

HR Elements

Primer



ABOUT THE HR ELEMENTS PRIMER

This Primer was created to provide employees with information regarding the proposed NSPS HR elements. The intent of this Primer is to provide you with an understanding of what is proposed under NSPS. Please note that these elements are subject to discussions with Components and Continuing Collaboration.

The following topics are covered:

- Key Terms and Definitions
- Compensation Structure
- Staffing Flexibilities
- Performance Management

KEY TERMS AND DEFINITION

Appraisal—The review and evaluation of an employee’s performance.

Appraisal period—The period of time established under a performance management system for reviewing employee performance.

Band or pay band—A work level and associated pay range within a pay schedule.

Band rate range— The range of rates of basic pay (excluding any local market supplements) applicable to employees in a particular pay band, as described in § 9901.321. Each band rate range is defined by a minimum and maximum rate.

Basic salary—An employee’s rate of pay before any deductions and exclusive of additional pay of any kind, except as expressly provided by applicable law or regulation. For the specific purposes prescribed in § 9901.332(c) only, basic pay includes any local market supplement.

Bonus—An element of the performance payout that consists of a one-time lump-sum payment made to employees. It is not part of basic pay.

Career employee—An individual appointed without time limit to a competitive or excepted service position in the Federal service.

Career group—One or more associated or related occupations. A career group may include three or more pay schedules.

Class appeal—An appeal brought by a representative(s) of a group of similarly-situated employees consistent with the provisions of Rule 23 of the Federal Rules of Civil Procedure.

Classification—The process of analyzing and assigning a job or position to an occupational series, career group, pay schedule, and pay band for pay and other related purposes. Also referred to as job evaluation.

Comparable Pay Bands—Pay bands with the same level of work within and across varying pay schedules and career groups, regardless of the specific earning potential of the bands.

Competencies—The measurable or observable knowledge, skills, abilities, behaviors, and other characteristics that an individual needs to perform a particular job or job function successfully.

Competing employee—For reduction in force (RIF) and transfer of function (TOF) purposes, a career employee (including an employee serving an initial probationary period), an employee serving on a term appointment, and other employees as identified in implementing issuances.

Competitive area—The boundaries within which employees compete for retention.

Competitive group—Employees within a competitive area who are on a common retention list for the purpose of exercising displacement rights.

Component—An organizational unit so prescribed and designated by the Secretary in his or her sole and exclusive discretion, such as the Office of the Secretary of Defense, Military Departments, a Defense Agency, or a DoD Field Activity.

Conditions of employment—Personnel policies, practices, and matters affecting working conditions—whether established by rule, regulation, or otherwise—except that such term does not include policies, practices, and matters relating to—

- Political activities prohibited under 5 USC chapter 73, subchapter III;
- The classification of any position, including any NSPS classification determinations;
- The pay of any employee or for any position, including any determinations regarding pay or adjustments thereto under NSPS; or
- Any matters specifically provided for by Federal statute.

Confidential employee—An employee who acts in a confidential capacity with respect to an individual who formulates or effectuates management policies in the field of labor-management relations.

CONUS or Continental United States—The States of the United States, excluding Alaska and Hawaii, but including the District of Columbia.

Consult—To consider an organization’s interests, opinions, and recommendations in rendering decisions. This can be accomplished in face-to-face meetings or through other means, e.g., teleconferencing, e-mail, and written communications.

Contribution—A work product, service, output, or result provided or produced by an employee or group of employees that supports Departmental mission, goals, or objectives.

Contribution Assessment—The determination made by the pay pool manager as to the impact, extent, and scope of contribution that the employee’s performance made to the accomplishment of the organization’s mission and goals.

Current Continuous Service—A period of employment immediately preceding an adverse action without a break in Federal civilian employment of a workday.

Day—A calendar day.

Department or DoD—The Department of Defense.

Director—The Director of the Office of Personnel Management.

Direct Hire Authority—Authority authorized by DoD when it determines there is a severe shortage of critical candidates or a critical hiring need.

Displacement right—The right of a competing employee who is displaced from his or her present position because of position abolishment, or because of displacement resulting from the abolishment of a higher-standing employee on the retention list, to displace a lower-standing employee on the list on the basis of the retention factors.

Extraordinary pay increase or EPI—A discretionary basic pay increase or bonus to reward an employee at the highest performance level who has been assigned the maximum number of shares available under the rating and contribution scheme when the payout formula does not adequately compensate them for the employee’s extraordinary performance and contribution, as described in § 9901.344(b).

Furlough—The placement of an employee in a temporary status without duties and pay because of lack of work or funds or other non-disciplinary reasons.

Higher Pay Band—A pay band designated to be a higher level of work than an employee's currently assigned band, either within or across varying pay schedules and career groups, regardless of the specific earning potential of the band.

General Schedule or GS—The General Schedule classification and pay system established under chapter 51 and subchapter III of chapter 53 of title 5, U.S. Code.

Grade—A level of work under a position classification or job grading system.

