PATHWAYS AND PROGRESS:

Best Practices to Ensure Fair Compensation

A cutting-edge report on compensation practices demonstrating flexible approaches and proven solutions

by Chicago Area Partnerships
A collaboration of community, government and corporate representatives

The Chicago Area Partnerships (CAPS) is a unique organizational model encompassing community, government and corporate representatives who have come together in partnership to discuss and provide leadership on workplace issues in which they have shared interest. Convened in 1992, CAPS was created to provide a forum where key women's and civil rights organizations, federal contractors considered leaders in affirmative action, and Office of Federal Contract Compliance Programs (OFCCP) officials could come together to examine, discuss, and devise innovative programs to address any or all aspects of cutting-edge issues in equal employment opportunity/human resources (EEO/HR), as well as to share creative and voluntary approaches to already-existing programs and policies. CAPS fulfills two significant purposes. First, meetings of this uniquely composed group result in bringing together important players to network and communicate different perspectives and practices. Second, it provides opportunities to collaborate on specific EEO/HR projects.

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Abbott Laboratories
Allstate Insurance Company
Bank One
Deloitte & Touche LLP
Exelon
Motorola
Northern Trust Bank

Chicago Jobs Council
Chicago Women in Trades
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Kathleen Almaney
Larry Holleran
Halcolm Holliman
Nick Judge
Joanne Strong

Additional copies of this report are available for $10 per copy to cover postage and handling from:
Women Employed
111 North Wabash Avenue
Suite 1300
Chicago, Illinois 60602

The report is also available online at www.womenemployed.org.

May 2003

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Executive Summary

Pathways and Progress: Best Practices to Ensure Fair Compensation is the product of the Chicago Area Partnerships (CAPS), a unique organizational model comprised of community, government and corporate representatives. CAPS was created in 1992 as a forum to discuss and provide leadership on workplace issues. In 1996 CAPS published a report, *Pathways & Progress: Corporate Best Practices to Shatter the Glass Ceiling*. Both of these reports and the CAPS model represent what can be achieved when common interests are identified and ideas are shared in a collaborative process.

Pathways and Progress: Best Practices to Ensure Fair Compensation begins by defining a set of commonly used terms as they relate to employment and compensation systems: *bias*, *compensation*, *compensation philosophy*, *discrimination*, *and fairness*. Fair compensation is an objective, balanced assessment of performance, market, competencies and other job-related factors. It is nondiscriminatory, nonbiased and, at a minimum, is in compliance with all laws and regulatory requirements. It has consistent internal systems and a regular audit to ensure implementation.

The report next identifies multiple barriers that often hinder the realization of fair compensation in many organizations. Potential barriers fall into one of the following five categories:

Philosophy: An internally published statement that articulates an organization's approach to compensation

Structure: Systems developed to implement a compensation philosophy

Administration: The implementation of compensation systems

Measurement: Internal processes and external benchmarks to evaluate implementation

Communication/Education: The openness and clarity of an organization's philosophy, process, and administration

Although numerous barriers to fair compensation are delineated in *Pathways and Progress*, it is vital that each organization identify those barriers that specifically affect that organization's unique culture and work environment.

Potential barriers include

- Failure to consistently apply the compensation philosophy to all levels of the organization, including executives and senior management.
- Wage compression issues that may generate fairness issues; for example, the marketplace may drive new-hire wages higher, while current experienced employees' salaries do not rise as quickly.
- Discretionary rewards that rely on a superior's discretion and judgment, rather than on preestablished criteria.
- Fear of what might be found (or fear of the potential cost of fixing what might be found) that may inhibit efforts to review practices or may inhibit communication about the results.
- Lack of communication about rewards systems: employees must fully know what it is, when it is awarded, and how it is awarded for the program to be perceived as fair and consistent.

Pathways and Progress presents a series of best practices that offer practical and effective solutions to address the barriers to fair compensation.

Best practices include

- Promoting an integrated view of rewards—not only traditional, quantifiable elements, but also more intangible, non-cash elements such as career opportunities, learning and development, work challenge, and supportive culture.
- Directly linking an organization's performance appraisal system to the compensation system and ensuring that people within the system know the relationship between the two.
- Transparency—in other words, employees understand the process or system by which they are paid.
- Auditing front end and back end with basic tests for irrelevant factors.
- Creating good dialogue at the top, with the CEO, owner or executive director.

CAPS believes that there is value in highlighting specific models or best practices to prevent or eliminate potential arbitrariness and/or discrimination in compensation practices. The report includes seven case summaries of programs that promote fair compensation. The organizations showcased represent a broad range of employers—small and large businesses from the corporate, government, and nonprofit sectors. Organizations were asked to submit case summaries describing efforts that were comprehensive, instructive and transferable and that demonstrated results. The case summaries capture many of the components outlined in the five best practice categories identified by CAPS. They are meant to be informative rather than exhaustive examples of best practices.

Organizations that contributed case summaries are

The Allstate Corporation
Bank One Corporation
Chicago Panel on School Policy
IRMCO
Northern Trust Corporation
United States Government
YSI Incorporated

Pathways and Progress: Best Practices to Ensure Fair Compensation provides reference points for organizations to assess and measure their compensation philosophies and practices. This report should challenge organizations to ask what more can be done to open pathways and achieve real progress for their employees.

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Introduction

Compensation is an essential and universal component of the management process of every organization. Most organizations want to fulfill their mission, achieve their objectives and maximize return on their investment, particularly on their human capital. Doing so requires that their compensation philosophy, design, delivery and decisions be balanced, fair, focused, and understood by their employee and potential employee constituencies.

The Chicago Area Partnerships (CAPS) is a forum of community, government and corporate representatives whose mission is to freely and openly discuss and provide leadership on workplace issues. The partnership has a ten-year history of bringing diverse, credible and unique perspectives to these issues. CAPS targets as major projects specific issues that are both pervasive and problematic—*pervasive* in that they affect workers at all levels in all types of organizations and work environments, and *problematic* in that they can be easily impacted by arbitrary and biased behavior.

Project purpose

CAPS' focus on this project is intended to promote fair compensation philosophies, policies, processes and behaviors. By encouraging practices that enable and enhance an organization's ability to recruit, retain, incent, and reward its employees, CAPS hopes to address both the real and perceived problems associated with compensation.

Value statement

The following beliefs are embodied in the organization, presentation and documentation of this project:

- Compensation should reflect the relative value of an individual's contribution to an organization, a principle that should be universally applicable to all employees in that organization. Actual compensation practices can be adversely affected by irrelevant factors and can consequently become arbitrary and even discriminatory.
- The employment community will benefit from a thoughtful discussion of the challenges in establishing and maintaining fair and equitable compensation practices within its unique organizations.
- There is value in highlighting specific models, including best practices that are effective in promoting fair compensation.

Project scope

The project's intent is to address compensation practices that are realistically applicable to all levels of employees, occupations and workplaces, including government agencies, for-profits and not-for-profits. The principles and fundamental concepts included in this study can also be useful in both the negotiation and the implementation of wage and benefit sections of collective bargaining agreements.

Primary audience

People who make compensation decisions will gain the greatest value from this project. That includes compensation committees of boards, executives, owners, managers and supervisors, human resource and compensation specialists, and union negotiators, i.e., anyone who cares about and can impact the fairness of compensation. In addition, employees, present and potential, will find this document helpful in understanding and determining what constitutes a fair compensation system.

Note to start-ups and micro businesses

The same principles and fundamental concepts in this study apply. See Resources, page 30, for additional materials.

Focus

The focus of this project is on the principles of fairness as they apply to employee compensation within an organization. Even though benefits are considered integral to any total compensation philosophy and the principles of fairness are equally applicable, the project's primary emphasis is directed to pay as represented by wages, bonuses, incentives, stock options, etc.

Fairness is an issue within companies and across labor markets. In this study the focus is on what can be controlled by individual or collective entities. Cross-industry or cross-sector issues, such as the relative social value assigned to industry vs. nonprofits or pay systems covered in master bargaining agreements, are examples of uncontrollable elements. We do, however, address issues in which market differences can influence the fairness of pay within a company, such as the weight given salary history in nonprofit vs. for-profit sectors.

Executive compensation, its fairness and its magnitude, are issues of current and continual interest to employees and the general public. Although we acknowledge the high interest, the *design* of compensation plans *for a few* of an organization's executives is not a specific topic of this project. However, the magnitude of executive compensation, both in actual practice and in perception, is referenced in various project sections as it relates to the concept of overall pay fairness.

As indicated in the "Project Scope" section, collectively bargained compensation and administration should include the application of the fair compensation principles and elements outlined in this project. However, the way in which bargaining is conducted, the development of bargaining objectives, priorities and trade-offs are not topic areas on which this project is focused. There is an implied assumption that concluded agreements are in the best interests of represented employees and the management with whom they are negotiated. Good faith in bargaining for fair compensation is a basic tenet.

This project is *not* an exposition of the technical aspects of compensation, comparable worth or living wage concepts, nor is it an interpretation of legal and regulatory requirements. Legal and regulatory mandates are considered a baseline for implementing any fair compensation plan or practice.

Value of the project to employers

All employers recognize the importance of attracting, hiring and retaining employees with the skills, abilities and other qualities necessary to achieve the goals of their organizations. These skills, abilities and qualities are possessed by many people whose personal characteristics—e. g., age, disability, ethnicity, gender, nepotism, race, sexual orientation, veteran status—may not be identical and should be irrelevant in making hiring, compensation, advancement, and other human resource and business decisions. Compensation is a key factor in attracting and retaining women and people of color, vital and growing components of the current and future workforce.

The models, practices, guidelines and research presented in this project will help employers evaluate their current compensation practices and solve equity problems they may have, as well as provide flexible and proven practices they may wish to adopt.

Definitions

Bias
Criteria used by an employer in employment decisions that are legal but have no objective correlation to work performance.

Compensation
Pay and benefits. Our focus in this document is primarily on pay. Pay includes wages, bonuses, stock options, incentives, etc.

