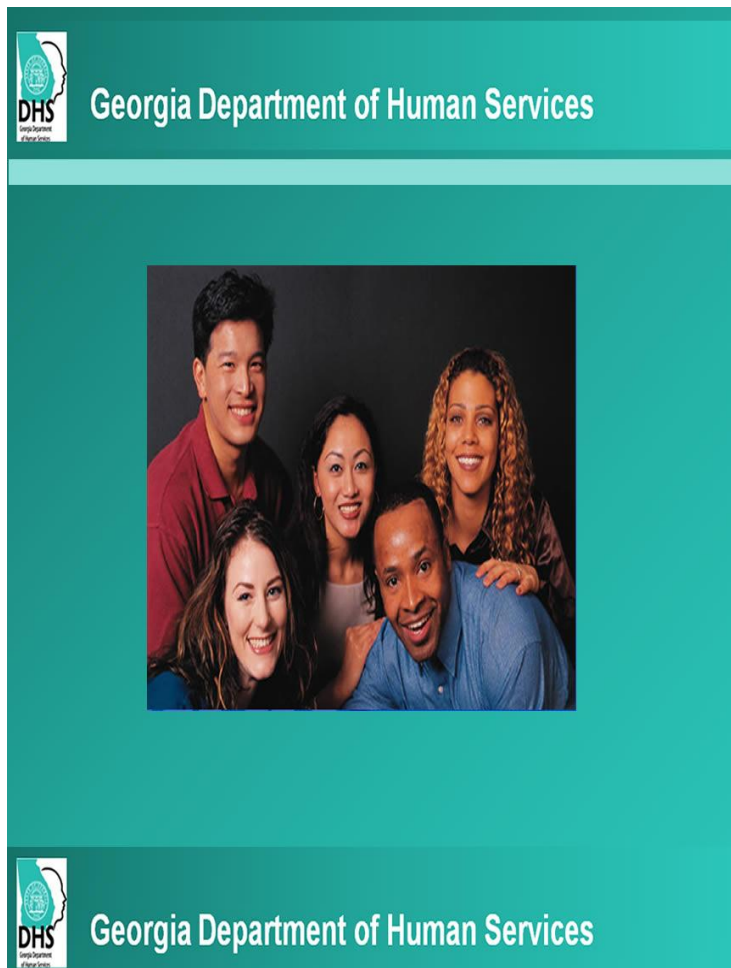

DHS Compensation Philosophy



June 2, 2003

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1 Definition Statement: Total Compensation

A competent, capable and committed workforce is essential to the achievement of DHS's Mission and Strategic Plan.

DHS recognizes the importance of *'total compensation'* in attracting, retaining, recognizing and rewarding well-qualified employees who are committed to delivering quality customer service to DHS customers.

Total compensation consists of:

- Monetary compensation (direct compensation)—base pay, performance increases, pay supplements and other pay
- Indirect compensation—employee benefits that have a monetary value, including health care coverage, retirement plans, paid leave and State holidays
- Non-monetary rewards and recognition—both tangible and intangible rewards, including recognition for achievements in the workplace, learning opportunities, flexible or alternative work schedules, a positive and appreciative work environment, and the opportunity to have a positive impact on the lives of others

Each aspect of the total compensation equation is a part of the overall work life of DHS employees. The following sections of this document present DHS's Compensation Philosophy. Unless indicated otherwise, references to 'compensation' refer to DHS's 'total compensation' components.

2 Purpose Statement: Compensation Philosophy

A Compensation Philosophy is a set of statements or principles that form a framework for compensation decision-making. A Compensation Philosophy is unique to each organization, and reflects its Vision, Mission and Core Values.

The purpose of DHS's Compensation Philosophy is to help DHS determine the best use of its financial resources in supporting its workforce. Philosophy principles guide compensation decision-making at all levels of the organization. DHS's Philosophy provides the foundation for operational guidelines, policies and procedures that put these principles into practice.

DHS's Compensation Philosophy is a statement of how DHS, as a Department, compensates all employees in every Office and Division. The Philosophy affirms DHS's commitment to consistent compensation practices, regardless of the sources used in funding compensation.