Implementing issuance or issuances —A document or documents issued by the Secretary, Deputy Secretary, Principal Staff Assistants (as authorized by the Secretary), or Secretaries of the Military Departments to carry out a policy or procedure implementing NSPS. These issuances may apply Department-wide or to any part of DoD as determined by the Secretary at his or her sole and exclusive discretion. These issuances do not include internal operating guidance, handbooks, or manuals that do not change conditions of employment, as defined in NSPS regulation.

Initial probationary period —The period of time, as designated by the Secretary, immediately following an employee's appointment, during which an authorized management official determines whether the employee fulfills the requirements of the assigned position.

In-service probationary period—The period of time, as designated by the Secretary, during which an authorized management official determines whether the employee fulfills the requirements of the assigned position.

Interdisciplinary and Interoccupational Positions—Positions that can be filled by employees in more than one occupation. Interdisciplinary positions relate to professional occupations, and Interoccupational positions cover positions in one of several analytical occupations.

Issuance or issuances—A document issued by the Secretary, Deputy Secretary, Principal Staff Assistants (as authorized by the Secretary), or Secretaries of the Military Departments at the DoD or Military Department level to carry out a policy

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or procedure of the Department, other than those issuances implementing the NSPS regulations.

Local market supplement— Additional pay to address labor market factors that are location and/or occupation specific. Under NSPS, these supplements are used in lieu of title 5 locality pay and special salary rate supplements. These supplements will be expressed as a percentage of basic salary (including a retained rate).

Lower Pay Band —A pay band designated to be a lower level of work than an employee's currently assigned band, either within or across varying pay schedules and career groups, regardless of the specific earning potential of the band.

Management official—An individual employed by the Department in a position the duties and responsibilities of which require or authorize the individual to formulate, determine, or influence the policies of the Department.

Military Department—means the Department of the Army, the Department of the Navy, or the Department of the Air Force.

Minimum period—The period of time established by the Secretary during which an employee will perform under applicable performance expectations before receiving a rating of record.

Mixed positions —Positions that are classified where work falls within more than one pay band.

Modal rating (Pay administration)—The most frequent rating of record assigned to employees in the same pay band within a particular pay pool for a particular rating cycle.

Modal rating (RIF)—The most frequent rating of record assigned to employees in a particular competitive group.

National Security Personnel System (NSPS)— The human resources management system established under 5 U.S.C. 9902(a). It does not include the labor relations system established under 5 U.S.C. 9902(m).

Occupational codes —A group or family of positions performing similar types of work. Occupational codes are assigned a number for workforce information purposes (for example: 0110, Economist Series; 1410, Librarian Series).

OPM—Office of Personnel Management.

Pay band or band—A work level and associated pay range within a pay schedule.

Pay pool—The organizational elements/units or other categories of employees that are combined for the purpose of determining performance payouts. Each employee is in only one pay pool at a time. Pay pool also means the amount designated for performance payouts to employees covered by a pay pool.

Pay retention—Temporary preservation of an employee's former rate of basic pay when the rate exceeds the maximum rate of the employee's new pay band.

Pay schedule—A set of related pay bands for a specified category of employees within a career group.

Pay-for-performance evaluation system—The performance management system established under this subpart to link individual pay to performance and provide an equitable method for appraising and compensating employees.

Performance expectations—The duties, responsibilities, and competencies required by, or objectives associated with, an employee's position and the contributions and demonstrated competencies management expects of an employee, as described in § 9901.406(d).

Performance management—Applying the integrated processes of setting and communicating performance expectations, monitoring performance and providing feedback, developing performance and addressing poor performance, and rating and rewarding performance in support of the organization's goals and objectives.

Performance management system—The policies and requirements established under this subpart, as supplemented by DoD implementing issuances, for setting and communicating employee performance expectations, monitoring performance and providing feedback, developing performance and addressing poor performance, and rating and rewarding performance. It incorporates the elements set forth in § 9901.401(b).

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Performance payout—The total monetary value of a performance pay increase and bonus resulting from the performance appraisal process and contribution assessment.

Performance share—A unit of performance payout awarded to an employee based on performance. Performance shares may be awarded in multiples commensurate with the employee's performance and contribution rating level.

Performance share value—A calculated value for each performance share based on pay pool funds available and the distribution of performance shares across employees within a pay pool expressed as a percentage or fixed dollar amount.

Position or job—Duties, responsibilities, and related competency requirements that are assigned to an employee whom the Secretary approves for coverage under § 9901.202(a).

Principal Staff Assistants—For purposes of this regulation, these are senior officials of the Office of the Secretary who report directly to the Secretary or Deputy Secretary of Defense, as determined by the Secretary.

Probationary period—See initial and in-service probationary periods.

Professional and Analytical Occupations—The term professional refers to positions that have a positive educational requirement (e.g., Librarian, 1410; Accountant, 0510). Analytical occupations require work performance involving judgment, discretion, and personal responsibility.

Promotion—The movement of an employee from one pay band to a higher pay band on a permanent basis.

Rating of record—A performance appraisal prepared—
At the end of an appraisal period covering an employee's performance of assigned duties against performance expectations over the applicable period; or
As needed to reflect a substantial and sustained change in the employee's performance since the last rating of record as provided in DoD implementing issuances.

Reassignment—The movement of an employee to a different position in the same or a comparable pay band on a permanent basis. There are three basic types of reassignment—

Management-Directed Reassignment – When management reassigns an employee within his/her current pay band.