Compensation Philosophy
The principles that guide design, implementation and administration of compensation in an organization. Compensation philosophy drives the strategy that aligns an organization's compensation program, consisting of both pay and benefits, with the organization's mission, goals and business objective. Having a compensation philosophy ensures that a compensation program supports an organization's culture.

Discrimination
Criteria that are used by an employer in employment decisions (e.g., hiring, compensation, promotion, discharge) but that are prohibited by law. Federal statutes prohibit discrimination in employment based on age, color, disability, national origin, race, religion, sex and veteran's status. State and local statutes may, in addition, prohibit discrimination based on marital status, parental status and sexual orientation.

Fairness
Fair compensation is an objective, balanced assessment of performance, market, competencies and other job-related factors. It is nondiscriminatory, nonbiased and, at a minimum, is in compliance with all laws and regulatory requirements. It has consistent internal systems and a regular audit to ensure implementation.

Barriers to Fair Compensation

Potential barriers to fair compensation fall into one of five separate categories: philosophy, structure, administration, measurement and communication/education. Listed here are the potential barriers within each category.

Philosophy

An internally published statement of compensation philosophy that clearly articulates an organization's approach to compensation can serve as an organizational compass to ensure that all compensation processes and decisions are aligned and supportive of the desired end result. Some potential barriers to fair pay related to compensation philosophy are as follows:

- Failure of an organization to develop and communicate an articulated compensation philosophy and system.
- A company culture that does not support its own articulated fair compensation policies and practices.
- Failure to consistently apply the compensation philosophy to all levels of the organization, including executives and senior management.
- Failure of an organization to maintain its compensation philosophy or to articulate the changes in philosophy caused by adapting to changes or trends in compensation practices over a period of time.
- Failure to clearly target a specific employee-applicant population within the same business segment and level, resulting in multiple and contradictory choices of whom the company wants to attract.
- Failure to take into account in the compensation philosophy the consequences and/or impact of other company actions such as mergers, divestitures, etc.
- Failure to recognize the unintended consequences of particular compensation decisions. For example, value-added compensation that pays people for perceived additional value to the business can be a double-edged sword: it can motivate those employees who stand to benefit from it and can discourage those employees who are not eligible.

Structure

Compensation practices are only as effective as the systems developed to implement the compensation philosophy. Most compensation systems have some form of grade or level structure that has implications for the fairness of the system. Some potential barriers to fair pay that are related to the structure of compensation systems and processes are listed here:

- The more complex a compensation system is, the more difficult it is to track decisions and criteria regarding compensation.
- Broad bands do not automatically resolve grade issues; job comparison within a broad band can become even more difficult.
- Some organizations place great faith in market forces and/or market data without understanding the uses, limitations and consequences.
  - Inaccurate assumptions that certain qualifications are necessary for a job can influence the market data used for that job.
  - Companies may decide to test for higher-than-minimum levels of qualifications, thereby skewing the information from which their market data are gathered.
  - Geographic differences in pay are sometimes a subset of the market data issue.
- An organization's performance appraisal system may or may not be tied to the compensation system, but the relationship should be made clear.
  - The performance appraisal system may not truly be tied to the compensation system when it is stated that it is.
  - The performance appraisal system may be of poor quality, and the faith and reliance placed on such a system to distinguish better and poorer performance may be misplaced.
  - Rankings and forced distribution components of performance appraisal systems may be counterproductive to fair pay.
- Wage compression issues may generate fairness issues; for example, the marketplace may drive new-hire wages higher, while current experienced employees' salaries do not rise as quickly.
- Systems may not have "fairness of results" as a stated goal, but the results of the processes need to be audited against legal and fairness standards.
- The existence of multiple pay systems within a company can be a barrier if all are not tied to an overarching compensation philosophy.
- Acquiring and blending (or not blending) pay systems through mergers or acquisitions can be a barrier. Whether or not two divisions are in the same or different businesses can be a factor in deciding whether to blend the pay systems. It is possible to have a companywide philosophy that ties different pay systems together.

Administration

The very best compensation system can be undermined by improper implementation. Some potential barriers relative to system administration follow:

- Consideration of and adjustment for the prior salary history of new hires can jeopardize fair pay in comparison to that of incumbents.
- The lack of integrated organizational systems can be a barrier; for example, the recruiting system may not be fully aligned with the compensation philosophy or system.
- A company's current market performance and its competitive position can limit its available cash for compensation.
- Discretionary rewards can pose problems for fairness because they rely on a superior's discretion and judgment, rather than on preestablished criteria.
- The greater the number of decision points in a compensation process by multiple managers at varying levels, or the more diffuse those points are, the greater the potential for unfair practices to creep into the system.
- Untrained managers making compensation decisions can affect fairness.
- Incentive pay that is reserved for certain jobs or levels can create perceptions of unfairness.
- Companies can use marketplace pressures as an excuse to defend themselves against inquiries into the fairness of their practices.
- Inconsistency breeds unfairness. For example, job grades may not always match titles across the organization—i.e., the same title can have very different grades across functions. Various factors may drive grades and titles within an organization, for example, salary history, seniority, value of the job to the organization, etc.
- Short-term decisions may have long-term consequences; for example, a difference in compensation that has minimal impact in one year can add up to a substantial impact over the course of several years.
- The ways that organizations quantify and compare risk for different jobs may not be valued consistently across the organization. Types of risk include risk taking for the organization, risk management for the organization, and risk that individual employees assume, such as commission-based pay.
- Compensation decisions may be tied to the perceived impact of irrelevant factors on performance, for example, being married or having children.
- Individual perceptions can influence fair pay. For example, managers may favor degrees from prestigious universities or prefer employees with higher GPAs.
- Workforce characteristics may unfairly influence pay practices; for example, younger employees may be more comfortable negotiating or discussing pay, and that factor may influence an individual manager to make unfair pay decisions.
- Consistency does not equal fairness: a compensation system or annual program that is administered consistently may still be unfair.
- Organizations may assign premiums for skills they do not already have in-house; but once these skills are in-house, they impact the pay and performance matrix of all other similarly situated employees.

Measurement

Compensation practices should include some internal processes and external benchmarks to ensure that there is no unintended barrier to fairness operating within the system or its implementation.

- The absence of a systematic self-examination process can be a barrier to fairness. Failure to audit pay systems periodically or to make corrections as needed can be a barrier to fair pay.
- Typically, organizations audit by race and gender even though these are not necessarily the only factors that can impact fair pay practices. For example, age may be an appropriate factor to audit. Although age can be tied to higher wages as a function of experience or seniority, some organizations may try to reduce costs by reducing the number of higher-paid employees.
- Audits are tied to systems issues: data that are not captured cannot be audited.
- The size and sophistication of a company can be a barrier to using some audit techniques to ensure fair pay practices. It is more difficult, for example, to see patterns in data from smaller companies. These may need to use different, simpler audit techniques.
- Because of their size, smaller organizations or smaller units within an organization may fail to audit and therefore may miss unfair practices or inequities.
- Fear of what might be found (or fear of the potential cost of fixing what might be found) may inhibit efforts to review practices or may inhibit communication about the results.

- Audit techniques may become barriers if they are selected to drive favorable results as opposed to providing the best objective information.

- Audit results may not drive the expected and required change.

- Comparison between dissimilar systems may produce erroneous conclusions.

Communication/Education

Open, honest, clear and consistent communication regarding the organization's compensation philosophy, process, and administration is a critical feature of a fair compensation program. Potential barriers to fair compensation related to communication and education are as follows:

- Since a company's philosophy can and should impact its actions and choices, it is imperative that all employees and prospective employees know the philosophy.

- The degree to which systems and benchmarks for measurement are clearly defined impacts both their fairness and the perception of their fairness.

- A real or perceived cloak of silence surrounding compensation can be used to keep unfair pay practices hidden and ongoing. For example, failure to post pay ranges where appropriate or to discuss ranges with employees or failure to create open communication and dialogue about compensation, including a mechanism for raising and resolving issues—all can be detrimental.

- Communication is critical for bonus plans to be successful; bonuses can be a barrier to fair pay if the bonus structure is unknown by the affected workforce.

- Communication is critical for rewards systems; employees must fully know what the program is, when it is awarded, and how it is awarded for it to be perceived as fair and consistent.

Best Practices

It is essential that each organization devise a compensation system in the context of its particular mission—what it is and what it does. It is also important that executive leaders embrace compensation/fair pay practices since these individuals are the true change agents. A compensation system grounded in fairness typically integrates various aspects of the five best practice categories listed here.

Philosophy

A compensation system encompasses a philosophy or set of principles by which people are paid. Best practices in a fair compensation philosophy include these:

- Communicate any differentiation in pay practices clearly (e.g., paying certain positions at higher-than-market rates because they are the core of the business).
- Clearly determine an approach for paying external hires relative to incumbents.
- Link pay ranges to neutral, relevant factors (e.g., skill level, competencies, job description).
- Link compensation to the organization's as well as the individual's and/or team's performance by ensuring that all pay systems within the company, including executive pay systems, are tied to the overarching compensation philosophy.
- Promote an integrated view of rewards—not only traditional, quantifiable elements, but also more intangible, noncash elements such as career opportunities, learning and development, work challenge, and supportive culture.
- Ensure that the pay philosophy is integrated with the benefits philosophy and programs.
- Demonstrate greater commitment to sharing results with employees through bonuses, incentive pay, use of options, etc., if feasible.

Structure

Compensation practices are only as effective as the systems developed to implement the compensation philosophy. Some best practices related to the structure of compensation systems and processes include the following:

- Develop tracking tools and processes to monitor compensation criteria and decisions.
- Understand the impact of market forces and/or market data on the compensation systems, and challenge assumptions that may drive inequity.
- Directly link an organization's performance appraisal system to the compensation system, and ensure that people within the system know the relationship between the two.
- Recognize wage compression issues, and devise a strategy to address them.
- Routinely audit the outcomes of compensation systems against legal and fairness standards (see "Measurement").
- Identify and resolve potential fairness issues when acquiring or blending (or not blending) pay systems through mergers or acquisitions.

