common)
    - Upstream, downstream, parallel skills to the original job within a production or service process or department (e.g., Assembler, Machine Tech, Production Worker II)
  - **Depth Skills**—Skill acquisition within a single job or job family
    - Apprentice
    - Journeyman
    - Master Craftsman
  - **Vertical Skills**—Skill acquisition of specialized tasks
    - Scheduling
    - Problem solving
    - Training
    - Communicating
    - Coordinating
    - Managing people
Determining if SBP is a Good Fit

- **Operational Fit**—SBP programs best work in manufacturing, customer service/retail or financial services settings where the company believes there is an opportunity to improve
  - Customer satisfaction
  - Cost reductions
  - Productivity improvement

- **Culture Fit**—SBP programs best work in organizations which:
  - Stress continuous learning and growth
  - Embrace pay for performance
  - Have a participatory management style
  - Have a healthy and honest level of trust between management and workforce
  - Employees will embrace (or are not opposed to) working in flexible job assignments once they understand the SBP system
Determining if SBP is a Good Fit

- **Technology Fit**—Work best in organizations that:
  - Have highly interdependent operations and jobs which can be enriched
  - Depend on team workforces and performance
  - Have technology which can measure productivity outcomes

- **Size Fit**—Work best in smaller production type environments

- **Financial Fit**—Work best in organizations which do not have wide swings in financial performance over an extended period of time
Implementation Steps

- Readiness assessment (employee involvement, management contributions)
- Change Management Strategy (Outline program and develop communication campaign)
- Review work methods and process flow
- Skill block architecture (career matrices)
- Compensation plan (market data)
- Certification measures and procedures (how will actions be measured)
- Training programs/curriculum needed
- Administrative control (policies and procedures of plan)
- Modify human resources policies, as needed
- Modify current reporting relationships
Sample Implementation Process

1. Identify Tasks
2. Identify Skills
3. Design ‘Progression’ System (or Skills Combinations)
4. Develop Assessment Criteria for Step Progressions
5. Design, Develop Competency-Based Training Program

Source: PMA Organization
Next Steps

- Decisions:
  - If there is an interest in moving forward?
  - How do we get management buy in?

- If yes first step is observations/assessment
  - Develop a written summary of on-site observation notes readiness assessment
  - Propose implementation process and calendar
  - Determine if training is possibility

- This typically requires 4 to 6 months to fully implement the program; the two month variance is dependent on skill block training curricula, etc.
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