Employee-Initiated Reassignment – When an employee is reassigned as a result of selection via an open vacancy announcement.

Involuntary Reassignment – When an employee is involuntarily reassigned to a comparable pay band through adverse action procedures (as a result of poor performance or misconduct).

Reduction in band—The movement of an employee from one pay band to a lower pay band.

Reduction in pay— A decrease in an employee’s rate of basic pay fixed by law or administrative action for the position held by the employee before any deductions and exclusive of additional pay of any kind. Basic pay does not include local market supplements under subpart C of this part or similar payments. Nonreceipt of a pay increase is not a reduction in pay.

Retention factors—Tenure, veterans’ preference, performance, length of service, and such other factors as the Secretary considers necessary and appropriate to rank employees within a particular retention list.

Retention list—A list of all competing employees occupying positions in the competitive area, who are grouped in the same competitive group on the basis of retention factors.

Salary—The rate of basic pay fixed by law or administrative action for the position held by an employee before any deductions and exclusive of additional pay of any kind. For the purpose of subpart C, pay does not include locality-based comparability payments under 5 USC 5304, local market supplements under subpart C of the NSPS regulations, or other similar payments.

Secretary—The Secretary of Defense.

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SES—The Senior Executive Service established under 5 USC chapter 31, subchapter II.

SL/ST—An employee serving in a senior-level position paid under 5 USC 5376. The term “SL” identifies a senior-level employee covered by 5 USC 3324 and 5108. The term “ST” identifies an employee who is appointed under the special authority in 5 USC 3325 to a scientific or professional position established under 5 USC 3104.

Similar positions—Positions in which the duties performed are similar in nature and character and require substantially the same or similar qualifications, so that the incumbent could be interchanged among the positions without significant training or undue disruption in the work.

Supervisor—For labor relations purposes, as defined in subpart I, an individual employed by the Department having authority in the interest of the Department to hire, direct, assign, promote, reward, transfer, furlough, layoff, recall, suspend, discipline, or remove employees; to adjust their grievances; or to effectively recommend such action, if the exercise of the authority is not merely routine or clerical in nature but requires the consistent exercise of independent judgment, except that, with respect to any unit which includes firefighters or nurses, the term “supervisor” includes only those individuals who devote a preponderance of their employment time to exercising such authority. It also means an individual employed by the Department who exercises supervisory authority over military members of the armed services, such as directing or assigning work or evaluating or recommending evaluations.

Technician and Support Occupations—Occupations that typically provide support to professional or analytical occupations, following established methods and procedures.

Temporary employee —An individual not on a career appointment who is employed for a limited period of time not to exceed 1 year. The appointment may be extended, up to a maximum established by implementing issuances, to perform the work of a position that does not require an additional permanent employee.

Temporary promotion—Movement to a higher pay band on a temporary basis.

Temporary reassignment—Movement, either employee-initiated or management-directed, to a comparable pay band on a time-limited basis.

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Term employee— An individual not on a career appointment who is employed for a period of more than 1 year up to a maximum established by implementing issuances, when the need for an employee's service is not permanent.

Time-limited employee—An individual serving for a period of limited duration (e.g., a temporary or term appointment), in either the competitive or excepted service.

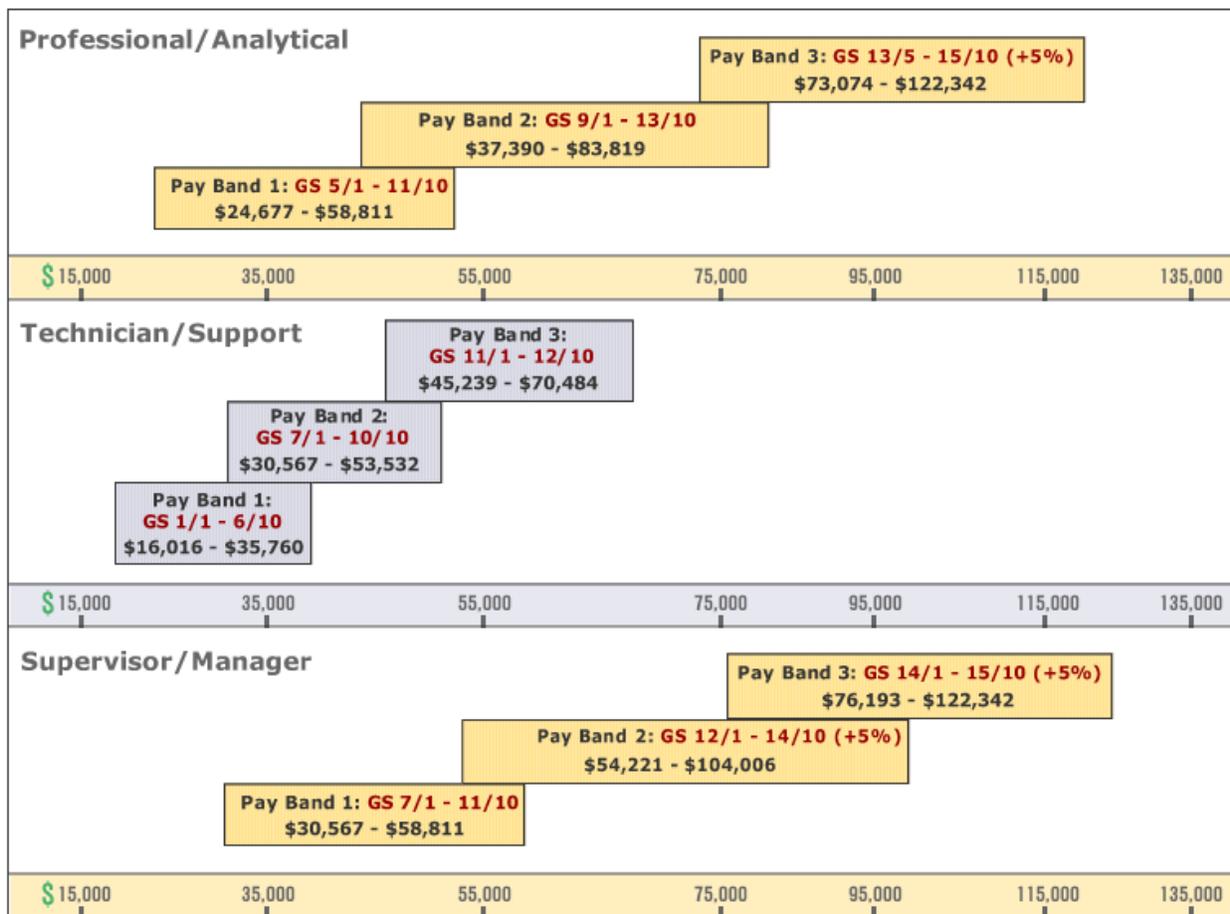
Transfer of Function—A transfer of function occurs when work is moved from one competitive area to another or when an entire competitive area is moved to a new commuting area. The work must cease to be performed in the losing competitive area and be performed by competing employees in the new competitive area (e.g., the work is not contracted out).

