

## **Pay for Performance Best Practice**

Organization: Tualatin Valley Water District

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The Tualatin Valley Water District employs 105 individuals and serves 200,000 people. This water district has developed a unique yet successful Pay for Performance Program that is based on the following: performance evaluation score, current compa-ratio, West Area consumer price index, and dollar amount budgeted for wage increases.

Each job position within the water district is assigned to a band or grade based on the structure of the job. Each position is evaluated on Skill factors (education & training, prior experience, interpersonal skills), Effort factors (concentration, physical effort), Responsibility factors (scope of work, responsibility for material resources, responsibility for information, supervisory skills) and Environmental Working Conditions. Based on what factors are required of that position, points are given to place that position within a grade. For example more points are given to positions that require graduate degrees than just high school diplomas. Grades range from A to K, with K being the highest at 701-800 points and grade A being the lowest at 250 points and under.

The employee's performance evaluations are based on attributes of a successful employee, with 11 different categories such as job knowledge, productivity, attendance, communication, etc. Employees can score in the range of 0.0 – 5.0, with 3.0 representing the meeting expectations in all categories.

Compa ratio is determined by the employee's current pay rate divided by the midpoint pay within that particular grade. Compa ratio is simply where the employee falls within their range.

Wages increase are determined every year, budget willing, however that does not mean everyone gets a wage increase. Because this is a Pay for Performance Program, the only guarantee that is made is: If an employee meets expectations, they will receive at least a merit increase not lower than the COLA. If they do not meet expectations, they may receive less than a COLA or nothing. The higher the score, the higher the merit increase.

Then based on the COLA for the year and the compa-ratio within their grade, and the score from their performance evaluation the amount of the wage increase will be determined. The formula is as follows:

Employee's scores divided by the minimum score, times the maximum compa-ratio divided by employee's compa-ratio, times CPI% change.

This kind of mathematical evaluation system has gone over well with the employees because their effort is directly correlated with their final score, which determines their wage increase. The harder and smarter they work, the more money they can make. The only way for two employees to get the same exact wage increase is to have the same evaluation score, same grade, and compa-ratio.

This system is easy to administer, employees stay motivated and employees know exactly what is expected of them. According to the Human Resource Manager, employee retention has increased, there are very few complaints, and people are staying longer which makes the program successful.

This program is definitely replicable because of the mathematical aspect; however the evaluation portion would need to be adjusted for specific organizations and jobs.

**Example of an employee with a performance**

Evaluation score of 3.0 in Grade "E". The COLA is 2.8% for the year. The variable is the compa-ratio, **the lower the compa-ratio, the higher the percentage wage increase.**

Compa-ratio	% of Increase	Hourly Rate
.80 =	5.60%	19.87
.92 =	4.87%	22.69
1.00 =	4.48%	24.57

- *A compa-ratio in a range that is between .80 to 1.0 is considered to be the learning period of a career.*
- *Midpoint (1.0) is considered to be a fully trained competent employee.*
- *Midpoint to the top of the range is the premium zone.*

An employee in the learning zone of their career is not expected to get as high of score on their performance evaluation as a fully trained employee because they are still in their learning curve. Example of how the employee's score on their performance evaluation can change the amount of their increase.

Current hourly rate	Compa-Ratio	Score	% of Increase	New hourly rate
22.74	.97	3.28	5.05%	23.89
22.74	.97	3.30	5.08%	23.90
22.74	.97	3.46	5.23%	23.93
22.74	.97	4.46	6.87%	24.30

The higher the score the higher percent of increase.