

Policy Title: Compensation Policy
Policy Number: 200

Policy:

It is the policy of Arc Human Services (AHS) and affiliate organizations that pay adjustments, or wages set for those newly hired, are determined in a fair, consistent, and equitable way and are in line with the organization's compensation philosophy, compensation strategy, and the duties and responsibilities inherent in the position. This policy outlines our compensation standards and guidelines.

Compensation Philosophy:

AHS's compensation model is designed to support the organization's mission and values. We believe our compensation program and policy is a management tool that when aligned with an effective communication plan is designed to support, reinforce, and align our values, care and support strategies, and operational & financial needs with a goal of growth and sustainability. Our compensation program is designed to attract, motivate, and retain talented employees who drive our mission; serving people of all ages with intellectual and developmental disabilities and behavioral health challenges, allowing them to fulfill their ambitions, protect their rights and foster meaningful relationships at home, at work and in their communities. AHS will administer the compensation program in a manner that is consistent and free of discrimination.

Eligibility:

This policy applies to all full-time, regular part-time and flexibly scheduled/PRN positions within Arc Human Services (AHS), AAdvantage, The Arc of Washington, and any affiliate organizations that are governed by the organization's job classification system as designated on the organization's Wage and Salary Plan. Positions that are deemed as temporary or are under any form of hourly agreement/contract are not eligible under this policy.

Definitions:

1. **Direct Compensation:** Consists of pay received in direct wages, salaries, bonuses, or incentives, if offered and provided at regular and consistent intervals.
2. **Indirect Compensation:** Includes all financial rewards that are not included in direct compensation and can be understood to form part of the social agreement between the employer and employee. These include: employee benefits, leave of absences, paid time off, retirement plans, education and other employee services.
3. **Non-Financial Compensation:** Refers to opportunities for career development and advancement, recognition awards, as well as working conditions and overall employee working environment.
4. **Related or Relevant Experience:** Describes previous work and/or training that an individual has done or achieved in past situations that is "directly" related, and in preparation for the job, for which he/she is applying.

Compensation Strategy:

1. **Guiding Principles:** AHS is committed to providing a fair and competitive compensation program that will attract, retain and reward high-performing employees at all levels. The compensation program and policy is designed to:
 - a. Establish the structure to pay a fair wage based on what the job is worth in the marketplace.
 - b. Recognize & reward individual and group performance.
 - c. Provide managers and employees access to pay guidelines and salary ranges.
 - d. Promote flexibility to support differences and changes in job requirements and

- the job market.
 - e. Establish reference points based on market competitiveness and reflect pay rates within the relevant job market.
 - f. Provide pay guidelines to ensure that similar jobs are paid equitably across the organization.
 - g. Reward performance through salary increases, bonuses and incentives; extraordinary performance and contributions are further rewarded at a level that signify the value of the employee to the organization and encourages retention.
2. Pay Administration: AHS managers will work with human resources to determine base pay, any future increases, bonuses, and incentive pay based on this policy. Multiple factors are considered, including performance, skills and expertise.
- a. Base pay is the minimum paid to a employee for the job they perform. It does not include any premium pay, such as overtime, supplemental pay or any pay element other than the base rate. Base pay is set within the salary range established on the annual wage and salary plan. Base pay increases will used to maintain competitive pay levels for those performing at an acceptable level, as well as to recognize performance. Individuals within any probationary period are not eligible for a pay increase based on merit.
 - b. As resources are available, employees may be eligible for bonus and/or incentive pay.
 - i. Performance-based bonuses recognize exceptional contributions, such as achieving priority goals, productivity, or innovation.
 - ii. Incentive-based pay is 'forward-looking' and awarded for the accomplishment of specific results. The goal of incentive-based pay is to motivate employee contributions by identifying and formally communicating expected, measurable results and award amounts at the beginning of a project or performance cycle.
 - iii. Spot bonuses provide immediate recognition for one-time accomplishments that go "above and beyond" expectations.
3. Job Descriptions: Job descriptions are core to the AHS compensation program and policy. They describe the core duties and responsibilities, level of skill, experience, and education required for a job. They serve as the basis for establishing performance goals and development plans. It is not expected that all job duties or unique aspects will be reflected in the job description, and job descriptions are not "laundry lists" of tasks. Based on the work needing to be performed, the job description is matched to the job series and family. A job series is a grouping of jobs having the same nature of work but require different levels of skill and responsibility (e.g., entry-level vs. senior level).
4. Wage & Salary Plan: AHS will utilize a grade-based pay system that reflects the levels and their associated competitive pay ranges.
- a. In total there will be 25 grades; ranging from grade 1 to grade 25
 - b. Each pay grade has a range of pay from minimum to maximum, reflecting the market pay for jobs assigned to each level.
 - c. The ranges are designed to keep our salaries competitive with similar jobs in our local job market.
 - d. Human resources will participate in frequent surveys to stay current with external salaries for comparable AHS jobs. The surveys include data from local and

national resources to establish the salary structure.