Unacceptable performance—Performance by an employee that fails to meet one or more performance expectations, as amplified through work assignments or other instructions, for which the employee is held individually accountable.

COMPENSATION STRUCTURE

Under NSPS, career groups, pay schedules and pay bands replace the GS system. The majority of occupations are covered by a standard compensation structure that has separate pay schedules for (1) professional and administrative, (2) technician and support and (3) supervisory positions. Below are the basic pay schedules for these groups.

Standard Career Group

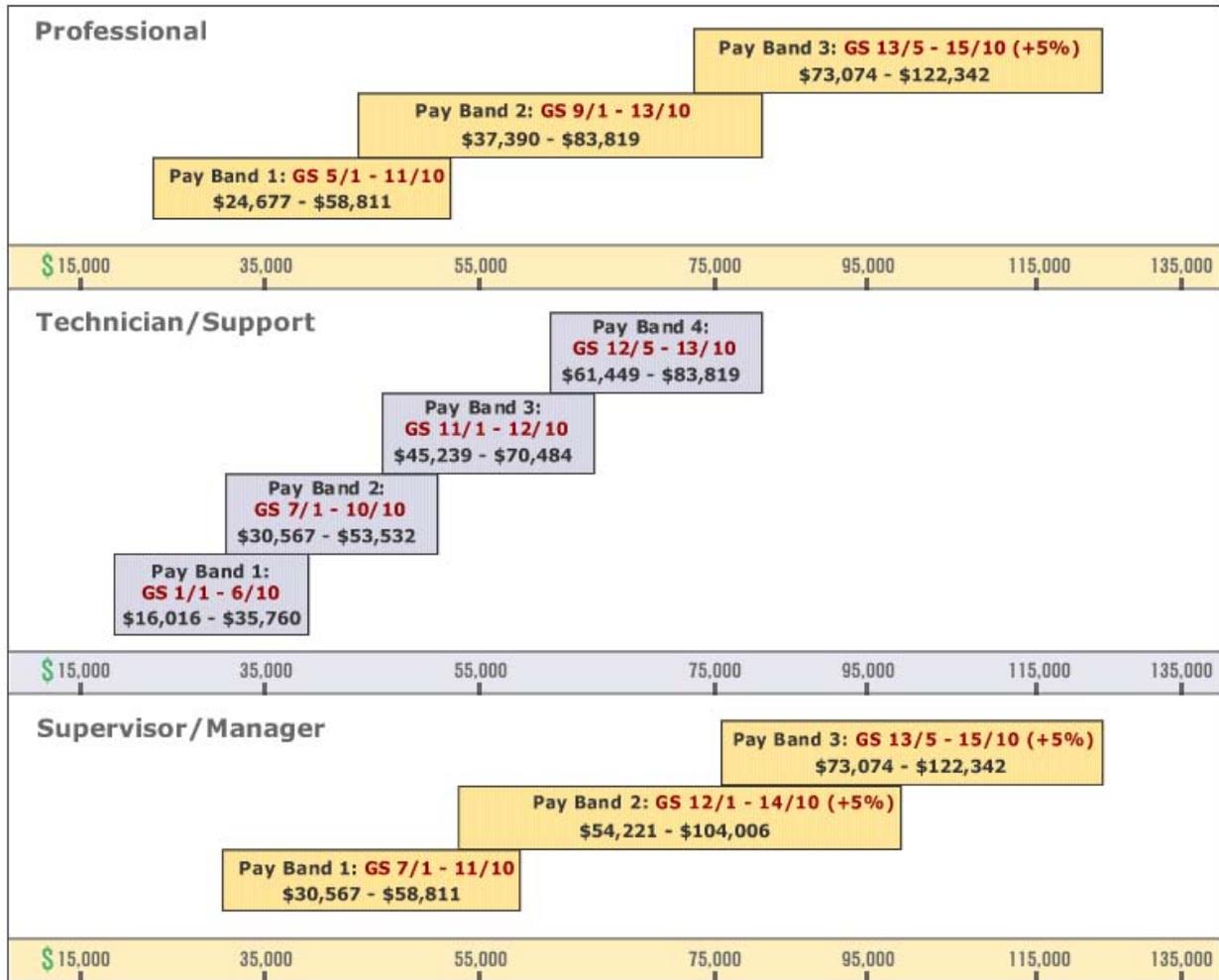


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There are three additional career groups covering (1) Scientific and Engineering, (2) Medical and (3) Protective Services occupational series. Below are the basic pay schedules for these groups.

