

C²S² Default Algorithm (Alpha-Delta-Y) for Setting Pay Based on Contribution

Under the Contribution-Based Compensation System (CCS) component of Air Force LabDemo, Pay Pool Managers (PPMs) are empowered with discretionary authority to set pay based on contribution, subject to some constraints spelled out in the November 1996 *Federal Register* announcement that describes LabDemo. The software package (C²S²) provides both tabular and graphic displays and a set of tools to help PPMs carry out this responsibility. Built into the software is a standard algorithm that PPMs may use, if they wish, to set pay. The algorithm, referred to as alpha-delta-Y, can be used to allocate some, part, or all of the Pay Pool's incentive salary increase budget (I). The Congressionally-approved general cost of labor increase (G) is automatic for everyone in a Pay Pool except those in the significantly over-compensated category (i.e., those in the Automatic Attention Zone defined as being above the upper Standard Pay Line (SPL) rail). For individuals in this category, PPMs may withhold all or part of their "G" increase and add any money thus saved to their "I" budget.

The default algorithm allocates the "I" budget to under-compensated individuals (those below the SPL) proportional to the number of dollars they are under-compensated. Once each person has received a new contribution assessment score, their current basic pay (in dollars per year) is compared to what the SPL indicates they should be earning for their level of contribution; the difference is calculated and called delta-Y. Those above the SPL will have a negative delta-Y and those below the SPL will have a positive delta-Y. The default algorithm adds up all of the positive delta-Y's in the pay pool and divides the sum into the budget the PPM has allocated to the algorithm¹. This produces a ratio called "alpha" that indicates what portion of each individual's delta-Y can be "paid off" with the available budget. For example, if the sum of the positive delta-Y's in a Pay Pool is \$100,000 and the available budget is \$50,000 then each under-compensated person will receive an incentive increase equal to half of their delta-Y. If alpha turns out to be greater than 1.0, the default algorithm truncates it to 1.0 so under-compensated people do not become over-compensated.

The C²S² software ensures that no one exceeds the maximum basic pay cap for LabDemo (equivalent to GS-15/step 10 pay) and that those individuals below the lower SPL rail (significantly under-compensated) receive a percentage incentive raise of at least "I" (2.4% this year), as required by the *Federal Register*. The software also automatically handles the payment of one-time bonuses to people in the mandatory move from Broadband 2 to 3 category who are denied movement because of high-grade restrictions.

The default algorithm is designed to adjust pay in a logical, fair, and consistent manner while staying within the PPM's budget and complying with all of the legal and *Federal Register* requirements. However, PPMs are free to use it or not, at their discretion. Should they choose to use some other method of determining incentive increases (e.g. an *Excel* spreadsheet), they must manually enter those increases into the C²S² software as it provides the linkage back to the personnel data system.

¹ The pay pool manager has the option of withholding any desired portion of the incentive increase pool (I) for discretionary payouts to address special circumstances. Additionally, there is no requirement for the pay pool managers to distribute 100% of the incentive increase funds.