2.1 Compensation Philosophy Benefits

The DHS Compensation Philosophy serves DHS in a variety of very important ways. It:

- Links and aligns DHS's Vision, Mission, Core Values and Strategic Goals to its compensation practices

- Supports current and future workforce improvement initiatives in areas such as retention, diversity and recruitment
- Helps prioritize compensation choices to make most effective use of all types of fiscal resources
- States how DHS manages compensation decisions for employees, regardless of funding sources
- Provides a vehicle for educating employees and communicating DHS's values and expectations for compensation
- Offers a consistent framework, reducing time and money associated with inconsistent compensation planning and subjective decision-making activities
- Gives DHS employees a greater sense of predictability and understanding of their total compensation

2.2 Compensation Philosophy Communication

DHS is committed to:

- Communicating to employees the Department's Vision, Mission, Core Values and Strategic Plan. This communication includes setting expectations for employees' roles and performance in serving DHS customers in line with that Vision, Mission, Core Values and Strategic Plan.
- Communicating to employees the philosophy and strategies for total employee compensation. DHS wants each employee to understand what is expected during employment with DHS.
- Providing systematic, ongoing communication with DHS management and employees about the current classification and compensation system, and about changes to the system when they occur.

DHS is a public agency and not a private company. DHS's primary Mission is human service, not corporate or individual profit. DHS's classification and compensation system must reflect and support that Mission. Even so, many of the same principles apply in managing classification and compensation. It is important that each employee understands these differences and similarities and how they affect personal compensation.

Maintaining an effective classification and compensation system requires that both managers and employees have a realistic understanding of how the total compensation system works—including both possibilities and limitations.

Within 6 months of the adoption of this Compensation Philosophy, DHS shall amend policies and procedures to conform to the Philosophy. Current policies and procedures remain in effect until revised in accordance with this paragraph.

With the adoption of this Compensation Philosophy, DHS will begin an ongoing communication and education process to define and develop the roles and

responsibilities necessary to equip Division/Office leadership with the tools needed to make responsible, equitable and legally defensible decisions in administering their salary budgets.

DHS is committed to providing the following information to every manager and supervisor who participates in employee compensation decision-making:

- The fundamentals of the classification and compensation system
- The legal constraints and requirements that govern compensation decisions
- How to make good decisions in how they hire, manage and reward employees
- How to most effectively use the tools available to them
- The roles and responsibilities of Division/Office leadership and OHRMD in implementing compensation initiatives consistent with DHS's Compensation Philosophy

Communication includes both speaking and listening. To this end, DHS routinely encourages and actively seeks input from managers and employees to understand concerns and issues related to all aspects of total compensation.

A truly effective Compensation Philosophy requires continuous assessment and improvement. DHS works to identify and solve compensation issues that can be addressed collaboratively within the Department. DHS also works to identify and solve broader compensation issues through partnerships with other State agencies and governing bodies outside of DHS.

3 DHS Compensation Philosophy

3.1 Service as a Core Value

DHS's mission is to serve. As a public service agency, DHS uses its resources to provide service and support to DHS clients. Service is DHS's first priority. DHS strives to become the employer of choice for those who demonstrate a commitment to supporting and delivering quality customer service.

3.2 Total Compensation Components

DHS offers its employees a wide range of tangible and intangible employee benefits that form a part of a total compensation package. In addition to direct monetary rewards, there are many other types of indirect compensation and non-monetary rewards and benefits. Examples include: health insurance, retirement benefits, leave and holidays, learning opportunities, the potential for flexible scheduling when job demands allow, and the intangible rewards of providing services that can make a difference in DHS customers' lives.

3.3 Rewarding Work Environment

DHS strives to create and maintain a positive and rewarding work environment, using available flexibility and resources.

3.4 State and Federal Requirements

DHS strives to maintain a system of job classification, employee compensation and salary administration that complies with federal and state laws and regulations.

3.5 External Competitiveness

Because DHS must compete with other employers—both inside state government and in the larger marketplace—DHS works to stay abreast of current market trends and assesses the competitiveness of DHS compensation annually. Sample jobs within DHS are compared to their market counterparts using published salary survey data available from the Georgia Merit System and other recognized sources, as appropriate.

DHS is a public agency serving a large and diverse population. The financial resources available to the Department are determined by the Governor, the Georgia General Assembly and federal programs with guidelines for use of federal dollars. The portion of the annual budget available for compensating DHS employees may vary depending on many factors outside of DHS's direct and immediate control. DHS works to keep total compensation at or near the market midpoint for comparable state and local government jobs within Georgia and surrounding states, consistent with DHS's goal of paying fair compensation and within budget limitations.

When the inability to attract and/or retain employees is documented for mission critical jobs, DHS acts within its available resources to pay the rate required to ensure client service delivery. DHS recognizes that, at times, it may be impossible to attract qualified workers in high-demand occupations without paying rates that are higher than rates paid for other DHS employees.

