

Compensation Differentials Tutorial

After reading this tutorial, the reader will be able to:

- Explain the different compensation differentials.
- Set up and apply the differentials to agency employees.
- Maintain differentials.

What are compensation differentials?

Compensation differentials are paid to employees who are authorized for additional pay under the provisions of the Classification and Compensation Act. Effective June 28, 2009, five new compensation differentials were added to *Basic Pay (Infotype 0008)*. Compensation differentials and maximum percentages for each are as follows:

- 1004 - Hazardous Duty Differential (up to 6%) plus additional Hazardous Duty (6%) for working in maximum security unit
- 1016 - Certification Differential (up to 6%)
- 1017 - Educational Differential (up to 6%)
- 1018 - Geographic Differential (up to 6%)
- 1026 - Second Language Differential (up to 10%).

Once the differential is processed, the additional compensation is added to the employee's pay check each pay period. The cumulative total of all compensation differentials paid cannot exceed 25% of the employee's base salary.

Setting Up Differential Records

Step 1: Submit Request to OPM

Before employees can receive compensation from any differentials, agencies must submit their requests to OPM for review and approval. After approval, OPM will update the maintenance table. The following is an example of the Differential table.

	BusA	PA	Object abbr.	Position	Wage	Start Date	End Date	Pct.
	0960	SP01	X090C	22089827	1004	06/28/2009	12/31/9999	10.00
	0960	SP01	X090C	22089827	1016	06/28/2009	12/31/9999	5.00
	0960	SP01	X090C	22089827	1017	06/28/2009	12/31/9999	5.00
	0960	SP01	X090C	22089827	1026	06/28/2009	12/31/9999	5.00

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Step 2: Adding the Differential

After being notified by OPM that the table has been updated, the agency enters the differential using transaction PA40 – (Z4) *Change in Pay/Posn Attributes* action.

Personnel Actions			
Action Type	Personn...	EE group	EE subgr...
Hire			
Hire Board or Commission Membr			
Rehire			
Rehire Board/Comm Mbr			
Re-employment of Retiree			
Change in Pay/Posn Attributes			

The *Reason Code* for the Actions (IT0000) is *10 Differential Pay*. Complete and save the action.

Copy Actions

Execute info group Change info group

Pers.No.

Name

EE group Regular State Empl. Personnel ar

EE subgroup Employee SSN

Start to

Personnel action

Action Type

Reason for Action

Complete and save the *Organizational Assignment (IT0001)*.

Create Organizational Assignment

Org Structure

EE group Regular State Empl. Personnel ar

EE subgroup Employee SSN

Start to

Enterprise structure

CoCode State of Arkansas Leg.person

Pers.area ASP Little Rock Subarea OT,Std,ASHB

Cost Ctr CACD Administration Bus. Area DEPARTMENT OF AR STA

Personnel structure

EE group Regular State Empl. Payr.area Arkansas Bi-Weekly

EE subgroup Employee Contract

Organizational plan

Percentage Assignment

Position X090C ASP/CACD SENIOR IN...

Job key X090C ASP/CACD SENIOR IN...

Administrator

PersAdmin

Time

PayrAdmin

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Complete and save the *Planned Working Time (IT0007)*.

Create Planned Working Time

Work schedule

Personnel No	<input type="text"/>	Name	<input type="text"/>	Status	Active
EE group	1 Regular State Empl.	Personnel ar	ASP Little Rock		
EE subgroup	UE Employee	SSN	<input type="text"/>		
Start	06/28/2009	To	12/31/9999		

Work schedule rule

Work schedule rule	OPEN08	Open Schedule 8 hours
Time Mgmt status	1 - Time evaluation of actual times	
Working week	Sunday to Saturday	

Part-time employee

Working time

Employment percent	100.00	<input type="checkbox"/> Dyn. daily work schedule
Daily working hours	8.00	
Weekly working hours	40.00	
Monthly working hrs	173.33	
Annual working hours	2080.00	
Weekly workdays	5.00	

The *Reason Code* for *Basic Pay (IT0008)* must be *01 Within Range*. Under the *Wage Type* column, select one of the five Differential wage types from the drop down list and select *Enter* or *Green Check* .

Wage Types for Infotype "Basic Pay" (1) 9 Entries f... X

Restrictions

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WT	Wage Type Long Text	Start Date	End Date
1000	Hourly rate	01/01/1900	12/31/9999
1004	Geographic Differential	06/28/2009	12/31/9999
1013	Extra Help Hourly Rate	01/01/1900	12/31/9999
1014	Supplemental POS Hrly RTE	01/01/1900	12/31/9999
1016	CertificationDifferential	06/28/2009	12/31/9999
1017	Education Differential	06/28/2009	12/31/9999
1018	Hazardous Duty	06/28/2009	12/31/9999
1026	2nd Language Differential	06/28/2009	12/31/9999
1400	Hourly -tips	01/01/1900	12/31/9999

9 Entries found

Upon entering, if a matching table record is found, the wage type text will appear and the Differential hourly rate will be calculated based upon the percentage of the employee's base hourly rate and populated on the Differential pay line of their basic pay

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record. The eligible percentage rate used for calculation is read from the Differential table. (Calc: Employee's current base rate times percentage entry for the wage type in the Differential table) Once the entry is accepted the user can save the record.

