

# Kids Central, Inc. System of Care Policy & Procedure

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**Series:** Human Resources

**Policy Name:** Compensation

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**Authority:**

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**Policy:**

In an effort to hire and retain high performing employees who are focused on the mission, vision and values of our organization, Kid Central Inc.'s leadership team is committed to creating a work environment that is challenging, rewarding, and performance driven. Compensation will be market competitive and will be administered fairly and equitably. Kids Central Inc.'s Human Resources staff and Executive Leadership Team will develop and maintain a plan for administering compensation that is approved by the board of Directors. The plan will be reviewed at least annually or as needed.

**Procedure:**

Kids Central, Inc.'s procedure for development of the compensation plan is outlined in the Human Resource Department's Manual.

**Approved By:**

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Cynthia A. Schuler, Chief Executive Officer

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Date

## **Kids Central, Inc. Compensation Plan 2009-2010**

In an effort to create a work environment that is challenging, rewarding, and performance driven, Kids Central's HR Team was asked to develop a formal compensation system. The goals established at the beginning of this process follow:

- Goal 1: Establish market-based pay grades and pay ranges, and establish a consistent practice for updating pay grades and ranges based on relevant market data.
- Goal 2: Establish a fair and equitable method of placing positions in pay grades based on level of responsibility and level of impact on Kids Central's mission, vision, values and strategic goal achievement.
- Goal 3: Establish a fair and equitable method of placing individual employees in their assigned pay range based on knowledge, skills, abilities and performance.
- Goal 4: Establish a consistent practice of granting pay increases that take into account Kids Central's fiscal resources and individual employee performance.
- Goal 5: Establish policies and procedures that ensure consistency with the above-mentioned practices, which are intended to make sure all employees are treated fairly.

The following report details each goal listed above, the process for achieving the goal, and final recommendations.

**Goal 1: Establish market-based pay grades and pay ranges, and establish a consistent practice for updating pay grades and ranges based on relevant market data.**

Research Methodology

Salary Survey Sources

In order to get the most accurate, up-to-date and relevant salary data, Kids Central's Human Resources staff conducted a comprehensive Florida CBC Lead Agency Salary Survey, which is described in detail in the following section of this report. Because CBC lead agencies have struggled with getting market data prior to this juncture, we also utilized other data sources to validate the data gathered from the Lead agency survey. Those sources are listed below:

- 2008-2009 State of Florida Wage & Benefit Survey
- WageLink
- WageLink – Social Services Group
- Salary.com

2009 Florida CBC Lead Agency Salary Survey Methodology

Eleven Lead agencies participated in the salary survey, which represents a participation rate of over 50% of Florida CBC lead agencies. Survey participants were asked to report only on positions which matched our job descriptions 80%. Any questionable responses were specifically discussed with the respondents and were either deleted or utilized in the results.

Almost every agency reported that their higher-level positions (Manager, Director, etc.) held multiple roles, and were all struggling to find good matches for their positions.

Data collected were based on the following definitions:

Average Paid Rate: The actual average rate paid to all incumbents in the position (annualized).

Range Minimum: The minimum paid to any incumbent in the position

Range Midpoint: The market rate for the position and represents the 50th percentile of the pay range. The established rate at which an incumbent is fully competent in his/her position.

Range Maximum: The maximum paid to any incumbent in the position.

Ongoing Market Analysis

In order to keep pay grades and ranges consistent with market, Kids Central's Human Resources staff will conduct a compensation market analysis every two years to determine if adjustments are necessary. If for some reason circumstances prohibit a market analysis in a year in which one is due, an analysis must be completed the following year.

## Pay Grades and Pay Ranges

Formal pay grades and salary ranges are established to ensure equitable compensation over time. The salary ranges being recommended for Kids Central were developed utilizing compensation system “best practice”.

Each pay grade established may have one or more positions assigned to it, but there is only one salary range representing a pay grade (See attachment 1 – Kids Central, Inc. Pay Grades and Ranges).

Salary ranges establish a minimum, midpoint (market rate) and maximum salary for each position in the pay grade, and are developed using a formula based on the midpoint, the slope and the range spread.

### Definitions

Range	The market rate for the position and represents the 50th percentile
Midpoint:	of the pay range. The established rate at which an incumbent is fully competent in his/her position.
Slope:	The percentage of increase from one pay grade salary range midpoint to the next pay grade salary range midpoint.
Range Spread:	The percentage of increase from the minimum to the maximum salary in the salary range.

### Kid Central's Pay Grade Slope

The midpoint slope is generally between 9 – 12%. Kids Central chose 9%. This percentage was chosen because many of Kids Central's positions are closely positioned in the market. In order to keep the pay range consistent with market data, it was necessary to have a smaller slope between pay grades.

### Kids Central's Pay Range Spread

The range spread can range from 10% to 70% depending on the organization's compensation philosophy. Some organizations choose a narrow range spread for entry level positions and widen the pay range spread for positions that are highly professional, take years of development and education, and tend to have low turnover. Many organizations choose to have the same range spread from minimum to maximum for all their pay ranges.

Kids Central has chosen to maintain a consistent pay range spread of 18.2% for all salary ranges.