3.6 Internal Equity

There are many different jobs within DHS. All are important to the success of the Department in achieving DHS's mission of service to customers. Some jobs provide direct services to customers. Other jobs provide support enabling others to serve.

Equity and fairness are not easily defined. People have differing views of internal equity because a definition of what equity means is colored by personal perceptions.

Internal equity does not mean treating every employee or every job the same.

Not all jobs carry the same responsibilities or demand the same effort. Even jobs within the same classification may have differences. Employees differ in the competencies they bring to their jobs.

DHS strives to ensure that employees performing the same work, with the same skills, competencies, work experiences, education, training, job-related certifications, credentials, and performance attributes are compensated equitably.

Employees doing the same or similar work may be compensated differently when their qualifications (work experiences, education, training, job-related certifications, credentials, skills and competencies) or job performance are different.

In addition, employees doing the same or similar work may be compensated differently in response to external factors including the relative market competitiveness between and among jobs, financial limitations and constraints, and/or legislated requirements.

In cases of apparent need for compensation differences for similar jobs, DHS will examine:

- The relative mission critical nature of the job
- Differences in individual qualifications and competencies
- The potential impact of the compensation difference on others in the immediate organization

In summary, DHS strives to maintain a compensation system that pays each employee for the level and scope of work performed consistent with the DHS Compensation Philosophy.

3.7 OHRMD Roles

The DHS Office of Human Resources Management (OHRMD) is responsible for establishing and maintaining a classification and compensation system that is based on sound compensation methods and is consistent with state and federal laws.

OHRMD:

- Determines the appropriate classification and pay grade assignment of jobs
- Develops and maintains DHS's overall compensation guidelines, policies and procedures
- Partners with DHS Divisions and Offices to:
 - ⊕ Understand their business needs and how classification and compensation may affect their ability to meet them
 - ⊕ Provide tools and processes to aid them in making sound compensation decisions
 - ⊕ Craft effective solutions to assist in solving compensation problems
 - ⊕ Evaluate the potential benefits and risks associated with alternative actions
 - ⊕ Provide clear guidance and direction for compliance with state and federal laws
 - ⊕ Actively work with them to create a high-performing workforce committed to serving DHS's customers
 - ⊕ Implement DHS's Compensation Philosophy

It is OHRMD's responsibility to communicate not only the "why nots" but the "whys and hows" of sound compensation and human resources management practices to help Departmental leadership become better stewards of DHS's human assets.

Effective communication between OHRMD and DHS's Office and Division management is essential to their mutual success in serving the Department and its customers.

OHRMD provides training and information for supervisors, managers and directors enabling them to:

- Understand how DHS's classification and compensation system works
- Become aware of the tools and processes available to them to address employee compensation needs
- Identify and evaluate potential risks that may result from their actions
- Avoid unnecessary liabilities in making human resources management decisions

- Make sound decisions in administering salaries both in hiring and maintaining their employees
- Develop business cases, weighing appropriate factors to evaluate choices and to support the choices they make
- Explore alternative rewards and work arrangements that contribute to total compensation
- Provide tools and guidelines that support sound decisions for salary administration.
- Identify opportunities for employee development that are beneficial to employees, to DHS and to its customers.

In short, OHRMD's mission is to provide both leadership and support to help DHS and all its units achieve their Missions—both individually and collectively.

3.8 Division/Office Roles

Just as DHS's Division and Office Directors and Managers are accountable for managing their budgets (their fiscal resources), they are accountable for managing their employees (their human resources).

Managing employee compensation is a critical part of managing human resources. Salaries, benefits, employee development, and related costs make up a significant portion of DHS's overall budget and the budgets of each Division and Office. While these people costs represent a large portion of total expenses, when these costs are managed well, they become an investment rather than a cost--an asset more than an expense.

OHRMD provides guidance and support in managing employee compensation. However, Division/Office leadership are responsible and accountable for salary administration within the guidelines of DHS's Compensation Philosophy and its policies and procedures which promote consistent application of fair employment practices and define the boundaries for pay increases.

