
MEMORANDUM

TO: PROFESSOR GINSBURG
FROM: VANESSA MUÑIZ
SUBJECT: TEMPORARY ASSIGNMENT COMPENSATION PAY
DATE: 12/4/2007
CC: HR 725

It has come to my attention that employees are complaining about lack of compensation for additional assigned work as a result of department vacancies. In order to address this issue, I have done some research in a few departments and believe that I have found a possible solution. During my interviews with current employees it was brought to my attention that they felt that they were not being compensated for extra responsibilities they were taking on after the department faced a vacancy. Employees who lost peers were asked to take on the responsibilities, of the now vacant position, but were not being compensated for the extra work they are being asked to do.

I propose that our agency implement a human resource policy labeled: “Temporary Assignment Compensation Pay.” This policy would only apply to professional salaried employees under the following circumstances: temporarily assumes responsibility for vacancies at same or higher pay levels and the responsibilities assumed are a significant addition to current work assignment. The increase salary compensation should be paid from the forgone wage of the vacant position. If the job responsibilities of that vacant position are being adopted by 1 or more employees, 60% of the vacant positions wage should be paid as compensation. For example: if a department has 3 program managers, at a monthly salary of \$4,000, and one leaves

and the other two that remain split the vacant positions responsibilities, they should both get an increase of \$1,200, until that position is filled once again.

Current compensation policy, such as the proposed one, does not exist and as a result alienates many great employees. By not compensating employees for taking on extra responsibilities we fail to acknowledge the vital work that they do. The functionality of our organization would not be possible if our employees did not take on responsibilities of vacancies that periodically occur. Adopting such a policy will not only help our organization retain our employees, it will also make us much more equitable and provide fair and well-deserved compensation.

This incentive model has not been adopted by other non-profit organizations, but it has been adopted in several universities in the United States. New York University policy has a temporary salary increase compensation for assuming temporary responsibilities for higher level vacancies for an extended period of time, but must be requested by the department head (www.nyu.edu/hr/compensation). University of Michigan extra compensation policy (HR 214) compensates for “overload assignments necessary to carry out the responsibility of the university,” (www.umsystem.edu). University of Alabama has a similar policy called supplemental compensation (www.hr.ua.edu).

Research demonstrates that incentive pay is beneficial to all organizations, from the public sector to the business sector. In a study done by Sandra E. Black and Lisa M. Lynch, found that innovative incentive pay policies are a key factor which is “positively associated with labour productivity in the US.” (Black & Lynch, 2004). On the contrary, the challenge will be to look beyond traditional human resource policies and adopt “innovative” human resource strategies to improve the overall organization. Casey Ichniowski and Kathryn Shaw studied the

value and use of innovative human resource management practices and how firms should consider adopting those (Ichniowski & Shaw, 2003) and the possible barriers to adoption.

Ichniowski and Shaw contended that organizations do not adopt innovative work practices because they are afraid of the costs or “transitional costs incurred when switching from traditional to innovative practices” (172). They realize that the cost may be a little crippling, but the loss to the organization in not adopting innovative strategies can negatively affect productivity down the line.

Incentive pay can also be seen as an important component to efficiency, as it is the goal of all organizations to be productive and efficient. Measurement of efficiency and productivity is a little more difficult to measure, especially if tasks are not quantitative. There are no easily available measures of performance, and in our organization’s case, it would be wise to make sure that the compensated parties are holding up their end of the deal: to take on a portion of the responsibilities of the vacant position (Burgess & Ratto, 2003). “The optimal incentive scheme for public-sector agencies depends ultimately on the type of organization... [and] the theory suggests that incentives do act on individuals’ behavior” (298).

In opposition to efficiency and productivity, incentive pay can create animosity amongst employees. That is why, if this policy is adopted and implemented, we must assure that it will be equitable to all participating parties. The treatment of employees is critical and the last thing we want to do is harm employee morale (Baker, et al., 1988). Further, it should be noted that this policy would also include direct supervisors, if they too are taking on a portion of that vacant positions responsibilities.

The last concern I would like to address is financial cost of adoption of this policy. With the proposed policy, we would actually be saving money but our attrition savings would be less,

though we would be saving money on benefit costs. Our total attrition savings would be 40% of the vacant positions monthly salary. The benefits of this outweigh the costs in several ways: first, it allows us time to hire a replacement; second, employees are not upset at the organization for the extra work that they are not being compensated for; and third it helps the organization reduce employee attrition because of the fair compensation policy.

In conclusion, adopting a Temporary Assignment Compensation Pay policy, I believe would benefit our organization. As stated previously, this proposed policy arose out of current over-worked and under-compensated employee complaints. We must look out for the best interests of not only our organization but of those that make this organization what it is. We must keep our machine well oiled, and this I believe, will have a positive impact on the productivity and efficiency of our organization.

References

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