Copy Basic Pay

Salary amount Payments and deductions

Personnel No Name Status
 EE group Regular State Empl. Personnel ar
 EE subgroup Employee SSN
 Start to

Subtype Basic contract

Salary

Reason Within Range Capacity util. level
 PS type Classified Work hours/period Bi-weekly
 PS Area Career Service
 PS group Level Annual salary USD

Wage	Wage Type Long Text	O..	Amount	Curr...	I..	A..	Number/Unit	Unit
1000	Hourly rate		17.1840	USDN		<input checked="" type="checkbox"/>		
1017	Education Differential		0.8592	USDN		<input type="checkbox"/>		

Within the *Basic Pay (IT0008)* record, the Differential rates will not be added to the annual salary field.

If no match is found on the table, the Differential is not authorized, and a message indicating the Differential pay is not allowed for this employee is presented.

Salary

Reason Capacity util. level
 PS type Classified Work hours/period Bi-weekly
 PS Area Career Service
 PS group Level Annual salary USD

Wage	Wage Type Long Text	O..	Amount	Curr...	I..	A..	Number/Unit	Unit
1000	Hourly rate		17.1840	USDN		<input checked="" type="checkbox"/>		
1017	Education Differential		0.8592	USDN		<input type="checkbox"/>		
1018	Hazardous Duty			USDN		<input type="checkbox"/>		

IV - USDN Payroll Simulation

1018 Differential pay not allowed

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Once user selects *Enter* or *Green Checks* through subsequent edits, the wage type will be removed, allowing the user to save the record without an incorrect wage type.

Salary		Reason	01	Within Range	Capacity util. level	100.00
PS type	01	Classified	Work hours/period	80.00	Bi-weekly	
PS Area	03	Career Service	Annual salary	35,742.72	USD	
PS group	C11B	Level	01			

Wa...	Wage Type Long Text	O..	Amount	Curr...	I...	A.	Number/Unit	Unit
1000	Hourly rate		17.1840	USDN		<input checked="" type="checkbox"/>		
1017	Education Differential		0.8592	USDN		<input type="checkbox"/>		
				USDN		<input type="checkbox"/>		
				USDN		<input type="checkbox"/>		
				USDN		<input type="checkbox"/>		
				USDN		<input type="checkbox"/>		

IV	07/01/2009 - 12/31/9999	17.1840	USDN	Payroll Simulation
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Save your entries

Step 3: Run Payroll Simulation

When Payroll Simulation and/or live payroll are processed, the Differential hourly rate will be added to the *Basic Pay (IT0008)* base rate. The Remuneration Statement will show one hourly rate to include the calculated Differential hourly rate(s). The Differential hourly rates(s) will not show as separate payment amounts.

Earnings	Rate	Work Hours	Current	YTD
Regular working time	42.3509	80.00	3,388.07	42,295.63
Career Svc.Recognition			0.00	900.00
ASP Certificate Pay			0.00	1,200.00
Holiday premium			0.00	2,328.87
Vacation pay			0.00	2,315.84
Total Earnings		80.00	3,388.07	49,040.34

Exceeding 25%

Each time a basic pay record is created with more than one Differential wage type, an edit check is performed to ensure the 25% combined maximum limit is not exceeded. A message  1026 Differential pay exceeds maximum allowed appears if the wage type being entered will cause the employee to exceed the limit. Continued selection of *Enter* or *Green Check* will remove the wage type allowing the record to be saved without the additional Differential wage type that would cause the employee's pay to exceed the 25% maximum limit.

If the action for Differential pay is partially processed, the user must remove this action by deleting the related master data records through transaction PA30 in the reverse order in which they were created.

Differential Maintenance

The following is general information concerning differential maintenance.

- When the employee's base rate changes, the Differential pay will re-calculate and the amount will change, upon selecting *Enter* or *Green Check*, based upon the percentage in the Differential table.
- If a table entry is deleted after an action is performed on an employee; and the user executes another PA40 action in *Basic Pay (IT0008)*, an error message occurs indicating that no entry exists in the table for the Differential wage type currently in the basic pay record. The user needs to *Enter* or *Green Check* through the edits to remove the wage type.
- If a table percentage rate is changed and a prior basic pay record for the Differential pay exists for the employee, the user needs to execute a PA40 *Change in Pay/Posn Attributes* action with the effective date of the change. Upon reaching the Basic Pay screen, the user needs to *Enter* or *Green Check* through the edits to re-calculate the hourly amount before saving. Additional Differential wage types may be entered before saving if an eligible table entry exists for other Differential wage types for the employee.
- When a PA40 *Change in Pay/Posn Attributes* action is performed to create additional differential payments, any existing Differential wage types will be recalculated if a change in percentage on the table has occurred.
- If the user attempts to change the basic pay record that includes a Differential pay wage type using the transaction PA30 (Execute info group), an error will occur unless the Differential pay wage type is eligible on the table. Any other attempt to maintain the basic pay record will result in an error.
- A batch job will run each night to compare employee's current basic pay record to the Differential eligibility table. Based on table entries, if the employee is no longer eligible for the Differential, the basic pay record will be delimited to remove the related wage type.