Division/Office leadership:

- Maintain an awareness and understanding of DHS's compensation philosophy, policies and procedures
- Make responsible salary administration choices in hiring salaries, employee rewards, and career planning and development that are consistent with the Compensation Philosophy and its related policies and procedures
- Weigh the impact of their decisions on others within their respective Office/Division and on DHS as a Department
- Manage their budgets, giving consideration to current and future costs
- Work to ensure that managers and supervisors within their respective Offices and Divisions are also informed and trained in their roles and

responsibilities in careful employee selection, hiring, development, and motivation within DHS's compensation philosophy, policies and procedures

- Document the business case for salary adjustments and other salary administration decisions
- Consult OHRMD on compensation decisions beyond the parameters of the DHS Compensation Philosophy and its associated policies

3.9 Classification and Compensation System

DHS believes that it is in the Department's best interest and in the State of Georgia's best interest that all State agencies follow a common system for making classification and compensation decisions.

Like other State of Georgia agencies, DHS follows the fundamentals of the classification and compensation system provided by the Georgia Merit System, and complies with State Personnel Board Rules governing how jobs are classified and compensated.

3.10 Classification and Compensation Decision-Making for Jobs

Decisions about job titles, job descriptions, required qualifications and the pay grade to which a job is assigned are based on the job to be performed and the work it represents rather than qualities of the particular person who occupies the job.

3.10.1 Job Classification Decisions

Jobs are classified (grouped with other like jobs and assigned a descriptive title) based on:

- The purpose of the job—the reason it exists and the need it is designed to fill
- The occupational group to which it belongs (accounting, medical care and treatment, social services, clerical/administrative support, general trades, etc.)
- The most important and most time consuming duties to be performed
- Qualifications—education/training, experience and competencies—necessary to prepare someone to perform job duties successfully

DHS recognizes that employees who accept responsibility for the management and supervision of others should be compensated for that responsibility. However, movement into management may not be the best use of the competencies and skills of every successful worker.

DHS offers a career opportunity to recognize the role of a high-competency employee as a mentor when:

- The learning curve for the job is significant
- Advanced-level skills and competencies are required for successful job performance
- The development, guidance, mentoring and training of entry or mid-level workers is a bona fide part of that employee's job responsibilities
- Mission critical duties and tasks are assigned to the job

3.10.2 Job Compensation Decisions

To determine how any job is compensated, DHS uses job evaluation criteria that:

- Are systematic
- Are objective
- Are professionally sound
- Do not discriminate in any unlawful way

DHS uses the following factors to determine how a job is compensated:

- Knowledge, skills and competencies required to perform the work
- The level of demonstrated initiative, responsibility and accountability for programs, resources and service delivery required in the job
- The degree of direction / supervision under which job tasks are performed – whether guidelines for how work is performed are broad and open-ended vs. specific and detailed (with little room for deviation)
- The degree of planning required to perform the job, ranging from responsibility for planning own work to planning the work of an entire agency
- The complexity of the work – difficulty of problems to be solved, creativity and analytical capabilities required to solve problems
- The impact of the job on the organization as a whole and on the lives of the citizens served by the job
- Challenge or difficulty of working conditions
- External requirements, including legislatively mandated requirements, market factors and other considerations, outside the control or influence of DHS

Every job, no matter how important, has a maximum value in the marketplace. Consequently, no matter how good a performer any job

incumbent may be, there is a finite limit to the amount that any job or any person performing in that job can be paid.

3.11 Compensation Decision-Making for Employees

Employees are paid at a rate at least as high as the minimum of the pay grade to which their job has been assigned.

Except in unusual circumstances, employees are not paid at a rate that exceeds the maximum of the pay grade for the job in which they are employed or have been assigned.

How an individual employee is paid between the minimum and maximum of the pay grade is dependent primarily on:

- The degree to which the employee demonstrates that he or she possesses qualifications (education/training, experience, competencies and certifications/credentials) that are linked directly to job duties and responsibilities
- Demonstrated performance in meeting or exceeding expectations for the job
- External market pay for jobs requiring the same or similar skills
- Funds available through appropriations by the General Assembly or from federal programs or other grants

3.11.1 Employee Salary Administration

Salary Administration addresses how employees are paid within jobs and in moves from one job to another.

3.11.1.1 Hiring Salaries

DHS uses available tools and strategies to attract employees whose skills and interests are well suited to jobs in DHS and the DHS work environment. To ensure a positive match between the employee and the DHS job, DHS portrays as accurate a picture as possible of the work to be performed, the work environment, and the potential for career growth and advancement available within DHS.

However, to attract the competencies necessary to serve DHS customers, DHS may pay hiring salaries above the minimum of the established pay grade for a job when the following conditions exist:

- The need is critical to DHS's mission and commitment to providing service to customers
- The needed skills are in short supply internally within DHS and in the market place

- The individual has qualifications—experience, education, training, licenses or certifications, or other demonstrated skills—greater than the minimum requirements for the job

Decisions on hiring salaries must be made in the overall interest of the Department and not solely on the desires of the hiring Division or Office. While availability of funds is essential to the ability to pay a salary above the pay grade minimum, it is not the sole criteria for such a decision.

