MANAGING THE THIN BLUE LINE
Pay-fixing in New Zealand Police

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In 1995 the NZ Police Force faced the task of modernising their existing remuneration system which was outdated & unresponsive to the changing economic climate. Cubiks, for whom I was the New Zealand Manager at the time, undertook extensive analysis of long term remuneration trends & facilitated the development of an entirely new pay-fixing system that not only balanced organisational needs & external market forces, it provided support for a series of key management decisions.

Background to Change

In 1995, in response to long standing concerns about remuneration levels in the New Zealand Police, the NZ Government established a joint Police Management and Employee working party, to consider options for the development of new remuneration structures.

Until that time, pay rates in the NZ Police had been established by maintaining relativities between nominated sworn staff positions, and a "basket" of other Public Sector organisations, including Nurses, Fire Service, Teachers and Customs Officers, as well as the general Public Service.

In the previous few years however, following different settlements for some of these groups, and changes to remuneration structures for others, there was some anecdotal evidence that Police rates were falling away behind their traditional comparative groups.

The first task of the Joint Working Party was therefore to review historical relativities, to determine whether or not there had been any real "slippage" between Police rates and those of the other groups.

Initial Analysis

For many years the forerunner of Cubiks, the Strategic Remuneration group within PA Consulting Group, had conducted New Zealand's largest and most widely used survey of remuneration practices and trends, the New Zealand Salary Survey. Because of the level of detailed data available in the historic records in this Survey, we were asked to carry out a comparison between Police rates and those of the other selected

occupational groups, for the period between 1985 and 1995.

That comparison was intended to form the basis of any adjustment to Police pay structures during the subsequent wage negotiations.

Results of Historic Analysis

Our view at the time was that such an approach to the reestablishment of traditional relativities would not provide the intended foundation on which to establish a new pay structure.

Our concern simply, was that while it could be demonstrated that there was a clear relativity between the various groups in 1985, and that this had changed over the years to 1995, such analysis could not :

- Establish clearly that the original relativity was correct

- Make accurate, and therefore meaningful, adjustments for the different influences on each group over the intervening years.
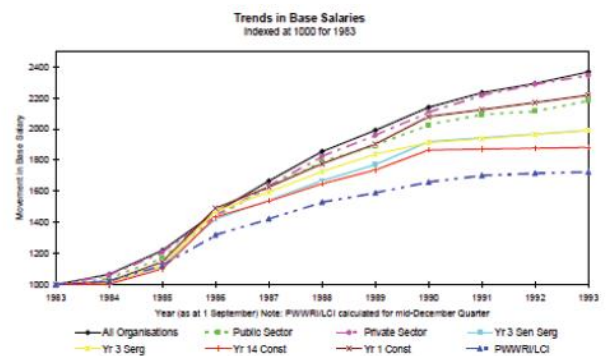
In the event, our findings raised more questions than they answered, and ultimately lead to the "slippage" claim being dropped, in favour of a completely new approach to pay-fixing in the Police.

The Real Question

Our final report to the Working Party found that the mechanism then in use was fundamentally inappropriate for the Police Force because in reality, there were no other groups of employees in the market place that could accurately be compared to highly specialised sworn Police professionals.

A new approach was clearly needed.

In our view that new approach would have to address the key question:

How do you establish market linked remuneration structures for a group of highly specialised positions for which there is no direct market comparison?

Answering that question required a fundamental re-examination of the principles of pay-fixing, and the development of a specific approach which recognised the unique environment in which NZ Police worked.

Options considered

In considering how best to address these issues we looked at a range of options:

Traditional Job Evaluation Processes

Traditional job evaluation processes rely on the use of standard sets of evaluation factors which are used to both establish internal relativities and to collect and analyse external market data. We recognised that it is this dual function which restricts the flexibility of such systems, as any attempt to make the factors "fit" an organisation's needs and culture better will effectively undermine the ability to link to market data collected using the standard system.

While widespread in both public and private sector organisations such systems are frequently criticised for their inflexibility, and in particular for the lack of ability to recognise the unique characteristics of individual organisations.