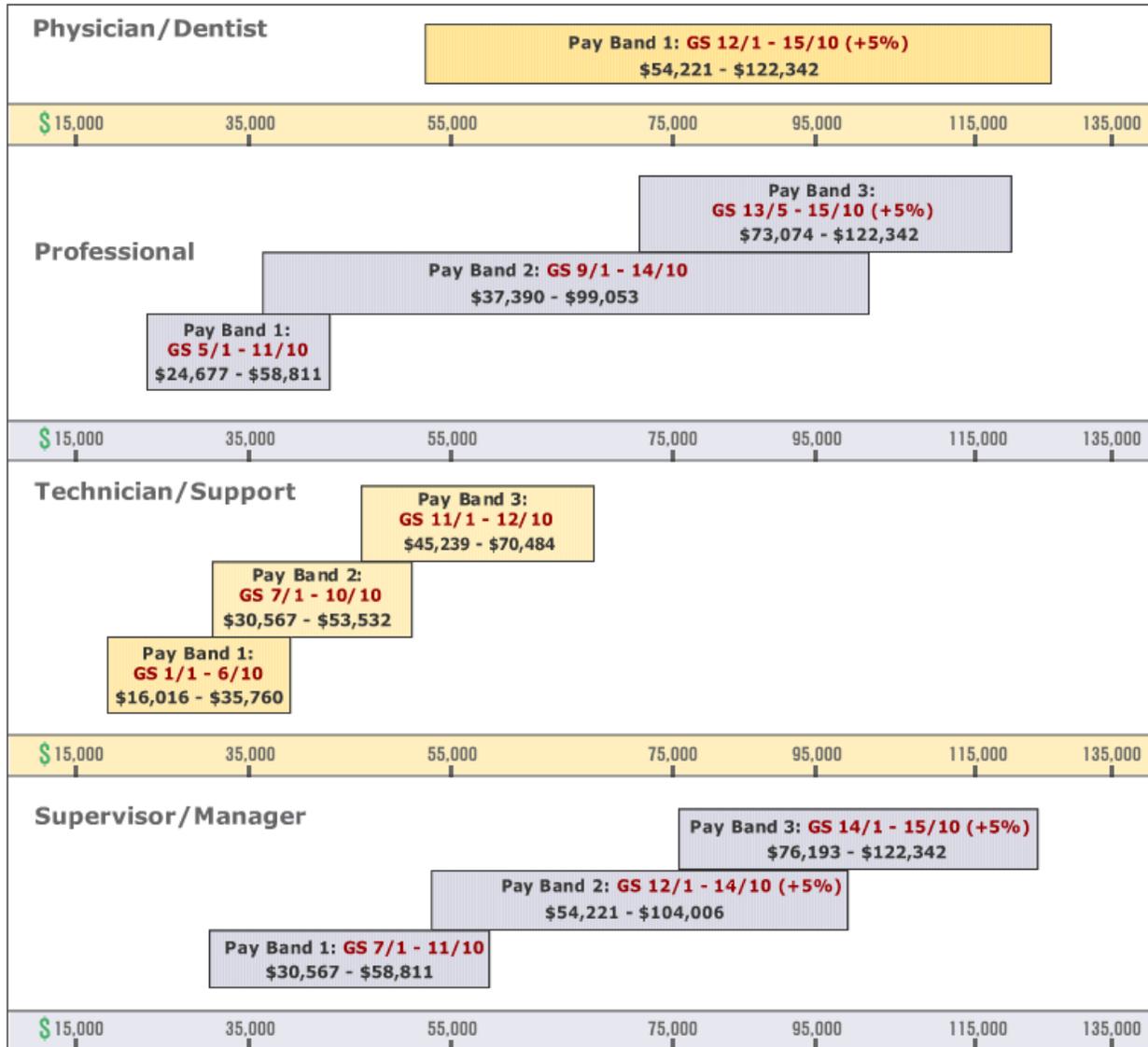
Scientific and Engineering



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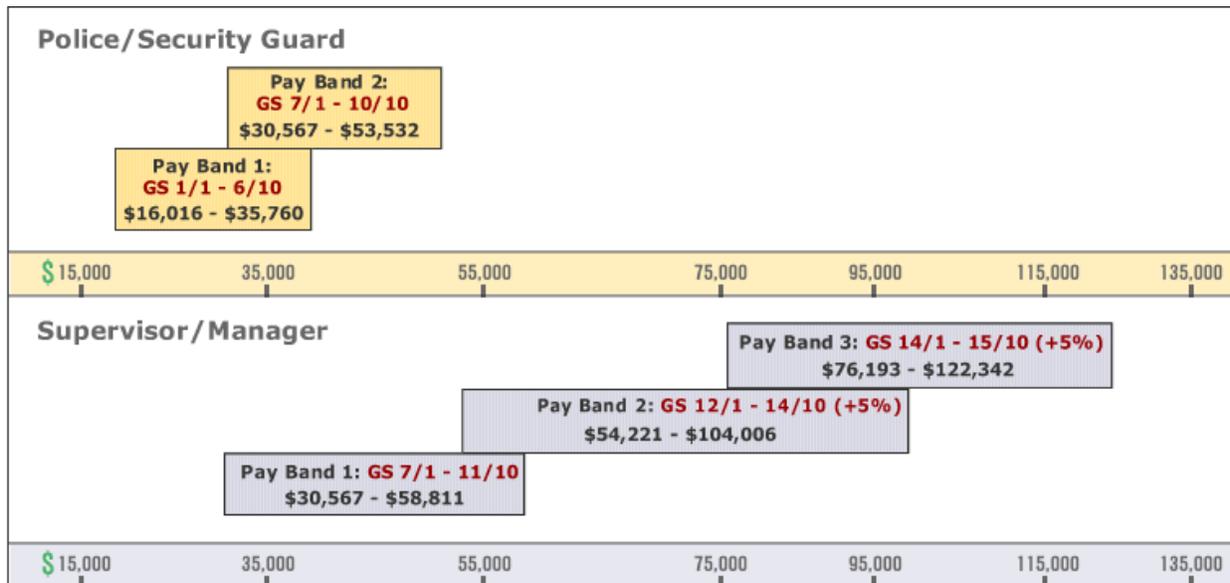
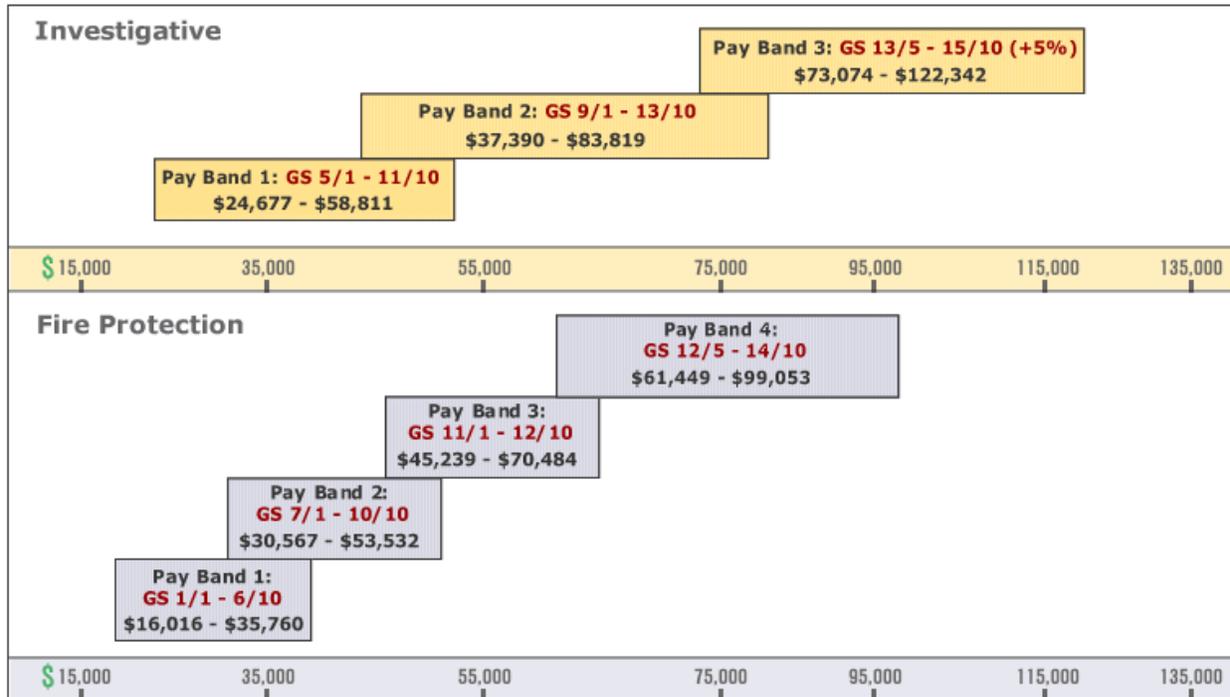
Medical



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PROTECTIVE SERVICES



As needed, DoD has authority to create additional career groups and pay schedules.