The hiring Division or Office must demonstrate that the following conditions exist:

- The salary is necessary to attract the required skill set that would not otherwise be available to the Department
- The skill set is truly critical to DHS's Mission and to serving DHS's customers
- Equity between the salary of the new hire and the salaries of similarly qualified employees within the hiring work unit has been considered and that the Division/Office has an acceptable strategy for resolving any pay inequities that may result

3.11.1.2 Transfers—Job Changes within the Same Pay Range

DHS believes the development of every employee benefits DHS as an organization. Sometimes that development includes a job transfer.

Moving within DHS from one job to a job in the same classification or to a job with a different classification within the same pay grade:

DHS wants to create opportunities for employees to grow and progress in their careers inside DHS through internal transfers and promotions.

There are some potential benefits from having an employee transfer within DHS:

- Movement from one Division, Office or work unit to any other unit within DHS provides an employee with additional experiences, skills and insights that increase the potential value of that employee to DHS.
- Movement within and among Divisions and Offices improves understanding and abilities to work together as one Department, using all resources to their best potential in serving DHS customers.

In exceptional situations, an employee may be awarded a pay increase for a job change or transfer within the same pay grade within DHS when the transfer:

- Serves the greater good of the Department as a whole, and either:
- Contributes to employee development and retention, or
- Improves the ability of the hiring or receiving Division, Office or work unit to serve customers.

However, in all cases, the hiring or receiving work unit must demonstrate that consideration has been given to the salaries of employees within the unit who:

- Are doing the same job, and
- Possess the same or greater qualifications.

Any questions concerning awarding increases under this provision require review and approval by the manager or director who is responsible for both the hiring/receiving unit and the unit from which the employee is transferring.

The OHRMD Director or designee have final review and approval over any transfer compensation decisions between DHS Divisions or Offices if there is disagreement between the hiring/receiving and transferring/sending Directors.

Moving to the same job or a different job in DHS from another agency of the State of Georgia within the same pay grade:

In exceptional situations, an employee may be awarded a pay increase for a job change or transfer to DHS within the same pay grade when the transfer is for the greater good of the hiring or receiving Division, Office or work unit and the Department.

However, in all cases, the hiring or receiving work unit must demonstrate that consideration has been given to the salaries of employees within the unit who:

- Are doing the same job, and
- Possess the same or greater qualifications

The receiving DHS Division or Office Director is responsible for transfer compensation review and approval.

3.11.1.3 Promotions

Moving from one job to another job that has a higher pay grade is considered to be a promotion.

DHS recognizes that promotions require employees to assume greater responsibilities.

DHS recognizes that some promotions require employees to manage other employees. DHS also recognizes the potential value of promoting high performing employees to positions where they mentor and develop others within specific areas of expertise.

An employee who is promoted receives a pay increase within the guidelines of this Compensation Philosophy and its associated policies and procedures. OHRMD must approve any promotional increase that exceeds these guidelines.

3.11.1.4 Pay Supplements / Conditional Pay / Other Pay Options

From time to time, employees may be asked to perform additional duties for specified periods of time that are beyond the scope of their normal responsibilities. In addition to meeting temporary needs, assuming additional duties can afford an employee opportunities to learn new skills and gain experience that can be beneficial to the employee as well as the Department.

Assuming additional duties does not justify a pay increase unless those additional duties substantially change the scope and level of responsibility already required as part of the employee's current position.

When additional duties significantly increase the scope, level of responsibility, and/or volume of work required of an employee for a duration greater than 30 days, the employee may be eligible to receive additional compensation (a Pay Supplement) for the duration of the increased duties.

The amount of the Pay Supplement is based on the additional duties required and ends when the employee is relieved of the additional duties. Pay Supplements do not continue beyond one year without submission of a written renewal request to OHRMD. This request must include both an explanation of need and a confirmation that the conditions on which the Pay Supplement was originally granted still exist.

Effective administration of additional compensation is the joint responsibility of OHRMD and Division/Office leadership.

It is the responsibility of the Division/Office to ensure that any approved supplements are supported with a well-documented business case and that time limitations are strictly followed.

OHRMD may review Pay Supplements to ensure compliance with policies and procedures and may act to end any supplements that are not in compliance. Before any action to end a supplement, the OHRMD Director notifies the Director of the affected Division or Office.

