

Compensation Practice at Health Care for the Homeless

Background

Over the past five years, staff and board leadership prioritized [strategic investments](#) to improve the agency's compensation and benefits practice. Targeted salary adjustments were made at the start of every year to address both (a) internal parity and (b) competitiveness within the job market. Adjustments included across-the-board salary increases, market adjustments and a commitment to an entry-level salary pegged to HUD affordability standards—and currently twice as high as the state minimum wage.

Simultaneously, agency leadership strengthened the employee benefits package by:

- absorbing cost increases in employee [health insurance plans](#) every year
- introducing both vision and supplemental insurance plans
- increasing [tuition reimbursement](#) and [professional development](#) budgets
- launching (a) a four-week paid parental leave program and (b) an interest-free hardship loan program
- increasing the employer-only contribution to each employee's [401\(a\) profit sharing plan](#) to 6% of each employee's salary for three consecutive years (no match necessary)
- providing discounted gym memberships

These investments were added to the base employee benefits package that includes:

- 20-30 paid time off days per year (depending on tenure)
- 9 paid holidays off per year
- [403\(b\) tax deferred annuity program](#)
- Medical, dependent care and transportation [flexible spending accounts](#) (FSAs)
- Short- and long-term [disability insurance](#)
- 24-7 access to an [Employee Assistance Program](#) (EAP)
- Opportunities to gather and socialize with all staff through an off-site retreat, a holiday party, Lobby Day in Annapolis and a complementary ticket to the annual agency fundraiser, Health Care for the Homeless Chocolate Affair

Moving Forward: 2017

Beginning in the last quarter of 2016, agency leadership took a next step: The executive team, in partnership with the Director of Human Resources and the Vice Presidents of Medicine, Behavioral Health and Communications, began the process of creating a compensation framework and articulating a compensation approach.

We are designing the agency compensation practice to reflect our mission and core values. Sharing this information with all staff is a deliberate commitment of the agency's leadership to the agency core value of *authenticity*: practicing open and honest communication.

Compensation Framework

A compensation framework helps the agency to: (a) ensure competitive and fair wages; (b) maintain pay equity; (c) design and support career laddering, as well as a training and development program; (d) support a performance management program; and (e) clearly communicate job roles, responsibilities and opportunities for advancement to staff. In creating a compensation framework, we must pay attention to internal equity among current staff, as well as our desire to be competitive in the broader market.

Compensation Study

As a first step, we commissioned a third party compensation study from Peter R. Johnson & Company (PRJ). A compensation study helps us understand the broader market, and where we fit within that

market. The study compares both the agency as a whole and each position within the agency to market. It is worth noting that a compensation study does not factor in any benefits other than direct compensation (salary) that an employer offers.

PRJ's Methodology

- Gathered organizational information in the form of base salary, job descriptions and reporting structure
- Interviewed each executive team member
- Reviewed published surveys for competitive labor market comparisons
- "Matched" approximately 120 positions to survey job descriptions to ensure appropriate comparisons (PRJ could not benchmark four positions, so they used a blend of data from external sources, in close consultation with agency leadership)
- Defined the competitive labor market (see below for details)
- Extracted and tabulated data from published surveys; used percentiles and medians in the analysis
- Adjusted the data econometrically from the date of the data collection to January 2017

We defined the agency's "competitive labor market" as employers:

- With a similar budget size of approximately \$25-\$40 million
- With a similar number of full-time employees: 225-275
- Located in Baltimore City or within a 50-mile surrounding radius
- Within similar industries, which, depending on the position, could include hospitals, health care and non-profit businesses. When there was not enough comparable data, information was blended to create as accurate a composite as possible

PRJ benchmarked the agency's positions against survey data from four major salary sources:

1. Economic Research Institute – Salary Assessor/Executive Compensation Assessor
 - Cluster 1 – Mid-Atlantic, Non-Profit, Budget \$25-\$40 million
 - Cluster 2 – Mid-Atlantic, Non-Profit, 225-275 Employees
 - Cluster 3 – Mid-Atlantic, All Industries, 225-275 Employees
 - Cluster 4 – Baltimore Region, Non-Profit, Budget \$25-\$40 million
 - Cluster 5 – Baltimore Region, Non-Profit, 225-275 Employees
 - Cluster 6 – Baltimore Region, All Industries, 225-275 Employees
 - Cluster 7 – Mid-Atlantic, Human Services, Budget \$25-\$40 million
 - Cluster 8 – Mid-Atlantic, Human Services, 225-275 Employees
 - Cluster 9 – Baltimore Region, Human Services, Budget \$25-\$40 million
 - Cluster 10 – Baltimore Region, Human Services, 225-275 Employees
2. Kenexa/CompAnalyst
 - Cluster 1 – Mid-Atlantic, Non-Profit, Budget \$25-\$40 million
 - Cluster 2 – Mid-Atlantic, Non-Profit, 225-275 Employees
 - Cluster 3 – Mid-Atlantic, All Industries, 225-275 Employees
 - Cluster 4 – Baltimore Region, Non-Profit, Budget \$25-\$40 million
 - Cluster 5 – Baltimore Region, Non-Profit, 225-275 Employees
 - Cluster 6 – Baltimore Region, All Industries, 225-275 Employees
 - Cluster 7 – Mid-Atlantic, Human Services, \$25-\$40 million
 - Cluster 8 – Mid-Atlantic, Human Services, 225-275 Employees
 - Cluster 9 – Baltimore Region, Human Services, Budget \$25-\$40 million
 - Cluster 10 – Baltimore Region, Human Services, 225-275 Employees
3. GuideStar Compensation Report
 - Cluster 1 – Mid-Atlantic, Budget \$25-\$40 million

Cluster 2 – National, Budget \$25-\$40 million

Cluster 3 – Baltimore Region, Budget \$25-\$40 million

4. Peter R. Johnson & Company Confidential Client Files (PRJ has a large client base that includes many non-profit organizations and health care organizations)

Once PRJ identified competitive labor market rates, it developed the staff salary structure for Health Care for the Homeless to reflect the trend of data. PRJ then presented the data to the executive team and the Director of Human Resources. We held many conversations with PRJ to (a) understand the market data and (b) ask for clarifications to ensure that they were comparing agency positions appropriately to market.