Administration

A compensation philosophy is only as good as its implementation. In a consistently administered and applied compensation system these practices are followed:

- The manager has a key role in the effective delivery of the compensation system.
  - Managers are trained so that they understand basic principles of compensation and the organization's philosophy of compensation. In addition, behavioral training is provided on how to make compensation decisions, communicate about compensation to employees, and so on.
  - Managers are equipped and supported in communicating about

Rewards Systems

compensation in the organization, including the risks and the benefits of open communication.
  - Managers are rewarded (in their own compensation) for effective implementation of compensation programs and have consequences for not handling compensation well.
  - Employees are given some responsibility for dialogue with their managers. In that way, if the manager does not initiate conversation, the employee may.

- Performance is inextricably linked to compensation, and a clear, well-communicated performance management system is in place.
  - The manager and the employee set clear standards and/or goals at the beginning of the cycle.
  - The manager and the employee determine up front how performance will be measured.
  - Regular progress discussions take place between the manager and the employee.
  - An annual discussion of performance that occurs between the manager and the employee is open and honest and focuses on past performance, development in the future and goals for the next period.

- Transparency is key—in other words, employees understand the process or system by which they are paid.

Measurement

What is measured and reported is what gets results. Suggested best practices include

- Test/evaluate both quantitatively and qualitatively.
  - The distribution of performance ratings in relation to pay increases
  - Employee surveys
  - Turnover rates
  - Exit interviews

- Audit front end and back end with basic tests for irrelevant factors.

- When testing reveals deficiencies, provide managers with information, training and tools so that they can implement necessary changes with full understanding.

- Conduct periodic checks to ensure that reality matches philosophy and that equity is maintained. For example, how does the organization deal with external hires' vs. incumbents' pay and other causes of wage compression?

Communication/Education

A well-communicated system includes the following:

- Benchmarks for measurement that are defined clearly up front

- Good dialogue beginning at the top, with the CEO, owner or executive director
  - Manager-to-manager communications across business units
  - Communication between employees and managers to set objectives and discuss performance and pay
  - Pay ranges that are posted for employees to facilitate an open dialogue and provide an explanation of how they are paid
  - An identified process or person for employees to follow or consult if they feel their pay is unfair

The Allstate Corporation

Case Summary

Allstate offers a wide range of protection and savings tools that work together to achieve financial security. The Allstate Corporation is the nation's largest publicly held personal lines insurer. Widely known through its slogan, "You're In Good Hands With Allstate, ®" Allstate has approximately 13,000 Exclusive Agents in the U.S. and Canada, and provides insurance products to more than 16 million households served though Allstate and non-proprietary channels. Customers can access Allstate products and services through Allstate agents or, in select states, at allstate.com and 1-800-Allstate. Encompass and Deerbrook Insurance brand property and casualty products are sold exclusively through Independent Agents. Allstate Financial Group includes the businesses that provide life insurance, retirement and investment products through Allstate Agents, workplace marketing, Independent Agents, banks and securities firms.

Founded in 1931 as part of Sears, Roebuck & Co., Allstate became a publicly traded company in 1993. At the time, its initial public offering was the largest in U.S. history. On June 30, 1995, it became a totally independent company after Sears divested its remaining shares to Sears's stockholders.

Allstate, based in Northbrook, Illinois, is one of the nation's leading insurers in urban areas and has supported auto and highway safety reforms including seat belts, air bags, and teen driver education. The company has won numerous awards over the years for its philanthropic and employee volunteerism efforts.

Total number of employees: 39,627

Number of employees impacted: 3,380 in Information Technology (IT)

Purpose: An innovative pay structure to ensure competitiveness in the IT market predicated on: compensation linked to performance; management responsibility for effective delivery of the compensation system; and tools to facilitate communication between managers and employees

Background: The current pay system began in early 1997. Due to the IT department's continually changing work environment and the volatility of the IT job market, it was necessary to move to a pay structure that provided more flexibility and ensured competitiveness in the market. A pay structure program called Career Clusters was implemented in July 1998. Prior to this, jobs in IT were distributed in 19 narrow salary grades with only a 5% difference between each salary grade and a 50% range spread. It was very challenging for the IT group to distinguish work performed by employees compared to how work was being defined in the marketplace. Through several iterations since its introduction, there are currently three very broad Cluster levels below the incentive eligible manager. Each Cluster has an established minimum and maximum range of opportunity with range spreads over 200%. Each Cluster is defined by a set of universal competencies: Leadership, Accountability/Results, Collaboration/Teamwork, and Customer/Client Focus.

A Market Reference Range (MRR) has been established for each market description from Allstate's survey sources that aligns to work that is performed within the organization. The MRR provides perspective on how much the work pays in the marketplace. The MRR is used in salary administration as a guideline in making a salary increase decision. The Market Data is established using a reputable salary survey in the market conducted by Mercer. The MRR may fluctuate up or down from year to year, driven by market changes in the survey data. To alleviate substantial swings in the data, a two-year average is used to establish the MRR. The broader salary range for the Cluster allows for additional opportunity beyond the MRR to recognize employees continuing to acquire new skills and provide higher levels of performance results. Two key job aids are provided to salary administrators to assist in the salary making decision. The first is a communication document, "The Pay Decision Process – Job Aid and Worksheet." It is intended to facilitate a conversation between the manager and the employee regarding the salary decision process. The second is a "Relative Review Process (RRP) – Job Aid," which provides the manager with additional insight into three variables that should be considered when deciding how much of an increase should be given to an employee. The three variables are employee performance, relativity to the market, and impact of the work to the organization. The results of the employee's performance represent two thirds of the decision, and the other two variables make up the remaining third. Promotions occur when an employee takes on additional responsibility when moving from one Cluster to another Cluster at a higher level (see page 13 for diagram of Career Clusters).

Strategy: Members of the compensation team and a team of line managers from IT formed a partnership to create the Career Clusters structure within IT. This team helped to create the design, implementation and communication processes that would be needed for such a significant change. The line managers in IT led the meetings to reiterate the company compensation philosophy and explain why Allstate needed to stay in sync with the dynamic IT environment by introducing Career Clusters as a way to ensure competitive pay. This approach provided more credence amongst the IT community to embrace the change more easily and create ownership of Career Clusters.

After the initial introduction of Career Clusters, the next phase involved an exercise for the manager to match each employee to the market descriptions. It was very important for managers to base their decision on the work, not the performance during this phase. First, the manager compared the universal competency attributes for a specific Cluster for every employee to determine the appropriate Cluster level. Managers were also provided with a chart indicating the prior salary grade alignment that coincided with the proposed Cluster environment as a reference. Second, the employee was aligned to a market description within the Cluster that represented the work performed from day-to-day.

For each market description, there is a corresponding MRR, which represents the market salary range (25th, 50th, 75th, and 90th percentiles), as a guide for managers when making salary decisions. The MRR is a reference for managers to determine what the market is paying for the type of work listed in the market description. The overall Cluster salary range, consisting of a minimum and maximum, is what managers govern (the top and the bottom of the salary range opportunity). Employees will be matched to different market descriptions as their work or skills change; therefore their MRR will change accordingly.

Outcome and conclusion: The Career Clusters pay structure provides flexibility and ensures that Allstate IT professionals are competitively paid in the marketplace. Career Clusters has been successful by virtue of a very low turnover rate over the past several years. A continuing challenge is keeping managers and employees fluent in how Career Clusters works, while transferring within or out of the IT environment. Overall, the feedback from managers and employees is favorable for the Career Clusters structure.

Career Clusters Universal Competencies — Consultant Level

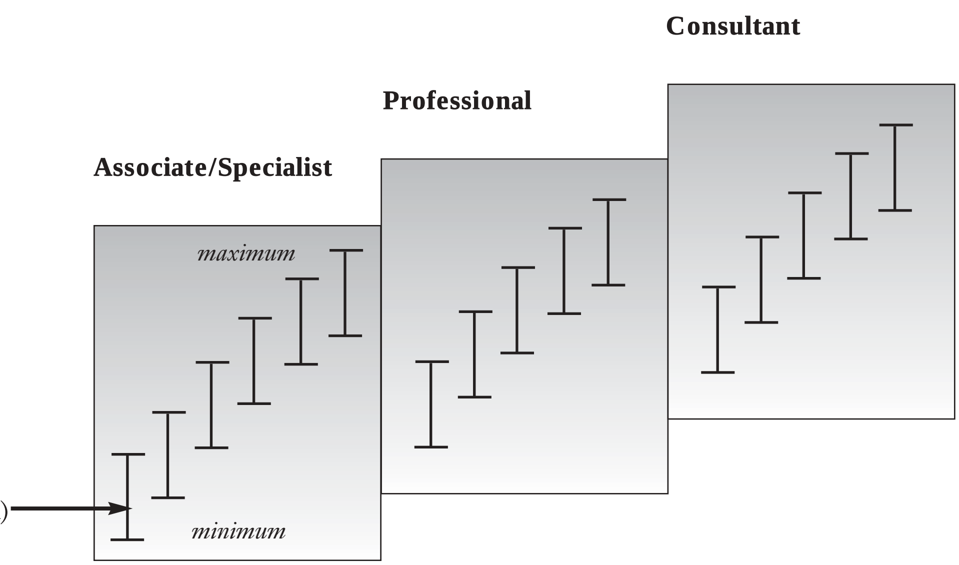
Role Level	Universal Competency			
	Leadership	**Accountability/ Results**	**Collaboration/Teamwork**	**Customer/Client Focus**
Consultant	Coaches, mentors, and influences others to accept change and reinforce corporate vision. Revises and adapts work processes to support changing business tactics. Customarily and regularly exercises discretion, latitude and judgment.	Accountable for specific project or process results.	Provides guidance to and oversight of collaborative efforts including teams. Most results are accomplished through collaboration with others. Little or no routine work.	Manages specific relationships with customers or clients. Defines customer or client relationships. Formulates customer or client solutions. Monitors client or customer satisfaction.