Other tools for pay administration may be required to maintain a high-performing workforce and to remedy pay inequities should they occur. In all cases, careful consideration for the costs and benefits as well as clear documentation of the specific need must be demonstrated before awarding any exceptional pay increase. This documentation must present a clear business case that includes:

- An analysis of the impact on the respective Division/Office budget
- An examination of the implications for others who may be affected by the action
- A clear statement as to how the action serves both DHS's Mission and the business/service delivery strategies of the respective Division/Office

3.11.2 Rewarding Employee Performance

DHS expects every employee to perform job responsibilities to the best of the employee's ability. In accepting a job with DHS, the employee is making a commitment to perform assigned job tasks in a manner that is fully satisfactory in exchange for the salary or hourly compensation the employee receives.

DHS believes in rewarding performance that exceeds the expected performance of the job. Rewards can come in the form of monetary and non-monetary rewards.

It is the responsibility of every supervisor to communicate to each direct report clear expectations for future performance and what that employee must do to meet those performance expectations.

At least once a year, every employee is provided timely and accurate feedback in writing stating whether performance expectations are being met.

Every employee in a supervisory position, in turn, is evaluated by that employee's supervisor on delivery of clear performance expectations and feedback to direct reports.

While longevity is encouraged and appreciated, longevity alone does not entitle an employee to pay increases, promotional opportunities or other rewards.

3.11.2.1 Accountability for Performance

Each employee is accountable for personal job performance and for the successful performance of the organization.

The success of every supervisor, every manager, and the Department as a whole depends on the success of all employees in delivering services to DHS customers or supporting those who do.

DHS works to see that every employee:

- Understands the Department's Vision, Mission, Core Values, and customer service goals
- Understands how personal work contributes to the Mission, Values, and customer service Goals of the Department
- Knows what personal job behaviors and actions are expected to successfully meet performance expectations

DHS, as a Department, and as individual Divisions and Offices, looks for opportunities to enhance its abilities to reward high-performing employees—through identifying cost savings, leveraging available resources, and using available resources creatively.

3.11.2.2 Monetary Rewards

Under guidelines from the Georgia Merit System, the Governor's Office of Planning and Budget, and the Georgia General Assembly, DHS participates in the annual Performance Management Process.

The amount available to DHS to reward employee performance through pay increases varies based on the overall economic health of the State and the decisions of the Governor and General Assembly on how State funds are allocated.

Although DHS has a finite budget for monetary performance rewards, DHS strives to use the available resources effectively:

- To recognize employees who demonstrate exceptional service directly to DHS customers or in support of those who provide direct services
- To provide incentives for developing new and improved competencies that better enable the employee to serve
- To encourage and reward teamwork
- To encourage and reward more effective use of resources in service delivery—whether through cost-

savings, process/efficiency improvements, or creative strategies for doing more with less

3.11.2.3 Non-Monetary Rewards

Although direct, monetary compensation is a fundamental part of the employment equation, other rewards play an important role.

DHS's goal is to provide a work environment that supports and encourages service and recognizes employees who deliver quality service.

Alternative rewards can include but are not limited to:

- Employee recognition
- Work team recognition
- Special recognition events

Meeting service obligations as a Department requires that DHS look creatively for new and better ways to improve its ability to serve by improving the work environment.

DHS explores opportunities for non-monetary rewards that better serve DHS employees while also serving DHS customers.

Alternative work arrangements offer opportunities for better life/work balance for employees as well as more efficient use of resources. While not every job lends itself to alternative work styles and not every employee desires an alternative, DHS looks for opportunities where alternative work arrangements can be beneficial.

Among the possibilities for alternative work arrangements are:

- Tele-working
- Flexible work schedules
- Part-time employment and/or job sharing
- Job rotation/temporary assignments

3.12 Career Growth and Development

DHS builds compensation systems and processes to encourage and support each employee's career growth and development.

DHS Managers and Supervisors are expected to work with their employees in charting career paths that encourage and support growth and development. OHRMD works collaboratively with Division/Office leadership to support that effort.

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DHS is committed to developing a workplace in which every employee can grow and achieve career and personal rewards for that growth. While DHS wants to retain good performers, DHS does not reward employees for longevity alone.

DHS recognizes that other employers may be attracted to DHS's high performing employees and the skills they have developed in service to DHS. However, DHS believes strongly in the benefits—to DHS's organization, customers and employees—of developing employees to be their best.

