

COMPENSATION COMMITTEE RECOMMENDATIONS
April 16, 2002

BACKGROUND	2
KEY RECOMMENDATIONS:	3 - 5
COMPENSATION PROGRAM AND STRUCTURE	3
PERFORMANCE EVALUATION SYSTEM PROCESS	4 –5
DISSENTING OPINIONS	
DISSENTING OPINION ON COMPENSATION AND PERFORMANCE EVALUATION SYSTEM PRINCIPLES AND PROCESS	6
DISSENTING OPINION ON THE PERFORMANCE EVALUATION SYSTEM PRINCIPLES AND PROCESS	7

The Joint Compensation Committee recommends this comprehensive package of changes to the bargaining unit compensation program and performance management and feedback, in order to improve its effectiveness for the both the Company and its employees. The Joint Compensation Committee supports the recommendations on a vote of 8 in favor and 2 opposed to the Compensation Program and Structure Recommendations and on a vote of 7 in favor and 3 opposed to the Performance Evaluation System Process Recommendations.

Joint Compensation Committee Members:

Guild: Gwen Holmes, Bruce Kaufman, Mary McKenney, Reza Namdar, and Lori Calderone
(Washington-Baltimore Newspaper Guild)

BNA: Paul Albergo, Mary Kelly, Kathy Muller, Jeanne O'Neill, and Joseph Sanneman

ABOUT THE RECOMMENDATIONS

The recommendations in this document are recommendations only. They are not bargaining proposals. They do not necessarily anticipate or indicate the nature of the proposals that may be made by management or by the Guild in bargaining. They do not obligate either party to model its proposals upon these recommendations. The committee recognizes that changes to the bargaining unit compensation program must be negotiated.

BACKGROUND

In June 2001, in a report at the end of its initial five-month period of study, the Joint Compensation Committee:

1. We recommend that the Publisher undertake the review of all existing job descriptions, with an eye to reducing the number of similar job descriptions and to establishing broader job progressions of jobs that entail similar functions and that require similar qualifications.
2. We recommend that the Publisher replace the current method of assigning jobs to grades—whole job ranking—with a classification method that uses written characterizations of the types of jobs that are assigned to each grade.
3. We recommend that the Publisher create, within the bargaining unit, two or more categories of jobs and employees—possibly administrative/clerical/operative and technical/professional.
4. We recommend that the Publisher implemented a new system of performance management that includes clear statements of performance standards, prescribed work behaviors, and expected results; overall ratings other than ‘satisfactory’ and ‘unsatisfactory’; mandatory and extensive training for managers in managing, communicating about, and assessing the performance of employees; and an appeals process.
5. We recommend that, with solid job classification and performance management programs as its necessary foundations, the Publisher develop a new compensation system for bargaining employees, to include:
 - Wider salary ranges;
 - Continuing attention to internal equity in establishing and maintaining salary ranges;
 - Increased emphasis on market price in establishing and maintaining salary ranges;
 - A mechanism for short-term adjustments to the salary range for "hot jobs";
 - Differences in salary, salary increases, rate of progress through the salary range, and/or other forms of compensation, based on differences in level of performance as well as length of service;
 - Compensation mechanisms beyond base pay (such as lump sum bonuses, stock options, additional paid time off) and formal communication about those compensation mechanisms.”

Since June, the Joint Compensation Committee has devoted its time to further study of the issues that led to recommendations 3, 4 and 5 above and to more thorough consideration of possible measures that will ultimately strengthen the effectiveness of the bargaining unit compensation program.

KEY RECOMMENDATIONS (Compensation Program and Structure)

The Joint Compensation Committee recommends this comprehensive package of changes to the bargaining unit compensation program, in order to improve its effectiveness for the both the Company and its employees:

1. Uncouple adjustments to the salary structure from adjustments to individual salaries. Negotiate these as separate issues. This will enable BNA to adjust its salary structure to maintain a competitive position vis-à-vis other employers, while adjusting the salaries of employees in line with the salary increase budget. The two goals will not conflict with each other.
2. Replace the current salary structure with two separate salary structures, one for administrative/clerical/operative jobs and another for professional and high-level technical jobs. This will permit differences in the design of the salary structures and, if the parties agree that it is appropriate, different salary administration practices for the two groups.
3. Provide for wider minimum-to-maximum spreads for all ranges under both salary structures. This will provide continued salary growth for longer-service employees who are now constrained by unusually narrow salary ranges.
4. Provide for salary increases of the same percentage amount for similarly situated employees, regardless of grade.
5. Begin a phased transition from administering salaries on a pay-for-service basis, to administering salaries on the basis of service and performance. At the same time, begin phasing out the general increase and reallocating those salary increase dollars for larger anniversary date increases that will be determined based on length of service and performance.
6. Establish a process to ensure and demonstrate that, as we move from pay-for-service to pay-for-service-and-performance and from general increases-and-anniversary-date-increases to anniversary date-increases-alone, our total salary increase expenditures meet the overall level agreed upon by the parties. It is recommended that this goal not be implemented through the forced distribution of ratings.

NOTE: The committee notes that a strong performance appraisal program is an essential foundation for any transition from pay-for-service to pay-for-service-and-performance.

The committee recognizes that, for a variety of reasons, the Company and the Guild may not be ready for recommendations 5 and 6 above. If the parties decide not to develop proposals that include those recommendations, the committee recommends that the parties nevertheless proceed with proposals that include recommendations 1-4.

KEY RECOMMENDATIONS (Performance Appraisal Program)

The Joint Compensation Committee recommends the following with respect to the Company's approach to performance management and feedback. These recommendations are segregated into two categories, one being the performance evaluation systems principles and the other being performance evaluation system process.