**Goal 2: Establish a fair and equitable method of placing positions in pay grades based on level of responsibility and level of impact on Kids Central’s mission, vision, values and strategic goal achievement.**

All organizations operate differently, including CBC lead agencies. Although market data is important and should be a driving factor in setting pay grades, other factors must be considered. Factors that are considered when placing Kid Central’s positions in pay grades include:

- Market data and benchmarked positions
- Level of responsibility
- Impact on organizational strategic goal achievement
- Value to the organization
- Overall contribution to Kids Central’s mission

Benchmark Positions

Benchmark positions are defined as those positions whose primary functions and organizational level are consistent across all industries, revenue size or number of employees, or for profit/non-profit status. Benchmark positions used for all survey analysis included:

Receptionist  
Payroll Clerk  
Accounts Payable Clerk  
Accountant  
Administrative Assistant  
HR Director  
Training Director

Benchmark positions for the CBC Lead Agency Salary survey include all of the above, plus the following positions, which were matched by at least five other Lead agencies:

Revenue Maximization Specialist  
Revenue Maximization Supervisor  
Contract Manager  
Licensing Specialist  
Placement Specialist  
Independent Living Specialist  
Utilization Management Specialist  
Quality Management Specialist  
Director of Quality Management  
Trainer

Slotted Positions

Positions that could not be benchmarked, which means there were not five or more reliable data sources available, were slotted into pay ranges based on a comparative analysis to the benchmarked positions.

**Goal 3: Establish a fair and equitable method of placing individual employees in their assigned pay range based on knowledge, skills, abilities and performance.**

After establishing pay grades and pay ranges and placing each Kids Central position into the appropriate grade, we must determine where individual employees fit into their newly assigned pay ranges.

Employees not at their pay range minimum

The first priority is to ensure that every employee is at least at the minimum of the pay range they are assigned. If any employees are being compensated below the minimum of their pay range, they should be moved up to the minimum.

Employees above their pay range maximum

The next step is to determine if any employees are being compensated above their new pay range maximum. Those employees will be red-circled, which means they will not receive any increases until the market warrants raising the maximum of the pay grade (which will be determined when market analysis is completed every two to three years).

Internal Equity

The final step is analyzing internal equity issues is to make sure all staff members are compensated equitably compared to each other in terms of knowledge, skills, ability, performance, contribution to Kids Central vision, mission and values and length of service as compared to other employees with the same performance level.

Internal equity will be analyzed on a case-by-case basis. Every effort should be made to correct severe inequities in a timely manner. Less severe instances will be corrected over time by following the other practices described in this compensation plan.

Maintaining Internal Equity

The key to maintaining internal equity is to monitor the hiring process and ensure new hires are brought in at the appropriate level on the pay grade relative to others already employed at Kids Central in the same pay grade. The Personnel Requisition process has already been revised to accommodate this process. Exceptions should be minimized to keep the integrity of the system in tact.

**Goal 4: Establish a consistent practice of granting pay increases that take into account Kids Central's fiscal resources and individual employee performance.**

Pay increases must be granted systematically and fairly and there must be a consistent procedure that is followed in order to maintain system integrity, which also supports the balanced scorecard goals to hire, develop and retain staff with a passion for serving children and to reward individual initiative and enforce accountability. The Board of Directors approves when pay increases will be granted based on the organization's performance and ability to fund them.

## Merit Increases

- Each year, the Executive Leadership Team will analyze the organization's financial performance to determine if merit increases can be granted and make a recommendation to the Board of Directors. The Board of Directors will review the recommendation and determine if the increase can be approved.
- If the increase is approved by the Board of Directors, the Executive Leadership Team will establish the procedure for determining how individual merit increases will be granted. The guidelines for granting merit increases will be based on performance.
- Human Resources will establish a performance appraisal process that establishes performance-based measures which will be the criteria used for granting merit increases. The performance appraisal process must include criteria that measures true performance and is not subjective. An example follows:
  - 3% increase if an employee achieves all individual goals and performance meets or exceeds standards.
  - 2% increase if an employee achieves most of his/her individual goals and performance meets standards.
  - 1% increase if an employee achieves most of his/her individual goals and overall performance meets standards, but the employee needs improvement in one or more areas. An employee in this category should receive coaching until performance is up to standard.
  - 0% increase if employee does not meet most of his/her goals and/or needs **significant** improvement in one or more areas. An employee in this category must be placed on a performance improvement plan.

**This is an example only.** The criteria may change from year to year as the organizational goals change and evolve, so it is not feasible to set the criteria in policy. It is more important to make sure policy requires a system that is measurable, objective and performance based, with Executive Leadership's final approval.

- If the Board is not able to grant a merit increase in a particular year, this should become a budget priority for the following year. If a merit increase is not granted for two years in a row, this should become a top budget priority for the next year.

## Other Base Pay Adjustments

There may be other pay adjustments necessary if an abnormal fluctuation in the market occurs. This could warrant a market adjustment for one or more positions. These increases are applied to the pay ranges as well as employee pay rates. Any increase applied to all positions must receive approval from the Board of Directors. The necessity of granting market adjustments will decline if consistent merit increases are awarded to keep employees closer to the market average and if market analysis is conducted timely.

## Other Individual Increases

While Board of Director approval is needed for organizational wide merit, market adjustments or cost of living increases, it is not practical to require Board approval for individual pay increases. Occasionally, individual pay adjustments are necessary because significant changes have been made to a position's job description. The Chief Executive Officer has

authority to move positions to new pay grades and/or make individual pay changes to staff without Board approval in these types of circumstances.

**Goal 5: Establish policies and procedures that ensure consistency with the above-mentioned practices, which are intended to make sure all employees are treated fairly.**

The final step is establishing a compensation policy and procedure that ensures compliance with the approved compensation system. Once this plan is reviewed and approved, a formal policy and procedure will be written and submitted for approval and will be based on the recommendations in this report.