DHS believes that career growth and development requires a partnership between DHS and each employee. DHS offers opportunities, but employees are responsible for making the best use of those opportunities to hone existing skills and gain new skills and competencies in the workplace.

DHS wants employees to come to DHS and to stay because they find rewarding work and high opportunities to develop personal and career potential.

4 Appendix: Legal Framework

LEGAL FRAMEWORK AND GOVERNANCE FOR COMPENSATION

A brief summary of key laws, rules and regulations that impact compensation in Georgia State government agencies.

4.1 Federal Laws

Following is a summary of applicable Federal laws, rules and regulations.

4.1.1 Fair Labor Standards Act of 1938 –

- Establishes a minimum wage – currently \$5.15 per hour.
- Sets forth requirements for compensating employees for hours of work...
- Establishes employment categories (exempt and non-exempt) for coverage of the act.

4.1.2 Equal Pay Act

- Prohibits unequal pay based on gender.
- Defines equal work as employment in the same establishment and in a job requiring substantially equal skill, effort, responsibility and working conditions.
- Establishes criteria under which an employer may be permitted to pay different wages – seniority, a merit system or systematic evaluation process to differentiate on the basis of job performance, a pay system that recognizes and rewards output or quality, or any factor other than gender (job-related qualifications, training program participation, “red circled” pay rates, etc.).

4.1.3 Title VII US Civil Rights Act of 1965, Amended 1991 –

- Establishes legal protections for employees and job applicants against discrimination on the basis of race, color, religion, sex, or national origin.
- Establishes defenses against charges of unlawful discrimination to include bona fide occupational qualifications, business necessity, seniority systems, merit systems, production measurement systems, different work locations, and different market wage rates.

4.1.4 The Social Security Act of 1935 –

- Established provisions for civil service systems.
- Extended requirements for establishing civil service/merit systems and practices for states receiving federal funding.

4.2 Georgia Laws

Following is a summary of applicable State of Georgia laws, rules and regulations.

4.2.1 Georgia Merit System Act, Revised and Amended 1996.

- Establishes a merit system and sets forth provisions for governance of state personnel matters.
- Empowers the State Personnel Board with rule-making authority to carry out the provisions of the Act.

4.2.2 State Personnel Board Rules

- **Rule 1 – Definitions:** Defines terms and concepts.
- **Rule 4 – Classification:** Sets forth how the State's classification plan will be established and amended.
 - Outlines the process by which Department heads in conjunction with the Commissioner of the Georgia Merit System can make changes to the plan;
 - Details the processes by which job descriptions and job classifications may be created and/or changed to reflect new jobs and new or different job duties;
 - Establishes the process for movement of positions from one classification to another.
- **Rule 5 – Compensation:** Establishes the process by which the State's pay plan or salary structure shall be created and amended.
 - Defines the pay structure as consisting of a minimum, a market midpoint, and a maximum for each pay grade.
 - Establishes the role of the Director of the Office of Planning and Budget in the initial approval of the plan and approval of all amendments to the compensation plan.
- **Rule 8 – Vacancies:** Provides for the filling of vacant positions under the Merit System; does not address positions not covered by the Merit System (does not address hiring salaries for external hires which, after July 1, 1996, will result in the treatment of any formerly covered position no longer being covered by the Merit System).
- **Rule 10 – Promotions, Transfers, Demotions, Relocations:** Spells out the process for movement of employees from one position to

another within the Department or between Departments through promotions, transfers, demotions, relocations and position level reductions; does not address compensation associated with such movement.

- **Rule 17 – Salary Administration:** Establishes provisions for calculation of pay and for changes to employee pay.
 - Outlines provisions for adjusting employee salaries under the following conditions:
 - Reassignment of a different pay grade
 - Promotions
 - Demotions
 - Transfers
 - Adjustments to meet Departmental objectives
 - Criteria-based plans (at the Department head's discretion but subject to audit by the Merit System)
 - Establishes provisions for performance-based increases.
 - Defines salary reductions, purposes for reductions and related provisions
 - Creates a framework by which the Department head/appointing authority may, subject to Office of Planning and Budget approval, establish certain pay supplements defined as Conditional Pay
 - Provides authority for the Commissioner of the Department of Human Resources to approve and County Departments of family and children services to supplement State salaries with county funds (PAR. 17.701)
 - Establishes a category of pay for incentive compensation (under provisions of O.C.G.A. 45-21)
 - Provides for performance based incentives
 - Provides for future State Personnel Board policies to address additional categories of incentive pay

4.2.3 Memoranda from the Governor's Office of Planning and Budget (1996-1997)

The Office of Planning and Budget has not issued formal administrative rules governing or restricting Departmental authority for compensation actions nor has it issued formalized procedures as such...