Performance Evaluation System Principles

1. The criteria used in any performance evaluation process shall be determined using accepted human resource practices to identify and validate the criteria. The resulting criteria will be business focused with the nuances specific to BNA and will result in an evaluation process that is tied to the business needs of BNA.
2. Performance management must be based on the skills and abilities required to carry out the work of a position (which are reflected in the job description) and in the specific job's requirements and the associated performance expectations (which are articulated by the manager).
3. To assure fairness, the Company must ensure that job classifications within a job family have consistent standards across departments. However, variances may be warranted by the operating needs of the departments.
4. Evaluations have traditionally been separate from disciplinary actions. Although they can be used to as a part of the documentation in a disciplinary action, they are not themselves a disciplinary action. We recommend that this practice continue.

Performance Evaluation System Process

1. There will be a formal, annual evaluation. There also must be ongoing communication and feedback between the manager and the employee during the evaluation period.
2. Employees will be evaluated on overall performance over the course of the evaluation period. The overall rating and the rating for each element will be supported by documentation.
3. Managers and employees will receive comprehensive training on the performance management process, as well as proper evaluation techniques, to include various biases that need to be avoided when completing and delivering performance appraisals. Training will include an emphasis on the importance of ongoing communication and feedback.
4. The job, and the tasks and skills associated with the job must be communicated to the employee prior to, or at the start of, the evaluation period. The standards of acceptable performance, as defined by the performance rating definitions, also should be communicated.

5. Employees should participate with their managers in developing the performance objectives that are relevant to their position. Final determination of the performance objectives is the responsibility of management.
6. Employees will have the right to respond in writing to an evaluation. The employee's written response will be maintained with the evaluation in the employee's personnel file.
7. Any performance evaluation process tied directly to compensation of any kind must be tied to an appeal process/dispute resolution mechanism that both parties agree to.

Dissenting Opinions

Dissenting Opinion on Compensation and Performance Evaluation System Principles

Reza Namdar, Lori Calderone

Regarding Compensation Recommendation #5 and Performance Evaluation System Principles and Process:

A phased transition to a compensation system that is based in any significant part on performance is unacceptable so long as there remains any ambiguity about, or deficiency in, the mechanisms required to:

1. Assure maximum employee performance and potential (hence maximum reward through performance pay increases)
2. Guard against discrimination and bias

The Performance Evaluation Systems Principles (PES) and the Performance Evaluation System Process (PESP) are where recommendations could be made to assure that the above mechanisms exist prior to implementation of any phased transition.

Without the following clear commitments, 1 and 2 above cannot be achieved:

- Requirement to provide in writing to each employee at the onset of the evaluation year the specific job requirements and performance standards applicable to his or her job.
The current stated requirement in PES recommendation #2 to “articulate” requirements and performance expectations leaves no commitment to a written record of the stated requirements and standards and disadvantages the employee.
- Requirement for at least one discussion, approximately mid-point, between manager and employee regarding progress toward meeting (or exceeding) required standards.
The current requirement in PESP #4 that standards of acceptable performance “should” be communicated falls short of a requirement of the manager to do so. The reluctance of the committee to require this critical communication is troubling, since the guaranteed conveyance of the information is necessary if the employee is to have any real opportunity to gain any reward.
- Agreement to the application of the grievance process (or some modified steps ending at binding third party resolution) to employees denied pay for performance at any level where the employee is eligible to such pay. PESP is insufficiently strong or clear in this regard. We should not mislead the report’s

readers: the concept of pay for performance without an external and binding dispute resolution mechanism disadvantages only employees.

A commitment to a fair and strong performance evaluation process with financial rewards to the meritorious will only be experienced as fair and non biased by employees it is designed to motivate if

- there are clear, written requirements and performance expectations provided to employees at the onset of the evaluation period
- there is at least one mid point formal discussion on progress of work and assistance in helping the employee understand what might be done to exceed requirements and expectations
- there is a dispute resolution process ending in a third party neutral binding decision.

With these modest changes, the dissenters could agree to the full recommendations.

Comments on the Performance Evaluation System Principles and Process

Mary McKenney

The principles and process of the employee performance system are a start on creating a realistic foundation. The emphasis on the employee's specific job is appropriate.

However, the recommendation fails to build on that foundation. It is filled with human resource jargon: criteria, requirements, expectations, standards, variances, elements, objectives, and performance rating definitions. What do all these terms mean? Will they differ from job to job? From supervisor to supervisor? From manager to manager?

The most troubling statement is 'performance expectations (which are articulated----).' The word 'articulated' means (to me) verbal. This is not acceptable. Standards, requirements, expectations, etc., have to be in written form, be job specific, discussed, and clarified if necessary, with the employee. There has to be a clear understanding as to what is a standard, a requirement, an expectation. The most often stated reason given for not having written standards/expectations is that it would too difficult-be time consuming. If they can be 'articulated', they can be written. If the process of identifying job specific standards is too difficult, how can a determination be made of does not meet, meets, or exceeds.

The importance of an annual performance evaluation is obvious. A midpoint evaluation is also important as a required touch-base — person to person — how's it going? Humanizing effort.

Written -clearly defined terminology, an annual formal performance evaluation with a mid-point discussion, are absolutes in any pay for performance system. They make good sense for any performance evaluation system and should be implemented.

Due to my concerns regarding the serious deficiencies found in the performance evaluation portion of the recommendation, I am unable to support this portion of the committee report.

However, a commitment in the recommendation to written, clearly defined terminology, an annual formal performance evaluation with a required mid-point discussion would address these concerns.