Many such systems are weighted towards measurement of relativities between administrative and managerial positions, and they do not deal at all well with positions in highly specialised job types, either from the point of view of setting internal relativities, or for determining external relativities.

In our view such "off the shelf" systems, while possibly acceptable for non-sworn positions, had far too many shortcomings for serious consideration in addressing the needs of NZ Police.

Direct Market Relativities

One option, with considerable similarities to the approach taken previously, was to establish linkages to specific positions or a basket of positions in the external market for specific levels of positions within the Police structure, then to use these to develop

ranges for other positions. This approach differed to previous processes by concentrating on the current value of these comparative positions, rather than trying to re-establish historical relativities, with all the difficulties we had previously identified.

We were concerned however that without a disciplined approach to the development of those internal relativities, such a system would be open to question on the conclusions reached on internal comparisons.

Of far more concern, given the analysis already carried out, was the identification of appropriate groups of positions, which were not themselves under pressure to change. It was our view that the Police role is one that is not readily comparable to other positions or groups of positions.

Those types of positions traditionally used (eg teachers, nurses, firefighters) were at that time themselves facing similar difficulties, and did not offer the requisite stability which could make comparisons with them viable.

Historical Trends

We also considered whether there was merit in looking at alternative ways of tracking historical trends, perhaps not of the traditional comparison groups, but rather of more stable groups, and modifying the process to address those concerns previously expressed.

Our conclusion however was that while it would be possible, albeit costly, to develop a system which did this, we did not believe that such a process could be sustained for an extended period, and would inevitably create exactly the same problems as the system then in use.

In our view this approach would fail to address the fundamental issue of what is a Police position worth, as it would still fail to take account of the very complexity of Police positions which the parties had identified.

Such an approach would smack of "tinkering" with the existing system, and therefore run the risk of being rejected by one or other of the parties, if not on implementation, then certainly subsequently when cracks inevitably started to occur.

Our Solution in Concept

The objective of a sound remuneration policy is to attract, retain and motivate employees with the skills necessary to ensure that organisational objectives are met. As illustrated the achievement of this requires the balancing of four seemingly conflicting forces:

- Organisational values, or corporate culture

- Internal relativities, established by job sizing, or job evaluation

- External market rates, established from salary surveys and other "market intelligence" of key and stable positions to which relativities can be readily established

- Individual needs and aspirations, through performance management, and training and development programmes.
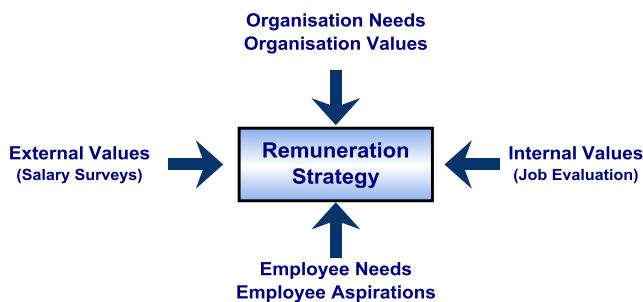
The achievement of this balance would enable the recruitment, retention and motivation of staff with the skills necessary to meet the requirements of the Police.

Given the unique nature of Police work however, we stressed that the balancing of these four forces assumed even more significance than in more traditional pay structuring scenarios. The mechanisms adopted to address each of these conflicting forces in a way which produced the right balance would require considerable attention to the development of unique solutions.

To illustrate, too much emphasis on internal relativities, at the expense of external values, would result in Police not being competitive externally, and therefore being unable to attract the right skills. Conversely, too much emphasis on external rates would ultimately produce distortions between jobs in different parts of the organisation as groups reacted to market pressures.

Ultimately, either scenario would reduce the effectiveness of the remuneration policies and structures.

The Solution in Practice

In the Police environment there are several key problems with the traditional processes.

Evaluation Factors:

Traditional evaluation factors do not fully capture the unique job requirements of worn Police positions:

- The factors chosen, or developed, had to be capable of measuring the relativities between:

  - different types of sworn positions

  - different types of non-sworn positions

  - sworn and non-sworn positions

- There are very few direct market comparisons for sworn Police positions:

  - of necessity therefore, any link to the external market is reliant primarily on non-sworn positions.