However, as the agent of the Governor in practice and by formalized rules of the State Personnel Board, OPB has authority for the approval of certain changes in compensation.

From time to time, the Director of OPB has issued memoranda as to how it intends to exercise its approval authority or to limit Departmental discretion in setting or amending employee compensation.

4.3 DHS Policies and Procedures

Within the framework of federal and state laws, and State Personnel Board Rules, the Department of Human Resources has discretion to establish its own policies and procedures for how its employees will be compensated.

The Department has issued policies governing compensation as follows:

- Position Level Reduction (Policy #201, August 16, 1999)
- Shift Differential Pay (Policy #806, June 15, 2001)
- Promotions (Policy #1101, September 1, 2001)
- Demotions (Policy #1102, September 1, 2001)

4.4 Historical Perspective

4.4.1 The Merit System and Changing Roles

The Merit System Act as implemented through State Personnel Board Rules vested control of classification, compensation, and salary administration in the Georgia Merit System. Very little Departmental discretion was permitted without first seeking formal approval from the Merit System.

In the late 1970's, a number of larger Departments were given delegated authority for routine position classification subject to Merit System guidelines and subsequent audit. Delegated authority was typically allowed for jobs that were part of a structured hierarchy with well defined jobs and levels – for example, movement of positions from entry level Family and Children Services jobs to more senior levels in the hierarchy or similar moves in positions assigned to State Hospitals.

During the 1980's and 1990's the number of unclassified jobs – jobs not subject to Merit System control – increased significantly. Use of these unclassified or Merit-exempt jobs gave Department Directors greater discretion in the selection, compensation and management of job incumbents. However, Department Directors (appointing authorities) had little discretion in setting salaries, awarding increases or hiring above pay grade minimums for employees in the classified service.

The General Assembly enacted sweeping changes in 1996. In legislation effective July 1, 1996 all newly created jobs and all existing jobs filled through external hires were treated as unclassified and exempt from much of the regulatory authority previously vested in the Georgia Merit System. Also, a new system for describing, classifying, and evaluating (assigning pay grades) was established through the *GeorgiaGain* Project, significantly changing the role of the Georgia Merit System. Since 1996, the role of the Merit System has become less regulatory and more consultative.

With the implementation of a new, comprehensive human resources information and payroll system, all jobs—including those unclassified jobs previously paid outside the State pay plan, were brought into the system and into a new statewide salary structure.

4.4.2 Department Roles in Determining Employee Compensation

Departments, formerly accustomed to the structure of State Personnel Board Rules and Merit System oversight, have been re-examining the opportunities and limitations they now face in addressing the issue of employee compensation.

Removal of large numbers of positions from Merit System authority created the need for Departmental policies to address matters formerly covered in State Personnel Board Rules —many of which were undergoing revision as well.

Departmental managers and human resources professionals have been exploring the parameters for establishing new policies to govern compensation decisions. The changes to the old system happened very quickly, leaving little time for Departments to study their needs and create new policies. The need to hire, promote and address salary issues in the context of changes in the larger economy has required Departments to act in response to business demands while working to establish a new framework for compensation practices.

Rather than regulatory limitations from an external agency, Departments have encountered very tangible budgetary constraints in attempting to compete for qualified workers.

The new environment has created the following challenges for Departments:

- Understanding their own beliefs about how employees should be compensated
- Defining the balance between control and management flexibility in making compensation decisions affecting jobs with many incumbents as well as individual pay and rewards

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- Assessing where they will stand on the continuum of external competitiveness vs. internal equity
- Developing guidelines, policies and procedures to govern compensation decisions
- Communicating Departmental compensation philosophies to managers and employees to guide their decisions
- Explaining the new rules for compensation decisions so that the overarching guidelines of fairness and prohibitions against unlawful discrimination are not only followed but also perceived by those impacted by pay decisions
- Establishing the documentation, checklists and paper trails to ensure compliance with federal laws and the ability to defend against possible challenges without creating administrative burdens and adding to bureaucracy in a time when resources are limited and operating flexibility is in high demand

Establishing a clear philosophy statement can form the foundation for guidelines and policies to achieve Departmental missions and goals. A compensation philosophy is the first step in creating an environment improved understanding and responsible decision-making in how the Department will allocate resources and what employees can expect in return for their work performance.