Job Families and Position Levels

To create a compensation framework, we needed mechanisms to organize and standardize staff positions. Typically, employers use *job families* and *position levels* for this purpose. Leadership can change or adjust job families and position levels, but first we have developed a shared understanding of these categories under the advisement of human resource and compensation professionals.

Job Families

A *job family* is a group of jobs involving similar types of work and requiring similar training, skills, knowledge and abilities. Job families provide both a structure for human resource decisions and a career ladder by which staff members may plan their professional growth and advancement.

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All jobs at Health Care for the Homeless now fall into 10 job families:

1. Clinic Support
2. Operations Support
3. Behavioral Health Providers
4. Financial Operations
5. Allied Health
6. Allied Behavioral Health
7. Advanced Medical and Dental Providers
8. Quality Improvement
9. Community Relations
10. Executive

Position Levels

A position level is determined by comparable levels of education, specialized experience, supervisory and management experience and autonomy required to perform a job.

Jobs at the agency now also fall into *position levels*. A position level is determined by comparable levels of education, specialized experience, supervisory and management experience and autonomy required to perform a job. These factors should be clearly articulated in job descriptions.

PRJ identified a total of 21 position levels. Position levels correlate with a salary scale. Jobs within position levels have similar market competitive pay characteristics and conditions. A combination of external market factors and internal agency job expectations determine position levels.

Each position level has a midpoint, median and maximum salary range. The entire salary range within a position level is the market for the position level, not simply the midpoint. Where a person's salary falls in the range

should correlate with skills and abilities that the employer values and articulates to the employee. Examples may include length of service, education and/or performance. Examples of positions that might exist within the same *job family* but at different *position levels* include:

- Client Access Associate I and Clinic Manager
- Behavioral Health Therapist and Supportive Housing Coordinator

Compa-Ratio

PRJ also provided a compa-ratio analysis by comparing each position's current rate of pay against the salary midpoint for its position level. For example, if a current staff member makes \$50,000, and the position level midpoint is \$50,000, the compa-ratio would be 100%. This compa-ratio indicates that the employee's salary is at 100% of the current market rate for the position s/he holds. As an agency, Health Care for the Homeless has an overall compa-ratio of more than 90%. An employer compa-ratio in the 80% range is considered average, and anything higher is indicative of above-average compensation.

A compa-ratio is the percentage obtained by dividing the actual salary paid to an employee by the midpoint of the salary range for that position.

Compensation Approach

Businesses tend to take three approaches to compensation. They choose to:

- i. trail the market
- ii. stay competitive to the market
- iii. lead the market

The executive team at Health Care for the Homeless has chosen to stay competitive to the market—and will conduct routine compensation studies in order to remain a competitive employer.

Health Care for the Homeless is equally committed to financial sustainability and the recruitment and retention of a qualified workforce to advance our mission. As such, the agency's approach to compensation is subject to change or modification, based on the agency budget and cash forecast.

Leadership believes in the provision of fair wages sufficient to avoid the risk of homelessness. We make every effort within the confines of the annual budget to index the lowest starting wage to the local cost of housing by using generally accepted housing affordability standards, such as those set forth by the federal Department of Housing and Urban Development.

Market Adjustments

While the agency compa-ratio is very favorable, PRJ did identify staff positions with current compensation below the market range minimum for their position level. Leadership also identified specific employees who are currently out of alignment with the market based on their level of experience, education and licensure. We are committed to bringing these positions up to market in the current fiscal year. These changes to base salaries are market driven, *not* the result of employee performance. Please note that no one will experience a reduction in salary as part of this market adjustment process.

Supervisors will notify affected staff members of their salary adjustments in late April-early May, and market adjustments will be made retroactive to the first pay in January 2017.

What's Next

Over the course of March, April and early May, you will have the opportunity to engage all levels of management around the compensation framework broadly, including the job family, position level and compa-ratio for your specific position.

March 30: All-Staff In-Service

- A review and discussion of the general framework, including job families, position levels and compa-ratios

April 6: All-Supervisor Conversation

- A review and discussion of the general framework and preparation for one-on-one conversations with supervisees

April 10-May 5: Employee Letters

- Letters produced for every employee regarding their position level, job family and compensation; one-on-one conversations between supervisors and their direct reports; and updates to payroll and human resources systems

Still to Come in 2017...

The establishment of a compensation framework kicks off a period of time during which agency leadership will define and articulate the process by which staff members can purposefully advance their careers within the agency. Additionally, the agency will launch a review and revision of human resource policies and procedures in 2017. Staff engagement in these two processes will be outlined in future portal updates.

If you have questions, please contact your supervisor or director, or email [Director of Human Resources Tosha Hershey](#) or [Chief Strategy Officer Keiren Havens](#).