

## Moving to a Pay-for-Performance System at Seattle Children's

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### History

In 2009 Seattle Children's updated and revised its compensation practices to provide managers with better tools to recognize and reward workplace performance for our more than 4,000 employees.

Before 2009, Children's performance evaluation system operated on a three-point scale (needs improvement, meets and exceeds expectations). Evaluations under the three-point system resulted in a significant number of staff receiv-

ing an "exceeds" rating, and therefore we did not have the ability to recognize and reward high levels of performance.

### Assessment

Work to improve Children's performance evaluation system started with focus groups representing a cross-section of the organization's supervisors, managers and directors. A senior leadership steering committee was also established to provide overall governance and to endorse recommendations that would be presented to executive leadership.

The focus groups uncovered the need for a better way to identify, recognize and reward high performing employees. As a result, the group determined that the following steps should be taken:

- Streamline and standardize job descriptions to better reflect key responsibilities, expectations and desired customer service behaviors.
- Refine and implement compensation philosophy to ensure market competitiveness.
- Develop guidelines to enable consistent application of com-

ensation decisions impacting hiring, promotion, payment for additional work and for salary increases.

- Improve correlation between pay and performance and provide leaders with tools.
- Improve leadership training.

### Development

The outcome of the focus groups and steering committee meetings indicated a clear theme: a lack of standardized systems and processes.

We started with revisiting policies on all salary issues for new hires, promotions, job reclassifications and pay for temporary assignments or for additional work. We developed a new job description format (simpler to read) with standardized qualifications and competencies, outlining customer service expectations and leadership competencies for management positions.

We also decreased the number of job descriptions by 47% and standardized titling guidelines and leadership definitions (supervisor, manager and director) to further clarify roles. The compensation team expanded its salary survey

data so that 93% of Children's employees were classified in a job having external benchmark salary data.

Regular formal management training covering performance management, compensation principles, performance evaluation and other related topics was instituted. A SharePoint site was developed to give managers online access to policies and guidelines, real-time salary modeling tools and other salary administration information, reports and tools.

In addition to our pay-for-performance plan, we implemented an employee-incentive plan to recognize and reward organization-wide improvements in patient and family experience (satisfaction) scores.

A key change was development of a new 5-point rating scale with the following classifications: Non-Performer; Developing Performer; Solid Performer; Leading Performer; and Top Performer.

The rating scales and definitions were developed by Children's managers and also included "observed or expected behaviors" associated with each performance level. They are intended to measure employee performance based on Children's standards and expectations.

The team also developed a merit matrix that provides salary increases based on performance rating and employee salary placement within their range (comparison.) For example, top performers who are low in their salary range receive increases up to twice the merit budget, while developing

performers whose salaries are in the upper portion of their salary range receive increases that are half the salary budget.

## **Results**

Results to date have been promising. The 5-point scale is now familiar to our employees and has become easier for our managers to use. We are now able to reward our best performers with a large enough differentiation in annual increase to make it meaningful.

We have also conducted annual manager surveys to get their feedback on the pay-for-performance system. Managers have noted an appreciation for the standard format for job description and performance evaluations. They also feel the new performance levels have helped identify strong performance and areas for continued improvement.

As we enter our third year using this new scale, we continue to refine and deliver training, especially to newly hired or appointed managers.

To address manager paperwork issues, we will continue to streamline job descriptions and evaluation forms to give managers more one-on-one time with their employees. Finally, considering our process is paper-based, we are working on an automated performance evaluation system to expedite the process.

## **Conclusion**

The changes Children's made to our compensation and performance evaluation processes met the needs identified by our man-

agement focus groups and executive leadership.

Providing managers with the training, tools and support they need has enabled our employees to receive a more definitive assessment of their annual performance. Because our managers created our performance definitions, the change to the new rating scale was readily accepted.

Overall, our compensation and pay-for-performance system is enabling Children's to attract, retain and reward employee performance that continues to move us toward our goal of becoming the best children's hospital.

*Steven Hurwitz is currently the Vice President of Human Resources for Seattle Children's. Steven joined Children's in this role March, 2008. Steven has overall responsibility for the Human Resource organization supporting the Hospital, Research Institute and Foundation. Steven ensures strategic alignment with his executive counterparts to ensure that integrated and leveraged solutions are realized throughout the organization.*

*Prior to joining Children's, Steven worked at Starbucks Coffee for 9 years with his last role being Vice President, Human Resources. Steven also brings diverse HR experience from working at Macromedia Corporation, Nabisco Biscuit Company, and Harris Corporation. In these previous roles, Steven led major projects in the areas of Performance management, Succession planning, HR strategic planning, Global compensation, Organization development and Employee/union relations.*

*Steven earned a Bachelor's degree in Psychology from Hofstra University and both an MBA in General Business and Master's degree in Organization Development from*

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