

SALARY/PROMOTION SYSTEMS

USED BY

PRIVATE AND PUBLIC RESEARCH ORGANIZATIONS

IN AUSTRALIA, ENGLAND, GERMANY, HOLLAND AND THE U.S.A.

Prepared by

Thomas E. Clarke, M.Sc., M.B.A.

Stargate Consultants Limited
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BACKGROUND

As part of the background studies conducted for the Rewards, Recognition and Incentives Group, Stargate Consultants Limited was commissioned to conduct a limited survey of salary/promotion systems used by government and semi-government laboratories around the world plus some high profile private sector firms in the U.S.

One question of particular importance was to determine whether the salary/promotion system used by the various organizations was a "person-oriented" or "position-based" system.

The results of an earlier study on Canadian and U.S. firms to determine whether they used a person-oriented or position-based system will be included in this report for completeness (Clarke, 1996).

METHODOLOGY

Officials in Australia, England, France, Germany, Holland and the United States were contacted by telephone and e-mail to request their participation in this study. No response from France was received.

Interviewees were asked to send documentation of the salary/promotion systems they employed; most declined, either because of confidentiality or not having anything in writing that was up-to-date. Several organizations put such information up on a protected area of their Internet web-site and so do not easily have written documentation to hand out. Other organizations promised to send information after the deadline for this study. This information will be provided to N.R.C. when it arrives.

During the 1996 review, this author asked several of his colleagues in the U.S. and Canada whether they were aware of any similar study into salary/promotion systems for research scientists and engineers; their reply was that they were not.

RESULTS

Earlier Study

In March of 1996, a survey of twelve R&D based firms in Canada and the United States was conducted to determine whether they employed a person-oriented or position-based (job-oriented) salary/promotion system for their scientific and engineering research staff. (Review of Salary Compensation Systems for Research Scientists and Engineers in R&D Based Organizations, T.E. Clarke, Stargate Consultants Ltd, March, 1996).

The following is a summary of the findings:

Companies Appearing to Use a Person-oriented Salary System

- Atomic Energy of Canada Limited (Maturity curve type system)
- Bell Labs (Maturity curve type system)
- Boeing Corporation *#
- DuPont Research Centre (Have a variable pay system)
- Colgate-Palmolive* (Competency-based broad band system)
- Hughes Aircraft #
- TRW (Presently use a maturity curve system with nine grades, moving towards a more pay-for-performance system)
- Xerox *(Maturity curve type system)

Companies Appearing to Use a Job-Oriented Salary System

- A,T&T (Presently use a Hayes point-rated system, but plan to move to a more broad band salary system)
- Ford Motor Company (Job point-rated system similar to Hayes)
- IBM (Point factor salary system)
- Lockheed Martin
- Medical Research Council, UK
- Noranda Research ** (Have used maturity curve system recently)
- Nortel Technologies ** (Seven broad salary bands)

* System used only with their R&D personnel, rest of firm uses position-based.

** Examining possible adoption of competency-based system

Mentioned by a third party

As was noted in the conclusions of this earlier report, numerous authors who have written about salary systems for R&D personnel emphasize **the need to pay the person, not the job**. Based on this review, there was no clear picture as to the use of person-oriented systems over job or position-based systems. Leading edge firms appear to use both. It was noted, however, that several firms made a distinction between their R&D staff and other employees; R&D personnel were under a person-oriented system while non-R&D staff were under a position or job-based system.

Present Study

The main difference between the earlier study and this one is the focus of this study on government and semi-government research laboratories/organizations rather than the private sector.

Based on the information gathered, the following is a breakdown of the salary/promotion systems used by the organizations contacted:

Organizations that Appear to Employ a Mainly Person-Oriented System

Commonwealth Scientific and Industrial Research Organization (Australia)

Defence Research Agency (United Kingdom)

National Physical Laboratory (United Kingdom)

National Institute of Standards and Technology (USA)

Lawrence Livermore National Laboratory (USA)

Sandia National Laboratory (USA)

3M Corporation

Xerox Corporation

One interviewee mentioned that the Los Alamos National Laboratory and Berkeley National Laboratory also had systems that were person-oriented.