Career Clusters Salary Range Opportunity — 3 Cluster Salary Ranges

-Market data

-Provides the 25th to 90th percentile total cash

Market Reference Range (MRR)



Bank One Corporation

Bank One Corporation, headquartered in Chicago, is the nation's sixth largest bank holding company. Bank One is a diversified financial holding company that offers a full range of financial services to consumers and commercial customers through its domestic retail and small business banking, its lending, treasury management and capital markets products to commercial customers, its credit card services, and investment and management services. The Corporation operates national lines of business, which include Commercial Banking, Retail Banking, Investment Management and Credit Card Services along with its corporate functions.

Bank One Corporation was formed in 1998 by the merger of two large banking companies, First Chicago NBD Corporation and Banc One Corporation. Human Resources practices from both legacy organizations were reviewed and integrated. Creating a premier financial services organization that delivers solid, profitable long-term growth required building the core infrastructure for sustained success. Doing the right thing for shareholders and the long-term health of the company necessitated an examination and restructuring of compensation to make it less entitlement-based and tied more closely to how well the company and individual perform.

Total number of employees: 72,553

Number of employees impacted: All

Purpose: Post-merger integration of two very different compensation systems to align with an overarching compensation philosophy tied to competitive base pay and performance-based compensation

Background: Following the merger of legacy First Chicago NBD ("FCNBD") and Banc One in October, 1998, a key post-merger task entailed integrating all of the various salary administration and bonus or incentive compensation programs. Attaining a full integration depended on melding the differing philosophies, programs and support systems for establishing and administering variable pay. For example, at FCNBD, actual individual incentive awards were provided at management discretion, while at Banc One, individual awards were based significantly on financial results, measurable factors or "ratings" with small discretionary components. At FCNBD, the performance review process was not directly linked to the incentive award process and was not focused on quantitative ratings. By contrast, at Banc One, performance ratings were integrated into a scorecard for determining individual awards. FCNBD had few unique lines of business incentive plans while at Banc One, a majority of management employees were eligible for line-of-business controlled incentive plans. FCNBD used pay bands while Banc One used pay grades for exempt and non-exempt jobs.

In designing the initial post-merger compensation program, elements were incorporated from each organization's past programs. For example, in 1999, Bank One standardized the compensation program utilizing pay banding. The pay-banding program was designed to streamline salary administration and provide more flexibility with respect to individual salary management, job assignments and developmental experience.

Each business segment established incentive plans that covered eligible employees (eligibility was established at a defined pay-band level). Past expense history influenced the funding of the incentive pools, but business segment performance could result in a reduction in funding. Individual awards were based on a mix of financial results and scorecard measures that were usually established within each business segment. Individual "scorecards" typically did not contain individual award targets or formulae, but often contained general funding or award ranges and specific performance objectives. Also, stock options were distributed as part of a total incentive package to qualified employees, generally including a mix of cash, restricted stock and options, depending on level and performance.

Immediately following the merger, there was no direct linkage between performance and compensation. Rather, compensation systems focused on retaining key employees. A performance evaluation system was designed that focused on fostering a development-oriented environment. Managers and employees were encouraged to engage in performance communication to facilitate career discussions. Employees were involved in the evaluation process, but performance was described without reference to a label or number.

Strategy: Bank One's philosophy is to be the leanest, best performing company, with competitive base pay and performance-based compensation targeted to the top quartile of the market. Compensation will reflect how well the company and individual perform. Beginning in 2001, with a new Chairman and a new management team, Bank One's compensation philosophy and systems were revised to attain a greater alignment between the shareholder, management and employee interests. One issue was how to make the compensation system fairer, competitive and a driver for change in the organization. The concern over "fairness" related to the belief that compensation should be based on the impact of the employee's position to the organization and demonstrated performance. New incentive plans have been designed to create a balance between individual and collective accountability. The goal is to have employees be able to make more money, but only if the organization performs. In addition, there was a move to reduce or eliminate entitlements for more highly-compensated employees that reward employees purely based on rank, expectations or longevity in the corporation (such as 401(k) plans).

Revising the compensation philosophy had several components:

- The Chairman and the Planning Group (the executive management team) decided they should not receive a cash bonus or restricted stock based on the Bank's performance in 2000, which was a "rebuilding" year. This underscored the commitment to the principle that Bank One would not pay senior managers more when the company does worse. Communication was provided to all employees to emphasize that senior managers would be the first to sacrifice, where appropriate. The higher the managerial level, the more his or her compensation would be tied to the company's performance.

- The performance review process was revised in 2001 to establish ratings to more clearly differentiate performance among individuals. In the performance review, employees are evaluated on standard "core competencies" as well as job-specific standards and/or individual goals and objectives. All employees receive an overall rating of "Exceeds Expectations," "Meets Expectations" or "Needs Improvement." The performance review and rating are required annually in conjunction with the annual compensation review. In addition, annual incentives paid to individual contributors require the support of a performance rating.

- In formal communications from the Chairman and in his informal "town hall" meetings, employees are clearly informed of the changes in compensation to support a new corporate culture. Employees are informed that they are entitled to receive meaningful performance reviews with regular feedback and constructive advice. There is an increased emphasis on raising the bar on performance targets, individual accountability, initiative and attainment of results. Increased management reporting of accurate and fair reporting of financial and performance metrics has been implemented to make decisions based on fact to allocate resources properly and to help support performance-based compensation.

Employees continue to initiate the performance review process by completing a self-assessment of their performance. This performance review instrument is typically accompanied by dialogue between the employee and manager and facilitates the clarification of expectations, the discussion of performance concerns and development needs, and the establishment of future goals.

- For annual incentives, potential funding levels for the business segments are reviewed together during the year based on ongoing performance indicators. In that way, businesses are evaluated on an incentive perspective based on the performance and success of the organization, as well as the performance of the business against its business objectives and performance plan.

- For base salaries, the target competitive posture is to pay at or near the median for similar positions in competitive organizations while increasing the competitive pay posture through use of cash and restricted stock incentives and selective stock option awards. The goal is to encourage employees to think and act as stakeholders by offering them an appropriate stake in Bank One's financial performance. For that reason, Bank One established a new relationship of restricted stock to annual cash as part of a combined package of cash and restricted stock as the reward for previous year's performance provided to eligible and deserving employees. Total annual incentive distribution guidelines for the prescribed target mix of cash and restricted stock are provided to managers in all lines of business and groups. All awards are based on business unit and/or corporate financial results and individual financial or non-financial goals and objectives. The impact of corporate financial results increases for higher level positions, which reflects the impact of such positions on the performance of the organization. The higher the manager, the more his or her compensation will be tied to the company's performance. Obviously, pay for performance contains a risk component for failure to perform, both at an individual and organizational level.

- Stock option awards are no longer granted to employees as a substitute for decreased incentive pool funding and lower bonus amounts. In fact, they are done at a different time of year than the merit increase, bonus and restricted share decision. Stock options are not entitlements for individual employees based on rank. Individual stock options are awarded to the highest professional and managerial level performers who will stay to strengthen the performance of the Bank. Stock options may be awarded annually or less frequently. The primary factor considered when determining an employee's option award is the employee's ability to positively impact Bank One's future performance. Indicators include an employee's past performance, competencies, and skills (including management and leadership skills), commitment to the Corporation, potential to assume more responsibility and for significantly impacting the financial and operational success of Bank One in the longer term. The new compensation of the Bank provides more aggressive stock compensation opportunities at lower levels while maintaining total stock utilization near the average of peer companies.

In addition, Bank One has taken a lead in expensing options to provide clarity, transparency and accuracy to shareholders. Bank One was the first financial institution in the United States to take this step. Since many employees are stockholders through the stock purchase plan, this measure is an important internal as well as external issue.

- The band structure was found to be too broad to accurately reflect market practices for specific jobs. In reality, pay decisions will be made on market data tied to functional jobs. Also, from a developmental perspective, the Bank utilizes functional job titles and descriptions as the method to define individual career progression. As a result, the Bank's focus is to move away from pay bands and resultant obsessions on hierarchy to functional jobs and job families. This reflects the goal of shifting Bank One's culture to one that rewards individuals for the work they perform and the results that they deliver. This is part of the Bank's efforts underway to reinforce a philosophy of pay for performance.

Outcome and conclusion: Bank One redesigned its business models and has brought new thinking and perspectives into the organization. The process has involved continued change and further change will occur as systems are questioned and assumptions are challenged.

A challenge that continues is to administer the compensation program in a manner that conforms to corporate budget guidelines. Annual salary "merit" increases are not an entitlement for "presenteeism" – attendance at a job without regard to actual performance or the contribution of an employee to the organization's objectives and success. General guidelines have been developed as an average percentage for the award of merit increases, but managers are encouraged to differentiate among employees based on performance, competitive pay information, pay equity and budget.

The new compensation philosophy emphasizes the use of variable pay for exempt employees to build a performance-driven organization. Building fairness into the compensation systems and practices depends on several factors:

- *Clear guidance*. General instructions and guidelines for performance evaluations, annual salaries, annual cash incentives, and restricted stock recommendations are provided to each manager for the annual review cycle (ARC). The ARC guidance includes compensation guidance that emphasizes the importance of pay equity considerations and of demonstrating legitimate factors that account for differences in compensation among individuals (such as performance, skills, experience, level of responsibility, span of control, amount of authority and impact to the organization.) A separate decision is made about options.

- *Reviews and controls*. The ARC process provides for input by managers according to compensation plan guidance. The proposed compensation amounts and awards are reviewed by successive levels of line managers and by Human Resources Managers and line of business Compensation Specialists. Individual awards may be different than the suggested guidelines, but all recommendations are subject to senior management review.

- *Linkage to performance.* Performance reviews must be entered into the Bank's compensation system before any decisions are made for an individual. Performance results are reflected in merit as well as in bonus/incentive decisions.