- e. At the time of hire, the employee will be notified of the pay grade assigned to the job as well as the base pay rate.
5. Job Changes: AHS recognizes that job changes are part of our business and occur for a variety of reasons, including promotions, demotions, career development, and lateral job changes. If the core duties of a job change due to operational needs, the manager or supervisor works with the human resources to develop or modify a new job description and evaluate the corresponding pay grade.
- a. A promotion is defined as a move from a job in a lower grade to a job in a higher grade. Promotional increases are used to reward significant growth in responsibility and accountability.
 - b. A reclassification is defined as a move from a lower grade to a higher grade for an employee in his/her/their current job due to significant changes in core duties which typically results in a pay increase. Occasionally, a reclassification can also result in a move from a higher grade to a lower grade and not be the result of corrective action.
 - c. A career development job change is defined as a move to a different job (different job code and job title) in the same or lower grade which may result in a pay change.
 - d. A lateral job change is defined as a move to the same job (same job code and job title) outside of your current department. In general, there would be no change in pay unless it causes an internal equity issue within the hiring unit.

Procedures for Determining Direct Financial Compensation

1. Determining Compensation: A salary range is an established range of pay organized into salary grades. Each job is assigned a salary grade that represents employees performing similar work utilizing similar knowledge, skills and abilities. Since employees have different levels of experience and education, we utilize levels (or quartiles) to determine where compensation should be placed in the salary range.
 - a. Level 1 (Minimum/Entry for the Pay Range): The first level of the range is usually intended for employees who are new to the pay grade, are in a learning situation, and/or do not have substantial experience in the new position.
 - b. Level 2: The second level of the range is intended for employees who have gained experience and skill and who are becoming more proficient in the position for which they were hired.
 - c. Level 3 (Midpoint): The midpoint represents the market rate for this position and represents fully experienced employees at that level.
 - d. Level 4: The third level is typically reserved for experienced employees who perform all tasks independently and consistently exceed expectations in exhibiting the core competencies of the position.
 - e. Level 5 (Maximum of the Pay Range): The fifth level of the range is normally reserved for individuals who are considered the subject matter expert in their position with a depth of knowledge that extends beyond their primary responsibilities.
2. Review of Pay Equity & Market Comparison: A review of pay equity and market comparison will be conducted on a scheduled basis to identify pay inequities. The goal of this review is to provide managers and supervisors information during the budget

cycle for determining if pay adjustments are necessary to address unjustified gaps in pay or issues relating to misalignment with market-based compensation levels (especially for areas in which compensation levels are changing), salary compression or salary inversion for similarly situated employees, or gaps that may impact recruitment or retention. For the purposes of pay equity and market comparison, we use the following as definitions:

- a. Salary compression is the situation that occurs when there is a difference in pay between employees regardless of their skills or experience. It is the result of the market rate for a given job outpacing the increases historically given by the organization to high-tenure employees. Therefore, newcomers can only be recruited by offering them as much or more than senior professionals.
 - b. Salary inversion refers to situations where the starting salaries for new recruits to the organization increase faster than those for existing employees. It typically happens in areas where the demand for suitably qualified professionals exceeds the supply of such professionals in the market. Salary inversion occurs when the organization lacks the resources to raise existing salaries while continuing to recruit and hire new employees.
3. Determination of Compensation for Newly Hired Employees: Using the AHS Wage and Salary plan, each job will be assigned a hiring range associated with the position's pay grade, all new starting salaries will be evaluated based on the individual's relevant or related knowledge, skills, and experience as it relates to the minimally required knowledge, skills and experience of the position to which they are applying. In general, the starting salaries for a new hire should not exceed the midpoint of their salary range. This allows the new employee an opportunity for future growth within the salary range. When determining compensation for a new hire, the organization will consider;
 - a. Job value: Each job is assigned a pay grade, based on the job description and the analysis of industry pay rates for similar jobs. Additional consideration may be given to jobs with hard-to-find skills and/or the job's overall value to achieving the goals of the department.
 - b. Individual value: The value the applicant brings to the job based on their relevant skills and experience. Less skilled and experienced applicants should be paid lower in the range, while more skilled and experienced applicants would be paid higher in the range, though not above the mid-point or at the max.
 - c. Internal equity: A review of the salaries of current employees in similar positions will be completed to ensure internal equity.
4. Determination of Compensation for Promotions: A promotion occurs when an employee is awarded a higher classified position in a higher pay grade in compliance with the organization's employment policies. When an employee is promoted, the employee's pay will be adjusted as follows:
 - a. Whenever an employee's current pay is below the minimum of the new pay grade into which the employee is moving, the employee will be paid between the minimum of the new pay grade and the top of the first level, depending upon qualifications.
 - b. Whenever an employee's pay is greater than the pay grade minimum but less than the top of the midpoint, the employee may receive up to the midpoint (or max hiring) upon qualifications.
 - c. Whenever an employee's pay is above the midpoint of the new pay grade, the employee will receive no increase unless specifically approved by the Director of

