

**Department of Commerce  
Demonstration Project  
Pay Setting Guide**

**June 2001**

INTRODUCTION: One of the key elements of the Demonstration Project is a pay system that improves the ability to attract and retain quality employees. This is done through pay for performance, which provides for pay progression within the bands, basic pay and locality increases, supervisory performance pay, and flexible pay setting for new hires, promotions, and competitive reassignments. The authority to exercise these flexibilities is delegated to the supervisors with appropriate oversight as necessary.

PURPOSE/SCOPE: To provide a handy Pay Setting Guide for use by managers and supervisors on the flexibilities in setting pay under the DOC Demonstration Project.

**PAY SETTING FOR NEW HIRES: FLEXIBILITY IN SETTING PAY FOR NEW HIRES ALLOWS MANAGERS TO OFFER MORE COMPETITIVE SALARIES TO ATTRACT HIGHLY QUALIFIED CANDIDATES.**

What should I consider when setting pay for a new hire?

You should consider the applicant's level of experience and overall qualifications for the position. Also consider if the salary you are offering is competitive with salaries being offered for similar positions. Determine how these qualifications compare to that of existing staff doing the same type work...is there a learning curve? How much training will be required? You should consider pay progression and promotion potential to allow room for growth. In addition, you should think about budgetary issues in your organization, if any exist.

You also need to be mindful that employees hired after June 4th will not be in their positions for a least 120 days of the performance rating cycle and, therefore, are not eligible for performance pay increases. The pay flexibilities of the Project allow you to consider this when setting the initial salary.

- *Does pay have to be set at the beginning of the pay band?*

No. Unlike the General Schedule where most salaries are set at the step 1 of a grade level, pay can be set anywhere within the pay band between intervals 1 and 3. Pay cannot be set at intervals 4 and 5, since supervisory pay must be earned through performance increases.

- *What are my options if I offer a salary, but it's not accepted by the candidate I'm considering?*

Flexibility in setting pay under the Demo Project allows you to consider and negotiate a competitively higher salary when determined by the selecting official to be warranted.

Example: You offer Joe an Economist position at the ZP-03 with a salary of \$44,900. Joe has over 2 years of specialized experience and says he will accept nothing less than \$55,000. Based on his qualifications you agree to raise your offer and you and Joe manage to settle on \$50,000 instead.

**PAY ADJUSTMENTS: ANY INCREASE TO BASIC PAY WITHIN THE PAY BAND.**

- *Now that I am a Supervisor, when do I get my Supervisory Pay Increase?*

Supervisory Performance Pay allows supervisory salaries to increase up to 6 percent higher than the maximum rate of the non-supervisory (interval 3) pay band. However, this is not an immediate increase, but must be earned through the pay for performance system (i.e., pay increases based on annual performance evaluations). Once the employee leaves a supervisory position, the supervisory pay is terminated and their salary will be reset at the top of interval 3 of their pay band.

Example: Jane is a supervisor and her salary has reached the maximum rate of the ZP-IV, Interval 3. The rating cycle has just ended and she is eligible to receive a performance increase. This increase places her salary at the ZP-IV, within interval 4. However, if Jane decides to return to a non-supervisory position, her salary will be reset to the maximum rate of the ZP-IV, interval 3.

- *Can an employee be reassigned into another position at the same pay band and receive a pay increase?*

Yes. An employee can compete for a vacancy in the same career path and the same pay band as their current position and receive a higher salary. This is considered a Competitive Reassignment.

Example: John is a Fishery Biologist, ZP-482-03, making \$45,000. He competes and is selected for another Fishery Biologist, ZP-482-03, position and is offered a new salary of \$50,000.

- *When is it okay to offer a Recruitment Allowance?*

It would be appropriate to offer a Recruitment Allowance when seeking special qualifications for a hard-to-fill position and when turnover rates are high, or when there may be relocation or dislocation issues for the candidate you are interested in hiring. An allowance may be paid up to \$10,000 or 25 percent of the employee's basic rate, whichever is greater. This can be paid in a lump sum or incrementally, upon approval of your line office Operating Personnel Management Board (OPMB). This allowance is not a part of basic pay.

Example: You are having difficulty recruiting for a Hydrologist. You have located an excellent candidate in Massachusetts; however, to move to Maryland would mean that his spouse would have to leave her job and possibly be out of work for a couple of months. The loss of her salary could impact their income and thus, his decision to relocate. You can offer a Recruitment Bonus to entice the candidate to accept the job by mitigating the loss in his wife's salary.

OR another scenario might be...

The applicant is a Computer Specialist, ZP-03. You offer him the maximum rate of the interval 3 for his pay band, but he is still hesitant to accept. Because of his special skills, you can offer him a \$5,000 bonus.

- *When are Retention Allowances used?*

A Retention Allowance can be offered to retain an employee who may be highly qualified in a particular field and who is considering a position outside of the Federal service. Consequently, their leaving could greatly impact the mission or operation of your office. You can pay an allowance up to \$10,000 or 25 percent of the employee's basic rate, to be paid incrementally upon approval of your line office OPMB. This allowance is not a part of basic pay.

Example: Bob is a Physical Scientist conducting atmospheric research. He has been offered a new job, along with a \$10,000 bonus, to do the same type of work for a private firm. In order to keep Bob, whose salary is \$75,000, you can offer him a 20 percent bonus which is \$15,000.

**PROMOTIONS:** PAY MAY BE SET ANYWHERE WITHIN THE NEW BAND ON A PROMOTION; HOWEVER, THE EMPLOYEE MUST RECEIVE AT LEAST SIX PERCENT PAY INCREASE.

- *Is there any way to promote an employee to a higher pay within their current band?*

No. In-band promotions are not possible. Consequently, consideration should be given to this when initially setting pay. You can only promote an employee from one pay band to another. Otherwise, employees receive increases in pay based on their annual performance appraisal.

Example: You select an applicant with superior qualifications, currently at the GS-11, step 1, for a ZP-03 position. You offer this applicant a higher starting salary equivalent to the GS-11, step 3. After a year the employee has the potential, based on a performance pay increase, to make a salary commensurate with the GS-12 level .

- *How can I recognize an employee for their annual performance if they have received a pay increase within the last 120 days of the performance cycle?*

Employees who receive a pay increase during the last 120 days of the rating cycle are not eligible for performance pay increases. However, you can consider the employee's performance when setting their pay to compensate for the fact the employee will not be eligible for a performance pay increase.

Example: Ann is being promoted effective June 30<sup>th</sup>. Since she is not eligible for the performance pay increase, this is taken into consideration when setting her promotion salary.

#### REFERENCE:

Additional detailed guidance on pay setting and pay administration is contained in the Demonstration Project Operating Procedures. This reference can be accessed at <http://ohrm.doc.gov/pay/oproc2.htm>.