- *Internal audits.* Line of business Compensation Specialists provide services that include conducting internal analyses of the compensation practices and proposed awards and distributions as part of senior managerial review of the compensation. The line of business Compensation Specialists and EEO compliance staff have teamed to provide tools for internal equity analyses to look at pay practices and the impact on minorities and women. In general, such analyses review compensation within the same functional job and line of business to establish valid comparisons based on the same job responsibilities. Where appropriate, special increases may be provided to recognize an individual employee's professional development or to adjust a salary amount to promote pay equity.

Chicago Panel on School Policy Case Summary

The Chicago Panel on School Policy (the Panel), a nonprofit organization, was founded in 1982 by a coalition of nonprofit agencies in Chicago. Its initial focus was on generating consensus among the group in response to a serious financial crisis faced by the Chicago Board of Education. The Panel always had as its mission the improvement of schools and education for Chicago's children. Throughout the changes in methodology listed below, the Panel stayed true to its mission.

In the early 1980s, the Panel was an active and effective partner in the education reform movement; its work helped produce the School Reform Act of 1988. From the late 80s through 1996, the Panel focused its efforts on research projects that examined the impact of reform on public schools. The Panel conducted definitive work on such issues as high school dropout rates, student mobility, school finance and local school councils.

In 1996, after several years of operating with only an oversight board of directors, the organization added a limited staff. The Panel also moved away from longitudinal research and expanded its focus to educational policies and practices, allowing the agency a broader voice on many school improvement issues. This was accomplished by defining, evaluating, supporting and advancing effective practices through short-term qualitative assessments, applications of research and public forums.

The Panel continued to carve out a special role for itself in the political realms of school reform and city politics by producing objective analyses of implemented reforms and their impact rather than advocating only for particular programs. The Panel achieved national recognition for the quality of its work and was successful in influencing public dialogue on many school reform issues.

Total number of employees: One or two full-time staff and between four and ten consultants and part-time staff

Number of employees impacted: All

Purpose: Promoting an integrated view of rewards that focuses on non-cash elements to attract and retain part-time employees and consultants in a nonprofit organization

Background: As is true with many nonprofit agencies, the Panel faced its greatest challenges in two areas—budget and staffing. The Panel's budget of $400,000 needed to cover employee salaries, overhead and printing costs. Clearly, each defines and limits the other. An important issue in staffing the Panel was how to attract and keep talented, qualified individuals in part-time positions in an organization that could not pay what might be earned in another industry. An additional staffing challenge centered on retaining individuals dedicated to education, a field unquestionably conscious of credentials and formal training, but in which budgets do not permit salaries that compensate those credentials.

Strategy: The Panel's strategy was simple: plan for the highly likely and eventual employee turnover in a way that was productive for both staff and the organization. The Panel could not compete in terms of salary, but it could offer a work environment that valued team work, shared responsibility and leadership, and rewarded quality work with recognition and experiences that enhanced the resumes of staff.

The Executive Director articulated a clear position and communicated it to the people she recruited and hired. Since the Panel could not match the salaries of the private sector, it provided other forms of reward: experience, training, project management and assistance in finding the next job. In return, the Panel asked employees to give as much notice as possible when they intended to begin searching for a job and not leave mid-project.

Suggestions for projects were welcome and training requests were approved because of the dual benefit to both the employees and the Panel—personal needs were met and skill levels of the staff improved. Once employees gave notice that they were beginning to look for a job, the Executive Director actively worked to connect them to her network of contacts and provided advice and guidance in exchange for a commitment by the employees to finish their projects and to help find and train their replacements.

Efforts to create a highly-valued work environment included flexible hours and an emphasis on completing the work rather than "punching the time clock." Staff meetings included breakfast or lunch supplied by the Panel. Time spent consulting with other staffers on problems and challenges was supported. The Executive Director encouraged staff to ask for items that might make working conditions more comfortable and therefore more productive—a new desk chair, a software program that would help everyone, a copier that worked. Taken together, these items cost the organization less than the salaries of one or two full-time employees, yet the strategy allowed for more help, fair hourly wages and good working conditions for the consultants/part-time employees.

The Panel also believed that it was important to encourage talented professionals to remain in nonprofit work. Staff realized opportunities to gain experience they might not otherwise have been able to until later in their careers—i.e., project management, project development, attribution for participation in projects, acknowledgment in Panel publications, and opportunities to meet leaders in the field. Employees received training and coaching to take initiative, to lead public discussions and forums and to try things they had not done before. While they clearly had not received the salaries they might have in another industry, when consultants/part-time employees left their work at the Panel, they had impressive skills added to their resumes and examples of quality work to which they had made significant contributions.

Outcome and conclusion: This employee development and compensation strategy worked well in allowing the Chicago Panel to be productive while managing the organization's turnover and small budget. Organizational productivity was very high. The Panel was successful in attracting high-quality, advanced-degreed people who were organized, highly motivated and knew how to take the initiative to get the organization's work done efficiently. Most employees stayed at the Panel for one or two years. Most also gave six months notice, which provided the Panel with time to plan to fill positions. Many former employees remained a resource for the Panel after they left. Some former employees were active as consultants for the Panel for an average period of two years.

One challenge to the strategy was that it required a great deal of management time to see that the projects were completed in a timely fashion. It would not have worked if the Executive Director had not exhibited a great deal of flexibility, willingness to deal with inevitable schedule changes and patience to manage people who were not present every day in the office. If she had it to do over again, she would restructure her position so that more of the day-to-day issues of the organization were handled by someone else so that the majority of her time would have been spent on project/people management.

However, as a whole, the Panel's strategy of proactively addressing and working with consultants and part-time employees was an effective way to deal with its compensation handicap and produce a large quantity of outstanding work which had a major impact on educational improvement. It provided a high quality workforce for the Panel and, at the same time, provided experience, training and career assistance for employees.

IRMCO

IRMCO has been located in Evanston, Illinois, since 1917 and is the only lubricant company in the world dedicated entirely to the formulation and manufacture of ecologically sound metal-forming lubricants. These products are developed without petroleum or mineral oils, with a focus on positive environmental qualities. IRMCO is widely recognized as the industry leader in new technology development and has routinely demonstrated its ability to replace oil-based chemistries in some of the most critical metal-forming operations. This fourth generation family-owned company was selected as one of Illinois's top two family businesses concurrently for three years by Loyola University and is the sponsor of the Precision Metal Forming Association's Environmental award.

IRMCO has always emphasized that outstanding people are the key to success. Its business concept is supported by a company culture that attracts the best and brightest associates who are focused on high performance results, socially and environmentally responsible products, sustainable growth and world class execution.

Total number of employees: 16

Number of employees impacted: All

Purpose: Overhaul of compensation and performance management systems to improve communication and more effectively link employee pay to performance

Background: In 1989, the President and CEO of the company died at an early age and left control of the company to his two sons. At the time of his death, IRMCO offered a variety of compensation packages. These included a discretionary Profit Sharing Plan, a Gain Sharing Plan, a Product Development Incentive, and a Commission Plan.

All of these offered some type of compensation. The following were problems associated with these plans:

- The Profit Sharing Plan was discretionary and paid into an associate's retirement account rather than a bonus.
- The financials were not shared with the associate, therefore there was confusion on how much net income was available for the Profit Sharing Plan and how it was divided between the associates.
- The plans were based on an individual's results, rather than a team effort.
- Commissions were paid on gross revenue without regard to expenses and higher margins.
- Most of the plans paid associates at year end, causing problems with the company's cash flow.

The company needed to introduce a new structure where the associate's compensation was variable and depended on his or her productivity and the success of the company. They wanted a plan that supported IRMCO's Core Values and Beliefs that "the company is dependent on the knowledge, creativity, skill, teamwork and integrity of each and every associate."

Strategy: Between 1997 and 1999, IRMCO created four new programs: Open Book Management, The Stakeholder Performance Bonus Plan, Commissions based on Net Income, and The Wolfpack Program. These were instituted to address the problems with the previous program.

Open Book Management was created to address the issue of communication and profit sharing. Associates are encouraged to review financials, including team budgets, proposed vs. actual expenses, overall operating costs and sales levels for current and new customers. Current financial statements and key performance indicators are posted each month. All IRMCO associates are seen as stakeholders who have a direct link to the success and failure of the company. It is critical that each associate takes the time to truly understand what it costs to run the business and how their contributions can affect the outcome. Associates are able to see where the money is being spent. Monthly financial meetings are held to update and educate associates on reading and understanding financial statements. Associates are also required to stay within the budget the team has set.

The Stakeholder Performance Bonus Plan was created to give associates a meaningful way to be compensated for their hard work and contributions to the company's results. The plan is totally funded by IRMCO. Each associate is awarded a confidential number of Stakeholder Shares appropriate for their skills, experience, and past performance. The value of each share is based on 15% of net income before taxes and paid out each quarter as regular income. The associate no longer has to wait until year end for a distribution—there is access to it before retirement and it is not discretionary. This is a bonus in addition to regular salary.

The Owners Return on Investment and Commission structure is tied to the Stakeholders Performance Bonus Plan. The owners do not participate in the Stakeholders Performance Bonus; they instead receive a Return on Investment. The Return on Investment is a percentage of net income. Similarly, the sales team is compensated with a commission based on net income rather than gross margin. The incentive is to reduce expenses and compensate based on the company's results.

IRMCO's Wolfpack Program

Principles

Purpose: To systematically improve IRMCO through a team of involved associates. To make gains in quality, profitability, productivity, and customer relations through

- Active and regular participation in the system.
- Training, skill development and open communication.
- Being focused on results.

Every associate in the company must:

- Understand that making continuous improvement is part of everyone's job. Improvement steps will never stop. There is no finish line in the race for quality. Change is the only constant.
- Realize that waste, inefficiency, and inconsistency are everywhere. There is always a better way.
- Accept responsibility for continuously improving their own job and their own team, as well as the company as a whole.