Hybrids that Are Highly Personalized, Position-based Salary/Promotion Systems

US Department of Agriculture - Agriculture Research Service

Pacific Northwest National Laboratory (Battelle managed)

Organizations that Employ a Mainly Position-based Salary/Promotion System

Laboratories operated by the UK Department of Trade and Industry, and their Research Councils

National Weight and Measurement Laboratory (UK)

Max Planck Institute (Germany)

Government Supported Research Laboratories in Germany

Government Supported Research Laboratories in Holland e.g., TNO

Person-Oriented Salary/Promotion Systems

Government organizations which have the freedom to develop or adopt new salary/promotion systems tend to move towards a more person-based system. This happened in the case of the National Institute of Standards and Technology in the US, the Defence Research Agency in the UK and the Commonwealth Scientific and Industrial Research Organization (CSIRO) in Australia. The Government Owned, Contractor Operated research laboratories surveyed, in the UK and US all appeared to have a more person-oriented system.

The interviewee from the CSIRO noted that they used to have a position-based system but dropped it. He went on to state that there is great opposition within the CSIRO to having an establishment-based (position-based) system. "It is an anathema to most people in the organization". CSIRO believes that a person-based system is more flexible.

The personnel representative from the Defence Research Agency (UK) believes a person-based system is more appropriate for an R&D based organization because, "We want to encourage innovation and inventiveness, we want to encourage networking and aspirations to world-class standing, and all these things come from a person-based approach rather than a position-based approach".

Another DRA interviewee believed that organizations that consider their R&D activities to be just part of their overhead, would tend to have position-based salary systems while those that embodied their R&D results in externally traded products or processes would have a person-based salary system for their R&D staff.

The Sandia interviewee considers that the people-based salary system is important to attract the very best. He also stated that, "Those laboratories that are under the GS system (US government position-based system for their public servants) are not necessarily considered first tier laboratories".

The Xerox representative preferred a person-based salary/promotion system because it allowed him the flexibility to pay people what they are worth, both in terms of their outside market value, and their contribution to the company.

NIST believes that their more person-oriented system with its broad salary bands improves their ability to:

- Hire and compete more effectively for high quality researchers
- Motivate and retain staff
- Pay for performance, and
- Provide faster pay progression for top performers.

In a survey of their staff in 1993, a majority preferred the new salary system over the old GS system.

Position-Based Salary/Promotion Systems

Most government owned and supported research laboratories outside of the USA appear to adopt a position-based system of salary and promotion. In the case of Germany and Holland, the salary systems are set by the government for both government and federally supported research organizations.

One of the UK interviewees said that the research councils have a lot of concern about their ability to hire and retain exceptional staff with the present position-based salary/promotion system. As a result, they try to personalize the existing system with performance related bonuses.

A general tendency was noted to reduce the number of salary bands so that in-band salary increases could be handled on a person-oriented, performance basis, over a quite wide salary range. This would reduce the need for frequent reclassification of an individual's job, or frequent applications for the next higher band or grade.

Among some of the other tools or mechanisms used to personalize the position-based system were:

- Individual merit promotion
- Fluidly graded posts
- Easier reclassification process
- Market related pay supplements
- Performance, and rare talent supplements
- Faster salary increases in early career years
- Use of peer committees to decide upon promotions (reclassifications)

CONCLUSIONS

As in the earlier study, there is no clear picture that scientifically leading edge organizations all use person-oriented salary/promotion systems. Whether the European research institutes would move to a more person-based system if federal regulations and laws allowed was not explored.

In Australia, England and the USA where that freedom was present, the organizations contacted did move to a more person-based system. The private firms who manage government laboratories in the US have clearly opted for more person-based systems and have abandoned the position-based GS system that would have been in place initially.

A move by Treasury Board to abandon the person-based salary/promotion system of the RES/DS type in favour of a more position-based universal classification system would appear to be a step backward. It would be another example of Treasury Board trying to fit everyone into "one size of shoe"; something that they have been criticized for in the past by the Auditor General's Office. Such a move would reduce government laboratory's ability to effectively manage their R&D staff and reward and recognize them in a way consistent with their professional growth and expectations.

As noted earlier, the most important factor in a salary/promotion system is to pay the person for their contribution to achieving organizational goals or objectives, not for just spending time in a job. i.e., Pay the person, not the job.