External Benchmarks:

External Benchmarks are restricted essentially to non-sworn positions. As a proportion of total staffing levels these represent a smaller proportion than would normally be the case in pay-fixing programmes.

Selected positions would therefore need to meet the following tests of suitability:

- They must offer inherently stable links to the market; this implies:

  - large sample sizes

  - no history of volatility in rates over time

  - correlation between Internal Value (JE points) and External Value must be 95.0 percent or better

These non-sworn positions are used to develop the pay structures for both sworn and non-sworn

positions. In effect, the "thin blue line" created by establishing both internal and external relativities for non-Sworn positions, provided a means of "slotting in" the Sworn positions at the right position within the overall remuneration structure.
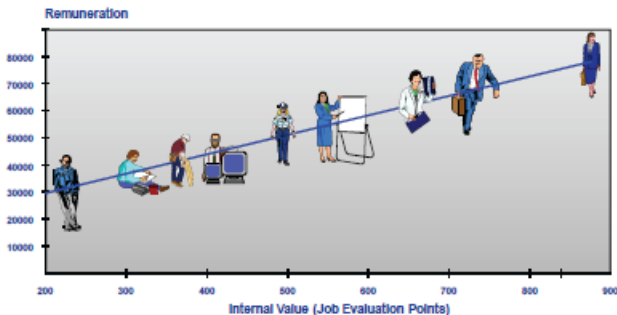
Development of Evaluation Factors:

A new set of Police specific Factors were developed, based on the unique discriminators (i.e. those attributes of positions which differentiate between them and other positions) identified by the Joint Working Party.

The definition of these Factors reinforces the New Zealand Police Values, agreed at the beginning of the programme These Factors were a mix of modified traditional Factors, and one entirely new Factor:

- Decision Making

- Leadership & Management

- Employment Environment

- Relationship Management

- Acquisition & Application of Knowledge

- Job Impact

The Employment Environment Factor

The key to the ability of the system to differentiate between Sworn and non-Sworn positions was the development of a specialised Factor, Employment Environment.

This Factor measures those attributes which are consistently seen to varying degrees in Sworn positions, but required at minimal levels only in non-Sworn positions.

This Factor measures the degree to which the job holder is required to participate in policing services, measured by:

- the nature of public contact in exercising Policing powers

- the exposure of the job holder to danger and trauma, and the extent of intrusion on private life

It is this Factor, and in particular, the levels of discrimination embedded in the supporting scales, which provides the differentiation between Sworn and non- Sworn positions, even where duties and responsibilities are similar in all respects other than direct Policing responsibilities are similar.

The framework of this Factor could also be used to define a similar factor for other occupational groups, in terms which are relevant to that group.

Development of Remuneration Ranges

Following completion of market analysis, various options for remuneration ranges were developed.

These ranges were intended to address the following:

- The provision for both vertical (within a band) and lateral progression (to a new band)

- The need to build a career structure for in occupational group with a single point of entry

- A move to total remuneration concepts, to provide greater stability within the pay-fixing process.

The ranges developed therefore had the following characteristics:

- Narrower points bands than many structures, to encourage movement to higher graded positions

- Longer remuneration ranges to:

  − provide added incentive to continue to perform

- assist in retention of staff

- Availability of Advanced Bands to:

  - enhance earnings potential for experienced officers with limited promotional prospects provide an added incentive for people to accept postings which are more demanding, but not such that they result in promotion.

JE Leader: the Key to Implementation

A key element in the successful delivery of a purpose designed pay-fixing mechanism for the New Zealand Police was the use of JE Leader, the proprietary computer-based job evaluation system originally developed for Cubiks, and now owned by MHR Global.

One of the biggest draw-backs of traditional evaluation processes is the high resource commitment they require; not only is there a complex and time-consuming process of collecting data on each position, but the evaluation process itself, because of the use of committees, is often both inefficient and inconsistent. It is also costly.

In an organisation with over 7 500 staff such a process would be unacceptable.