Method: The principal method is to systematically

- Raise the opportunities for improvement through associate communication on the e-mail and survey results.
- Solve those problems through Wolfpacks and an empowered workforce.
- Implement the improvements and develop written standards and methods of measuring results.
- Ensure the solution stays in place through use of the PDCA cycle (Plan, Do, Check, Assess).
- Share the financial gains with all associates through a shareholder bonus.

Expected results: By continuously improving the quality of the products and services IRMCO supplies to customers, and by reducing costs, IRMCO will be much more competitive, which will benefit all by resulting in:

- Increased job security.
- Improved earning potential.
- More fun, job satisfaction, and self-esteem.
- Long term success.

Components

- **Lone Wolf Award.** A way for co-workers to publicly recognize individual associates each quarter for any extra special efforts. Every month at the company-wide Wolfpack meeting, associates are nominated for their "extra effort" or "breaking away" from the pack for total quality. All nominations are placed in a hat and the winner is drawn at random. The associate is eligible for a $150 activity reimbursement honoring their achievement.
- **Quality Idea or Opportunity for Improvement.** All associates are invited to identify special areas where they need help in solving a problem, eliminating a bottleneck, improving customer relations, improving quality, or relieving some pressure that inhibits their job performance.
- **Wolfpacks.** Small teams assembled to work on and implement the improvement opportunity outlined by the associates. These teams are intended to be "commando squads" or "hit squads" staffed by those with the best resources and/or ability to solve the problem. An Alpha Wolf leads these teams.
- Alpha Wolf can be volunteered for. If no one comes forward, team leaders or the President and Vice President will assign one. The Alpha Wolf's role is to:
  - Call regular, short team meetings.
  - Keep meeting minutes and send to company on e-mail after each meeting.
  - Post measurement and tracking results on the Wolf Tracks wall to ensure that improvement "sticks" and other associates are properly informed.
  - Guide, but do not dominate. Make sure the burden gets shared —but make sure it gets done.
  - Keep track of individual assignments and action items in the pack meeting minutes.
- **Wolf Tracks.** The Company's Wolf Tracks wall is designed to keep all associates informed of company and customer progress.
- **Company Wolfpack.** A monthly meeting for all in-house associates. The meeting provides a chance to update everyone on important developments and nominate Lone Wolf candidates.
- **The Hunt.** IRMCO's strategic plan created each year by the President and Vice President.
- **Wolf Dough.** IRMCO currency given to associates as recognition.

Teamwork is supported through the Wolfpack program. The wolf has become IRMCO's metaphor for teamwork. A wolf pack in the wild is known for its ability to support each other and achieve greater success as a group (together everyone achieves more). IRMCO chose the wolf "lingo" as a way to focus the company on Team Building, Continuous Improvement, and Total Quality Management. (See page 20).

Outcome and conclusion: The company believes that the combination of these programs has led IRMCO associates to take pride in their work and excel in making IRMCO a better company. Everyone is aware of the company's financial condition and they work together to make it as lean as possible. The departments work in groups of three and often overlap to help out in other areas. In 2001, the company reduced its 23 associates to 16 without a decrease in revenue. The reward system has encouraged them to take on more responsibility and ownership of the company's results.

Cross training is a result of team spirit. Books are available for each position with detailed descriptions of each job function. Each associate is reviewed on his/her own job description, but also on his/her contribution to the company and its customers. The Lone Wolf Award (described on page 20) encourages associates to go beyond the call of duty and help out their fellow associates.

IRMCO is a family-owned business that has developed a positive working environment for all associates. They like knowing the company's financial status and enjoy sharing in the profit. Brainstorming sessions, BBQ's, volleyball games on the company's court, a big screen TV in the lunch room and group outings are also part of IRMCO's success in developing a great place for people to work. A favorite saying around IRMCO is "to live and die for the big *I*."

The Northern Trust Corporation

Case Summary

The Northern Trust Corporation, whose business began in 1889, is a multibank holding company headquartered in Chicago with a growing network of offices in 12 states and international offices in five countries. At the end of 2001, Northern Trust had assets of $39.7 billion. Trust assets under administration were nearly $1.7 trillion, including $330.1 billion under their investment management.

Northern Trust has earned distinction as a leading provider of personal fiduciary, asset management, personal and private banking, and master trust/custody and treasury management services. A 113-year tradition of combining high-touch service and expertise with industry-leading technology distinguishes Northern Trust in its two primary businesses, Personal Financial Services and Corporate and Institutional Services.

In addition to being well known for its long-term relationships with clients, Northern Trust also believes that long-term relationships with employees are just as important. The company's business strategy requires attracting and retaining the best people, so Northern invests a great deal in building the capabilities of its employees and rewarding excellent performance.

Total number of employees: 9,500 worldwide, including over 6,000 in the Chicago area

Number of employees impacted: 560

Purpose: Developing and administering a comprehensive communication and education process to implement a new compensation philosophy and instill confidence in its fairness

Background: In a corporate reorganization, two business units had been combined into one, and employee roles and responsibilities were changing. Specifically, the functions of commercial banking and corporate trust/custody were being merged. The newly formed business unit brought together a total of 560 Chicago-based employees; and even though new roles were created, fortunately no staff reductions occurred.

This new organizational structure meant that individual roles for both managers and staff needed to be clearly defined, and new compensation programs developed to support the merger of those functions. In addition, due to the prior practice of little open communication and education for managers or employees about compensation, there were many misconceptions and some lack of trust.

Two factors had exacerbated the lack of trust:

- In the prior calendar year, the Corporation's compensation philosophy had moved away from a system of pay grades and salary ranges that had been in place for the prior 15 years. Being installed in its place was a broad "career banding" system that grouped jobs into nine job families and eight career bands. The transition of all jobs to these new bands was not yet fully understood and embraced by managers and staff.
- Employees in each of the functions to be merged ("banking" and "trust" people) had held misperceptions that their group's pay structure was lower than that of the other group, and therefore, not as valued in the company. This "myth vs. reality" phenomenon about the prior pay practices had to be addressed with the affected groups.

Thus, a comprehensive education and communication process was needed to improve employees' understanding of compensation and improve their confidence in the fairness of the pay system. The entire education and communication strategy took the following year to develop and implement. The training sessions developed for managers were delivered over a period of approximately six months, and the communication that surrounded the initiative for managers and employees was carried out over the full year period.

Strategy: Extensive training programs for managers were created. This training included information as well as skill development. Through a series of four sessions, managers learned about the philosophy of compensation in the new business unit. They learned the details of how competitor compensation practices are gathered and analyzed to determine market pay comparisons and incentive plan structures. They learned what factors to consider in making compensation decisions. They practiced, through case studies, how to arrive at fair compensation for various employee situations. They also role-played how to communicate about compensation decisions with employees. Finally, they were given a job-aid to use for quick reference as a refresher on the classes.

The job aid, which was created just for this training, is included on page 23. The most valuable aspect of this job aid was the "Star" Model, which helped managers remember the five key factors in making merit pay decisions—one factor for each point of the Star. Managers learned that they must consider: (1) salary survey data, (2) the employee's performance, (3) performance of the employee's peers, (4) the employee's experience level compared to internal and external candidates, as well as (5) the current year's budget, before making a final merit pay decision.

Additionally, many types of communication vehicles were developed for employees. There were large group communication sessions that provided information on the philosophy of compensation, small group sessions within each work group on the incentive plan applicable to that group, and individual sessions between managers and each of his/her employees. These individual sessions were designed to answer each employee's specific questions and help him/her understand how the information they had received applied to his/her own compensation.

Throughout the process, time for questions was designed into all the meeting agendas, and an e-mail "mailbox" and answer newsletter were used. Open and frequent communication processes were keys to the overall success of the strategy.

Outcome and conclusion: The results of the overall effort were evaluated relying on three different methods:

- Evaluation questionnaires were completed by participants at the end of each session and again after the whole set of programs had been rolled out.
- The Northern's Employee Opinion Survey, which is administered to employees on a regular basis, provided information on perceptions about compensation.
- Anecdotal data coming back to internal Human Resources staff also provided an important perspective on the success of the initiative.

The overall results of the project were determined to have successfully met the original goals. For example, high level results from the Employee Opinion Surveys for the business unit, completed just before and then several months after the merger showed a definite positive trend in employees' perceptions about compensation. The following statistics reflect an improved

Making Pay Decisions

Survey data: How does pay compare to median, 75th percentile?
Performance data: How did performance compare to set expectations?
Peers: How did performance compare to others in group?
Budget: How much do we have to allocate?
Experience: How does experience compare internally and externally?

Communicating Pay Decisions

Prepare

- Set date, time and location
- Get clear about your justification for the increase amount...based on "Star" model
- Anticipate your team member's reactions and questions

Conduct pay discussion

- Opening: welcome and purpose
- Set the stage; restate pay philosophy
- Review link of pay decision to "Star" model
- State the increase amount
- Give team member opportunity to respond
- Acknowledge/resolve open issues
- Close —be positive!

Pitfalls to Guard Against

Can't explain/justify your decision

Lack of honesty about performance

Incomplete use of "Partners in Performance"

- Performance Updates
- Career Development Discussions
- Performance Summary

All team members get same increase

Mixed messages to poor performers

Performance expectations too fundamental

"favorable rating," defined as the percentage of employees rating a survey item as "Very Good" or "Good," the top two out of five ratings possible:

	Favorable Rating Improved
How do you rate your total compensation package?	*13% improvement*
How do you rate the amount of pay you get for your job?	*5% improvement*
How satisfied are you with the recognition you get for the work you do?	*6% improvement*

In addition, an analysis of summary data from exit interviews with people leaving the organization indicated that fewer employees cited pay as a reason for leaving the business unit the year following the communication and training programs than the year before the merger took place.

Even though these overall results of the project were positive, data from the program evaluations and comments made to the Human Resources staff indicated that the manager and employee groups reported slightly different perceptions.