Human Resources.

5. Determination of Compensation for a Reclassified Position: A position is eligible for a reclassification review when there has been an authorized and necessary significant increase in that position's scope, impact, complexity, responsibilities, and accountability such that the incumbent is required to exercise greater judgment and discretion, and to rely on a larger and more specific skill set than previously necessary in order to perform the work successfully. Human Resources will review the request and determine an appropriate job profile and pay grade. Years of service, work performance, and/or an increase in the volume of work are not grounds for a position reclassification. It is the responsibility of the manager or supervisor to identify significant changes in job responsibility and to initiate a reclassification review.
6. Determination of Compensation for a Career Development Job Change: While taking a different position may prepare an employee for career advancement by enabling them to broaden their skills, not all job changes will result in an increase in salary. A lateral transfer occurs when an existing employee is competitively selected (position was posted) as the most qualified candidate for an existing vacant position within the same pay grade of their current job. For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different.
7. Determination of Compensation for a Lateral Job Change: Generally, in the event of a reassignment or transfer to a different job in the same pay classification (lateral move), there will be no pay increase for a reassignment or transfer.
8. Determination of Compensation for a Demotion:
 - a. Voluntary Demotion: When an employee voluntarily requests a change to a position in a lower pay range, the employee will be placed in a starting rate in the new range comparable to their position in their previous range to reflect the decrease in skills and responsibilities of the lower position.
 - b. Involuntary Demotion: In the case of involuntary demotions resulting from situations over which the employee has no control (i.e., workforce reductions, program changes, technological obsolescence, etc.) and there is no question as to the employee's performance potential, the employee will not receive a reduction in pay if the employee's current wage is below the maximum hiring rate (mid-point) for the lower position. However, if the employee's current pay rate exceeds the maximum hiring rate for the new position, the employee's rate of pay may be reduced to the maximum hiring rate for the lower position.
 - c. Disciplinary Demotion: When an employee is involuntarily moved by management to a position in a lower pay range because of disciplinary action or incapability to perform the position responsibilities, the employee will be placed in a starting rate in the new range comparable to their position in their previous range to reflect the decrease in skills and responsibilities of the lower position. If the demotion is temporary, the employee's pay rate will be readjusted to their prior position upon reinstatement to the higher position. If an employee refuses a disciplinary demotion, the employee will be involuntarily terminated.
9. Market/Equity Adjustments: A market/equity adjustment is a change in pay rate based on internal salary parity (for example, as a result of compression or inversion) or external

labor market parity. Any request for a market/equity adjustment must include a written justification and be recommended by the Executive leader and Human Resources.

10. Base Salary Increases: As funds become available, the organization may increase base salaries and wages in a fair and consistent manner. The dollar and/or percentage amount will fluctuate depending on the availability of funds. If a base salary increase would place an employee's rate of pay as exceeding the range maximum for that position, that employee would not be eligible for any increases, or only a partial increase until the range maximum for that particular position is raised. To be eligible for a base salary increase, employees must also meet all of the following criteria:

- a. They must be an "active" on payroll as of the specified date the raise will become effective. Employees who are on any type of unpaid leave, (e.g., personal, workers' compensation, disability, family, or medical leave) will not receive a salary increase until they return to active status.
- b. Employees who have separated employment or submitted resignations on or before the effective date of the salary increase will not receive any portion of that increase.
- c. Employees who have not received a satisfactory performance evaluation or who are on disciplinary probation, including but not limited to a Performance Improvement Plan, will not receive a salary increase until they have successfully improved performance as defined by the supervisor.
- d. All employees must have a current and satisfactory evaluation completed and on file to receive the pay increase. Both the employee and the supervisor responsible for the completion of the evaluation will have their increases delayed until it is finalized.

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