To overcome this, the JE Leader system replaces both the data-collection process and the evaluation and data-handling processes, with an expert computer-based system, which is used directly by the job-holder and the line manager.
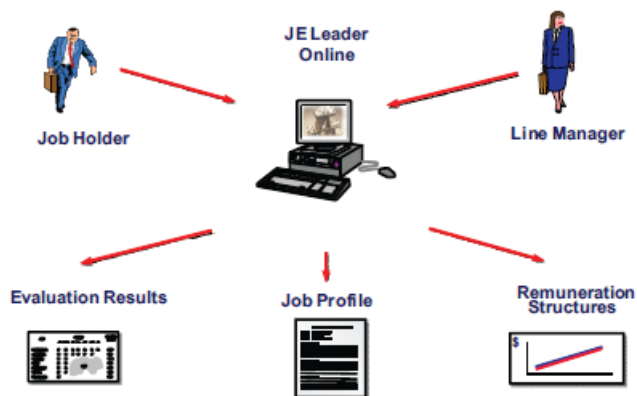
Evaluation results and a full audit trail (the "Job Profile") are then rapidly available for use in comparisons with other positions and for pay-fixing/remuneration structuring purposes.

Evaluation Process

The evaluation system is in essence a library of questions and answers.

As set out in the diagram below the answer selected for any specific question is intended to generate three linked processes.

Those processes:

- Determine what the next question will be

- Eliminate a step or steps on the underlying evaluation scales

- Select a statement that is included in the "Job Profile" which records the position
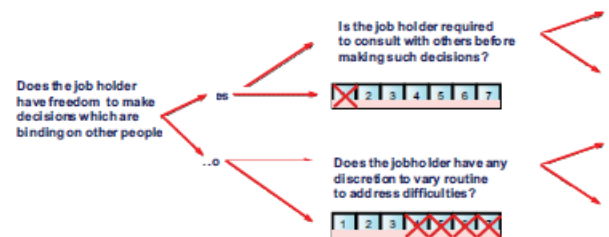
Because of this expert navigation through a network of questions, while the first question in any given evaluation is identical, the subsequent path followed is dependent on the response to that first, and subsequent, questions.

A typical evaluation will take between 15 and 20 minutes, and involve between 30 and 40 questions (from a library of some 300 questions).

The major benefit of this approach is that because the system is, in effect, a highly structured and disciplined interview process it leads to a high degree of consistency in evaluations; answering the questions the same way for two jobs will always produce the same points value.

Conversely, a single different response to a specific question will lead down a different path, and may ultimately produce a different result.

It is this high degree of sensitivity to even the slightest differences between jobs which makes this such an effective tool for this task.

In the New Zealand Police case, both the Factor definitions and Scales, and the Question logic was heavily customised to provide a consistently reliable means of determining relativities between:

- Different Sworn positions

- Different non-Sworn positions

- Sworn and non-Sworn positions.

Were the Police Objectives met?

This programme set out to:

- Establish an agreed means of measuring Internal Value of sworn and non-sworn positions, using a common set of Evaluation Factors

- Develop a link to the External Market, using non-sworn positions as External Benchmarks

- Develop a Remuneration Structure which provides for the career needs of the Police Service

The ranges developed provided a series of building blocks that provided a common remuneration structure, but the flexibility to apply this in different ways to meet the needs of different groups.

In that respect the Police objectives were met; they had a robust pay-fixing mechanism which enabled remuneration ranges for both Sworn and non-Sworn positions to be set at levels which enable the staff needed to meet Policing objectives to be recruited and retained.

More importantly, the development stood up to intense scrutiny by Public Sector monitoring agencies (The Treasury, and the State Services Commission), and to review by an independent Industrial Arbitrator. It was the key element in the ruling of the Arbitrator in favour of the Police Management position in the most complex and potentially most far reaching industrial negotiations for many years.

Further Application of these Principles

The successful development of the New Zealand Police system has clearly established the applicability of the principles followed as a basis for the development of robust remuneration management programmes for many organisations with large groups of employees in single occupations.

While the evaluation factors in each occupational group would be very different, the end result would be similar:

a purpose designed remuneration management programme which specifically meets the needs of the organisation for which it has been developed.

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