Managers definitely understood the compensation philosophy and programs much better than before and had a sense of ownership for them…feeling less victimized by a process mandated by the "corporate office." Because managers better understood the compensation philosophy, strategies and practices through what they had learned in training, they became more willing to support the compensation programs in conversations with their people. In addition, they reported that they had developed their skills in making pay decisions and had achieved greater comfort in discussing those decisions with individual employees.

While the program was less successful with employees, they reported that their understanding of overall compensation philosophy and programs increased. More work had to be done to improve people's understanding of how the philosophy and programs apply to each employee's compensation.

Changes and additions were made for the next year as a result of the feedback, and this first-year initiative turned into an annual education/communication program for the business unit over the next several years. These additional sessions provided the opportunity to include new managers in the training and to improve employees' understanding of how each person's pay is determined.

Another outgrowth of the commitment at Northern Trust to communicate more effectively with all employees about pay matters has occurred as part of the HR Department's initiative to broaden and deepen the use of the company's intranet site. The newly expanded site, called *People Place*, now includes an array of information about pay that is available to all employees, such as the compensation philosophy, base salary and variable salary program summaries, and information about how pay decisions are made. The constantly updated site also contains an evolving Q&A section, along with a complete glossary of compensation terminology.

Federal Pay Systems
The Constitution of the United States assigns fiscal control to the Congress. This control is exercised through appropriation acts and, in the case of Federal salaries, by enacting laws, policies, principles, and procedures to establish pay rates for Federal employees. Federal employees are covered by a number of different pay systems, some established by individual laws, some by administrative determination.[1]

Total number of employees: 2,701,593 [2]

Number of employees impacted: All

Purpose: Understanding the basics of the Federal pay system: an example of transparency in administration of pay system

Background: The three *statutory pay systems* for Federal white-collar employees are the **General Schedule**, the **Foreign Service**, and certain employees in the **Veterans Health Administration** in the Department of Veterans Affairs.[3] The General Schedule pay system covers, with specific exemptions, most "white collar" positions in the executive branch and certain legislative branch agencies.[4] The General Schedule consists of 15 grades, each broadly defined in law in terms of work difficulty, responsibility, and the qualifications required for performance (see table below). A salary range of 10 steps is provided for each grade. Within-grade advancement is scheduled after each 52 weeks of service in the first three steps in a grade, after 104 weeks in steps 4, 5, and 6, and after 156 weeks in steps 7, 8, and 9. To qualify for advancement to the next higher step, an employee must demonstrate work at an acceptable level of competence. Employees demonstrating "high quality performance" may advance more rapidly through the rate range for their grades by being granted additional step increases, called "quality step increases (QSI)." An employee may receive only one QSI during any 52-week period.

Locality-based comparability payments apply to most General Schedule employees.[5] To determine an employee's locality rate of pay, increase the employee's "schedule rate of pay" by the locality pay percentage authorized by the President for the locality pay area in which the employee's official duty station is located. There are 32 locality pay areas.[6]

Foreign Service pay plans and salary schedules for Officers (pay plan FO) and Personnel (FP) were established

Salary Table 2003-GS

2003 GENERAL SCHEDULE INCORPORATING A 3.10% GENERAL INCREASE
Effective January 2003. Annual Rates by Grade and Step

GRADE	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7	STEP 8	STEP 9	STEP 10	within grade amounts
GS-1	$ 15,214	$ 15,722	$ 16,228	$ 16,731	$ 17,238	$ 17,536	$ 18,034	$ 18,538	$ 18,559	$ 19,031	varies
GS-2	17,106	17,512	18,079	18,559	18,767	19,319	19,871	20,423	20,975	21,527	varies
GS-3	18,664	19,286	19,908	20,530	21,152	21,774	22,396	23,018	23,640	24,262	622
GS-4	20,952	21,650	22,348	23,046	23,744	24,442	25,140	25,838	26,536	27,234	698
GS-5	23,442	24,223	25,004	25,785	26,566	27,347	28,128	28,909	29,690	30,471	781
GS-6	26,130	27,001	27,872	28,743	29,614	30,485	31,356	32,227	33,098	33,969	871
GS-7	29,037	30,005	30,973	31,941	32,909	33,877	34,845	35,813	36,781	37,749	968
GS-8	32,158	33,230	34,302	35,374	36,446	37,518	38,590	39,662	40,734	41,806	1,072
GS-9	35,519	36,703	37,887	39,071	40,255	41,439	42,623	43,807	44,991	46,175	1,184
GS-10	39,115	40,419	41,723	43,027	44,331	45,635	46,939	48,243	49,547	50,851	1,304
GS-11	42,976	44,409	45,842	47,275	48,708	50,141	51,574	53,007	54,440	55,873	1,433
GS-12	51,508	53,225	54,942	56,659	58,376	60,093	61,810	63,527	65,244	66,961	1,717
GS-13	61,251	63,293	65,335	67,377	69,419	71,461	73,503	75,545	77,587	79,629	2,042
GS-14	72,381	74,794	77,207	79,620	82,033	84,446	86,859	89,272	91,685	94,098	2,413
GS-15	85,140	87,978	90,816	93,654	96,492	99,330	102,168	105,006	107,844	110,682	2,838

under the Foreign Service Act of 1980. Other Foreign Service pay plans which are linked to Federal pay schedules are Ambassadors (FA), linked to the Executive Schedule, and Senior Foreign Service (FE), linked to the Senior Executive Service.

The **Veterans Health Administration** in the Department of Veterans Affairs provides unique pay plans for their physicians and dentists (VM), and podiatrists and optometrists (VP).

Other Major Pay Systems: The *Wage System* category covers employees in pay plans covered only by the *Federal Wage System (FWS)*. The FWS covers trade, craft, and labor occupations ("blue-collar occupations") in the Federal Government.[7] Employees in other blue-collar pay plans are placed in the *Other Acts and Administratively Determined* category.

The *Executive Schedule* was established by Congress to cover top officials in the executive branch. This schedule has five levels, each with a single rate.[8] (See table above right). In 1989, the Ethics Reform Act linked Executive Schedule increases to increases in the Employment Cost Index (ECI).

Congress authorizes agency heads to set salaries for those in *Administratively Determined (AD)* pay systems. These salaries may apply to the entire agency or to particular groups of positions without regard to the General Schedule. Some agencies under this pay system establish their own schedules of rates (the AD pay plan is an example of this); others use the generic General Schedule grade and step structure. An example of this is pay plan GG which is a pay plan that is similar to the General Schedule and is used by federal agencies such as the Department of Defense and the Commerce Department. Separate provisions are also made for stipend payments to certain student employees training in Government hospitals, clinics, or laboratories and for payments to member residents who work at Federal institutions, such as the Armed Forces Retirement Home. Nurses employed by the Department of Veterans Affairs' Veterans Health Administration also have a unique, locality-based pay plan (VN).

Salary Table 2003-EX

Rates of Pay for the Executive Schedule (EX)

Level I	171900
Level II	154700
Level III	142500
Level IV	134000
Level V	125400

The *Senior Executive Service (SES)* covers most managerial, supervisory, and policy positions in the executive branch which are classified above GS-15 and do not require Senate confirmation. There are currently six salary levels in the SES (see table on page 27). They are set by the President at the same time as the annual increases are authorized for the General Schedule.[9]

Strategy: The United States Government's Office of Personnel Management (OPM) has launched a major review of federal compensation systems. These systems date from the late 1940's. OPM and others have questioned whether the current system has the agility and adaptability to promote strategic performance initiatives. They have also taken a critical look at whether these systems can be responsive to market forces. Even in the current atmosphere of reevaluation and reconsideration, in its 2002 publication, *"A Fresh Start for Federal Pay: The Case for Modernization—A White Paper*," OPM restated its commitment to certain basic merit principles. One of these principles is openness in Federal pay systems:

> Merit system principles, the foundation of the modern idea of a civil service, remain important today. Principles such as equity, procedural justice, and openness are essential to a sound public service. Agencies that have already moved outside the mainstream pay and job evaluation systems continue to use these principles effectively. As the Federal Government considers modernizing our compensation systems, merit system principles can remain our essential guides.

This white paper further expounds on the virtue of openness in Federal pay stating,

> Another theme the merit system underscores is *openness* supported by effective communication. However arcane the Federal pay system may appear to outsiders, most Federal employees understand its basic design and deployment. Organizations crafting new compensation approaches learn quickly that the key to success is constant and consistent communication. The idea that employees should have a clear understanding about what they can expect to happen and what will affect the outcomes that impact them is particularly relevant for the pay systems and other strategic rewards programs that not only put food on the table, but also may subsidize transportation costs and finance educational expenses. Any strategic human capital management improvements an agency might hope to achieve with a refined strategic rewards approach could be at sub-

stantial risk if employees are left to divine its contingencies and payoffs on their own.

Outcome and conclusion: It is too early to know whether there will be a major reorganization of the Federal pay system and if so, what that reorganization will look like. What is clear is that making sure that the Federal pay system remains open and understandable will remain a core value throughout the process.