STAFFING FLEXIBILITIES

Under NSPS, managers are provided with greater flexibilities to set pay, shape the workforce and retain strong performers.

Setting Pay

There are four categories for setting pay:

1. First Assignment
 - Anywhere in the pay band
2. Promotion
 - Minimum 6% increase
 - Maximum 20% increase
 - Exception to 20% if needed to reach minimum rate of new pay band
3. Reassignment – Discretionary increase
4. Reduction in band (not as a result of performance or conduct issues) – Discretionary increase)

Workforce Shaping

Under NSPS, there is increased flexibility to realign, reorganize and reshape your workforce based on business-based reasons. These flexibilities are consistent with a performance-based system that links individual performance to organizational goals and focuses on accountability and results.

Under NSPS there are new or revised concepts and procedures that allow the Department to minimize disruption caused by reduction in force (RIF) through a more focused definition of the area of competition. NSPS streamlines the RIF process by revising:

- Competitive area designations
- Competitive groupings
- Greater importance on performance
- Less importance on length of service
- **Veterans' preference rights are protected.**

Retention Factors

The following chart summarizes current retention factors and the factors that will be considered under NSPS.

Current Factors	NSPS Factors
Tenure	
Career	Career
Career conditional	Employees on initial probation
All Others	All Others
Veterans' Preference	
30% disabled veterans (must be compensable, service)	Same
All other veterans	Same
All non-veterans	Same
Creditable Service	
Civilian – Augmented by performance	Average of the employee's 3 most recent ratings in 4-year period <i>(under consideration)</i>
Military – Augmented by performance	
Performance Rating	
Average of the employee's 3 most recent ratings in a 4-year period	Civilian
	Military

PERFORMANCE MANAGEMENT

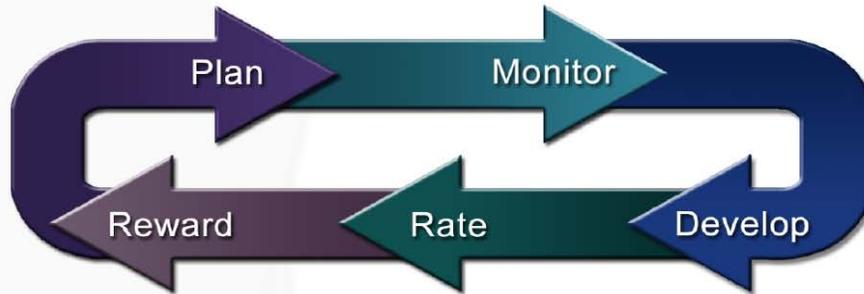
Under NSPS, the performance management cycle is a year-long, continuous, and collaborative process between supervisors and employees that links individual performance to unit and organizational goals.

The performance management cycle runs from October 1 through September 30 and includes:

- Performance planning
- Monitoring employee performance
- Developing employees
- Rating performance
- Rewarding performance

The following table identifies the process and the roles and responsibilities of managers/supervisors and employees.

The NSPS Performance Management Cycle



	Manager/Supervisor	Employee
Plan	<ul style="list-style-type: none"> • Set objectives, expectations, and ways to measure accomplishment. • Communicate appropriate work behavior. • Determine staff developmental needs. 	<ul style="list-style-type: none"> • Set objectives and ways to measure accomplishment. • Assess your developmental needs and communicate them to your manager.
Monitor	<ul style="list-style-type: none"> • Document observed employee accomplishment. • Give appropriate constructive feedback, informally and in interim reviews. 	<ul style="list-style-type: none"> • Perform to expectations set in planning stage; continuously monitor yourself. • Document your accomplishments. • Solicit feedback; Advise management of performance obstacles. • Actively participate in interim review(s).
Develop	<ul style="list-style-type: none"> • Work to improve employee performance through training, mentoring, and coaching. • Determine if employees have all the appropriate tools to do their jobs and fix shortfalls. • Eliminate unnecessary/low-value tasks. 	<ul style="list-style-type: none"> • Participate in developmental activities. • Focus on developing your skills and abilities.
Rate	<ul style="list-style-type: none"> • Evaluate employees' performance and complete Performance Appraisal. • Submit rating, shares, and distribution recommendations to pay pool manager. • Communicate rating of record, shares, and distribution to employees. 	<ul style="list-style-type: none"> • Complete and submit your self-appraisal. • Discuss your performance and ratings with your manager. • Suggest improvements to increase unit performance.
Reward	<ul style="list-style-type: none"> • Recognize and reward good performance. 	<ul style="list-style-type: none"> • Understand the link between your demonstrated performance, its value to the organization, and compensation.

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Evaluating Performance

Under NSPS, the “whole” employee is evaluated – what he/she does to contribute to achieving the organizational goals and DoD mission. There is an emphasis on performance, contribution and results. The following concepts are applied to the performance management system.

Job Objectives are individual, primary and specific job goals, milestones and contributions - linked to organizational goals - that employees are expected to achieve during the rating cycle. The performance objectives are established at the beginning of each rating cycle and reviewed by supervisors and employees during the year through informal and formal reviews. While employees may have several performance objectives, they DO NOT have a specific objective for each performance factor.