Endnotes

1. U.S. Office of Personnel Management. Federal Civilian Workforce Statistics as of March 31, 2001.

2. U.S. Office of Personnel Management. Federal Workforce Statistics as of November 2001.

3. United States Code, subchapter I of chapter 53 of title 5.

4. United States Code, subchapter III of chapter 53 of title 5.

5. Authorized under 5 U.S.C. 5304. Regulations are at 5 CFR part 531, subpart F.

6. Defined in 5 CFR 531.603.

7. United States Code, subchapter IV of chapter 53 of title 5.

8. United States Code, subchapter II of chapter 53 of title 5.

9. U.S. Office of Personnel Management. Federal Civilian Workforce Statistics as of March 31, 2001.

2003 Scheduled Rates of Basic Pay

FOR MEMBERS OF THE SENIOR EXECUTIVE SERVICE, EMPLOYEES IN SENIOR-LEVEL AND SCIENTIFIC OR PROFESSIONAL POSITIONS, ADMINISTRATIVE LAW JUDGES, AND MEMBERS OF BOARDS OF CONTRACT APPEALS. Effective January 2003

Salary Table 2003-ES

RATES OF BASIC PAY FOR MEMBERS OF THE SENIOR EXECUTIVE SERVICE (SES)

	Annual rate
ES-1	$116,500
ES-2	$122,000
ES-3	$127,500
ES-4	$133,800
ES-5	$134,000
ES-6	$134,000

Salary Table 2003-SL/ST

RATES OF BASIC PAY FOR EMPLOYEES IN SENIOR-LEVEL (SL) AND SCIENTIFIC OR PROFESSIONAL (ST) POSITIONS

	Annual rate
MINIMUM	$102,168
MAXIMUM	$134,000

Salary Table 2003-ALJ

RATES OF BASIC PAY FOR ADMINISTRATIVE LAW JUDGE (ALJ) POSITIONS

	Annual rate
AL-3/A	$89,200
AL-3/B	$96,000
AL-3/C	$102,900
AL-3/D	$109,800
AL-3/E	$116,600
AL-3/F	$123,400
AL-2	$130,400
AL-1	$134,000

Salary Table 2003-BCA

RATES OF BASIC PAY FOR MEMBERS OF BOARDS OF CONTRACT APPEALS (BCA)

	Annual rate
CHAIRMAN	$134,000
VICE CHAIRMAN	$129,980
OTHER MEMBER	$125,960

YSI Incorporated

Case Summary

YSI Incorporated, a $60-million employee-owned business headquartered in Yellow Springs, Ohio, is a leader in selected technology solutions and services for data collection and analysis. By providing data integrity, YSI is “minding the planet” and working with its customers to build an ecologically sustainable habitat. YSI has four core values that provide focus for their goals and actions—employee ownership, innovation, community, and ecological sustainability. YSI’s three strategic business units—Environmental, Temperature, and Life Sciences—develop applications for collecting, monitoring, and assessing the physical and biochemical properties in water, bioprocessing, and a multitude of medical, aerospace, and industrial settings. YSI's mission is to be the recognized leader in selected technology solutions and services to users performing data collection and analysis essential to enrich life and protect the world's resources.

Total number of employees: 333 worldwide, including 288 in the U.S.

Number of employees impacted: All U.S. employees

Purpose: Revamp of compensation and performance management systems, including several tools for measurement, as a result of productive dialogue between employees and managers.

Background: Like many companies post 9-11-01, business conditions softened and YSI faced economic uncertainty. As a result, a three-month salary freeze was imposed on U.S.-based employees. As several months passed, employee-owners (YSI is an ESOP [Employee Stock Ownership Plan] company) began to get restless and worried, and wondered how long the freeze might last. In addition, YSI incorporated a practice of grouping many non-related positions into broadband ranges which was very confusing and misleading to many employees.

Strategy: Rather than allow concern and fear to continue and heighten, YSI used its Employee Owners Council (EOC) as a communications vehicle to facilitate discussion. YSI’s EOC is comprised of 16 units of 10 to 15 employees, each with an elected representative. All 16 elected representatives meet every four to six weeks with the company CEO and report back to their unit members in a timely manner.

In mid-April, senior management, at the urging of the EOC leaders, agreed to draft a formal policy to address the salary issue and use the EOC as the sounding board for feedback and refinement. Management committed to respond to questions and commit to further action.

This activity also prompted a review and revamp of the company’s performance management system, i.e., annual development plans, performance evaluations, and salary reviews. For example, salaries had not been compared and adjusted to industry norms for a number of years. The Human Resources department conducted a thorough and comprehensive review of YSI salaries against comparable positions in the appropriate geographic area. This was done using salary survey data provided by two national firms whose surveys had included YSI participation earlier in the year. Further, Human Resources has committed to do this industry review on an annual basis in the 4th quarter of every year.

Outcome and conclusion: The collaborative efforts on behalf of management and the EOC regarding the salary freeze resulted in a promise to end the freeze as of a specified date, and to make increases retroactive for those employees whose salaries were interrupted by the freeze. The new practice also gauges each position against its specific salary range and its current geographic market value.

And, most recently, YSI used the EOC to recalibrate and re-energize the true spirit of company ownership. Not only do employee owners enjoy certain rights, but they are expected to accept responsibilities as outlined in the “YSI Employee-Owner Rights and Responsibilities Creed.” One of these responsibilities is “to seek out information; to stay informed; to question and to understand.” YSI employees certainly do this and management responds.

YSI has over a fifty-two year history and culture of open communications and employee support and recognition. The time and energy it takes to maintain open communications has its payoff—in loyalty (YSI has many long-tenured workers), invested workers, and rising productivity. A recent employee satisfaction survey indicated that the most highly-rated response was that YSI’s workforce values employee ownership.

Glossary of Compensation Terminology

Base pay is the basic compensation an employee receives, usually as a wage or salary.

Benefits are a collection of elements distinct from direct compensation, including, but not limited to health coverage, retirement savings, vacation, domestic partner benefits, and tuition reimbursement.

Bonus is usually a lump-sum payment (cash, stock, etc.) made in addition to an employee's normal salary or wage. May be based on performance (individual or company) but is not necessarily based on defined performance criteria and standards.

Broadbanding is a pay strategy that consolidates a large number of relatively narrow pay grades into much fewer broad bands with relatively wide salary ranges, typically in the neighborhood of 100 percent or more.

Competency-based pay is aligned to the level at which an employee operates in defined competencies.

Compression is when pay differentials are too small to be considered equitable. The term may apply to differences between 1) the pay of supervisors and subordinates, 2) the pay of experienced and newly-hired personnel in the same job, and 3) pay-range midpoints in successive job grades or related grades across pay structures.

Deferred compensation is any number of compensation payments that are payable to an employee at some point in the future. Many deferred compensation payments include contributions to pension fund annuities at the time of payment, and the annuity payments are sheltered from taxes until benefits begin.

Direct compensation refers to pay that is received by an employee including base pay, commissions, differential pay, incentive pay and cash awards.

Exempt is a term referring to employees who are exempt from the overtime provisions of the Fair Labor Standards Act of 1938. These employees include executives, administrative employees, professional employees and those engaged in outside sales.

Gainsharing plans are group incentives where a portion of the gains an organization realizes from group efforts is shared with the group.

Incentive pay is designed to reward the accomplishment of specific results. Awards are usually tied to expected results identified at the beginning of the performance cycle. The pay can be applied to an individual, to a group, companywide or a combination of any.

Indirect compensation commonly refers to benefits.

Knowledge-based pay bases an employee's pay on the level of knowledge s/he has in a field or defined domain.

Labor market is the place where labor is exchanged for wages. These places are identified and defined by a combination of the following factors: 1) geography (local, regional, national, international), 2) industry, 3) education, licensing or certification required and experience, and 4) function or occupation.

Merit pay refers to a situation where an individual's performance is the basis for either the amount or timing of pay increases.

Open pay system is a compensation program in which information about salary ranges—in some cases, even individual employee wage level—is made public.

Pay grades are used to group jobs together that have approximately the same relative internal worth and are paid at the same rate or rate range (also known as job grades.)

Pay ranges are associated with pay grades; they set the upper and lower bounds of possible compensation for individuals whose jobs fall in the range.

Performance-based pay is pay that is based on an individual's performance and seeks to reward superior performance.

Profit-sharing distributes a portion of an organization's profits to its employees.

Skill-based pay is a person-based compensation system based on the repertoire of jobs an employee can perform rather than the specific job that the employee may be doing at a particular time. Pay increases generally are associated with the addition and/or improvement of the skills of an individual employee, as opposed to better performance or seniority within the system. Pay level generally is not dependent on whether any of the skills are utilized.

Total compensation is the complete reward/recognition package for employees, including all forms of money, benefits, perquisites, services and in-kind payments.

Variable pay is pay linked to reaching thresholds associated with increasing levels of performance. Variable pay may include bonus, gainsharing, and incentive pay.

Resources

Department of Labor, "Analyzing Compensation Data: A Guide to Three Approaches"
http://www.dol.gov/esa/regs/compliance/ofccp/compdata.htm

Department of Labor, "Compliance Tools"
Provides links to a variety of compliance-assistive tools, including several targeted to small businesses.
http://www.dol.gov/dol/compliance/compliance-comptools.htm

Department of Labor, "Employment Law Guide"
Offers laws, regulations, and technical assistance for businesses.
http://www.dol.gov/asp/programs/guide.htm

Office of Federal Contract Compliance Programs, "Best Compensation Practices"
Outlines several best practices and steps to promote fairness in compensation. Also provides links to award-winning affirmative action programs.
http://www.dol.gov/esa/regs/compliance/ofccp/practice.htm

Women Employed, "Top 20 Websites for Salary and Wage Information"
http://www.womenemployed.org/publications/top_20_web_sites.pdf

Organizations for start-ups, micro businesses, and nonprofits

Nationwide

The Executive Service Corps (ESC)
http://www.escus.org/flash/who-we-are.html

National Federation of Independent Business (NFIB)
http://www.nfib.com/cgi-bin/NFIB.dll/Public/SiteNavigation/home.jsp

Service Corps of Retired Executives (SCORE)
http://www.score.org/

WorldatWork
http://www.worldatwork.org/Content/Infocentral/info-sbs-frame.html

Chicago

DePaul University Entrepreneurship Program
http://condor.depaul.edu/~entrepre/index.html

Executive Service Corps of Chicago
http://www.esc-chicago.org/

Human Resource Management Association of Chicago (HRMAC)
http://www.hrmac.org/index.html

Northwestern School of Law Small-Business Opportunity Center
http://www.law.northwestern.edu/small-business/

University of Illinois at Chicago Center for Human Resource Management, Center for Urban Business, and Institute for Entrepreneurial Studies
http://www.uic.edu/cba/Research/Research.htm

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Equal Employment Opportunity Commission, *Compliance Manual: Compensation Discrimination (chapter 10)*
http://www.eeoc.gov/docs/compensation.html

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