Standard Performance Factors reflect the core behaviors, skills and knowledge that are commonly necessary to successfully perform a job such as teamwork and technical competence. The standard performance factors will be applied DoD-wide.

Benchmark Descriptors are examples of demonstrated performance relative to the standard performance factors and performance objectives, serve as a guide for supervisors to use in rating performance. Employees receive ratings for each standard performance factor, considering their specific performance objectives and an overall summary rating.

Roles, Responsibilities and Requirements

Supervisors are charged with effectively managing the performance of their employees. A supervisor is responsible for:

- Clearly communicating performance expectations and specific objectives and holding employees responsible for accomplishing them;
- Making meaningful distinctions among employees based on performance and contribution;
- Fostering and rewarding excellent performance;
- Addressing poor performance;
- Aligning expectations and employee development with organizational mission and goals;

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- Assuring that employees are assigned a rating of record, when required;
- Recommending the overall rating number of shares and payout distributions for consideration by the pay pool panel; and
- Communicating final ratings of record to their subordinates.

Supervisory Accountability: Supervisors will be rated on their effective management and supervision of subordinates. Organizations will be responsible for ensuring that supervisors receive NSPS performance management training (or have training or experience under similar rating systems).

Managers and supervisors play a critical role in this process and specific roles, responsibilities and requirements are necessary.

Assessing and Rating Performance

NSPS uses a five-level rating system to rate individual performance. Level 5 signifies the highest level of performance and level 1 signifies unacceptable performance. Employees are rated on their performance using Standard Performance Factors and Job Objectives, expectations, and accomplishments.

The scale is defined as follows:

Rating Level	Level of Performance	Performance Description
Level 5	Role Model	Almost always meets the standards described by the Role Model benchmarks.
Level 4	Exceeds Expectations	Almost always meets the standards described by the Valued Performance benchmarks and typically, but less than almost always meets the standards described by the Role Model benchmarks.
Level 3	Valued Performance	Almost always meets the standards described by the Valued Performance benchmarks.
Level 2	Fair	Almost always meets the Valued Performance benchmarks, but only as a result of guidance and assistance considerably above that expected at the Valued Performance level.
Level 1	Unsuccessful	Performs below the Level 2 rating descriptor or fails the Standard Performance Factor in the performance of a single assignment where

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		such failure has a significant negative impact on accomplishment of mission or where a single failure to could result in death, injury, breach of security, or great monetary loss.
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To reward employee performance, shares are assigned according to a prescribed range based on the employee’s rating. A share is a unit of payout awarded to an employee based on performance. The share range enables you to distinguish between the performance of employees who have the same rating and to reward the performance that is most valuable to your organization.

- Any employee who has a performance rating level of 1 or 2 does not receive performance share payouts.
- As a rater you can reward prior performance and influence future behavior through the assignment of shares.

Shares can be distributed to reward organizational or team performance. For example, in the case where a defined group or team within the pay pool has exceeded established goals, overcoming unforeseen obstacles and difficulties, the supervisor may recommend that members of this team each receive the highest number of shares within the appropriate range.

When making share distribution recommendations it is important to remember that this is a zero-sum process. That means that the pay pool has a finite amount of money to spend for awards and for pay increases. The assignment of shares should be a deliberate, well considered decision. Shares must be awarded based on business rules, which you can articulate and defend. Without fail, your decision of how many shares to recommend and how the payout must be divided between pay increase and bonus must be devoid of bias toward or against gender, race, national origin, or age.

Payout Distribution

Performance shares may be paid out as a lump-sum bonus, a pay increase, or a combination of both. Once the recommended number of shares has been determined, the supervisor will recommend payout distribution of the recommended share assignment as bonus, a pay increase, or combination of both. A number of factors may be considered when determining the appropriate payout distribution. The factors should be consistent within a pay pool to ensure equity and fairness. Also, you should feel comfortable that you are able to articulate to the employees,

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and possibly other managers, why and how you applied the factors. Employees will want to know!

Factors may include, but are not limited to:

- Whether an employee is paid at the top of his or her market for the type of work performed. Market rates are not usually defined by the maximum rate of a pay band. Rather market rate would be the range of salaries typically paid in the assigned geographic area for the type and level of work performed by the employee. If the employee is paid at, near or over the top of the market range for their type and level of work, a performance payout in the form of a bonus is usually recommended.
- Whether the performance being rewarded is expected to continue. Remember that an increase to base pay is virtually permanent and it may be inconsistent to reward one-time or limited performance with a continuing pay increase.
- Recognition that bonuses do not contribute to employee retirement benefits or Thrift Savings accounts. Inappropriate overuse of the bonus could result in morale, recruitment, and retention problems.

Included below is the sample share structure:

Rating Level	Share Range
5	5-6
4	3-4
3	1-2
2	0
1	0

Pay Pools

A pay pool is a group of employees who share in the distribution of pay for performance dollars. Pay pools are typically large enough to encompass a reasonable distribution of ratings and range of salaries but not so large as to compromise rating consistency. Pay pools smaller than 50 employees and larger than 300 employees create challenges. Criteria to distinguish pay pools may include, but are not limited to:

- Organization structure
- Employee job function
- Location
- Organization mission