

A COMPENSATION PROGRAM

# MANAGING PAY WITHIN THE GRADE

# Agenda



Part 1

Title &  
Compensation  
Structure



Part 2

Salary  
Administration  
Guidelines



Part 3

HR Role in  
Strategic  
Conversations



Title &  
Compensation  
Structure

Part 1

# TITLE & COMPENSATION STRUCTURE

# Key Compensation Objectives

## Internal Equity

- To understand the relative value of jobs to one another based on:
  - Organizational Impact of position
  - Responsibilities/Complexity of work
  - Independence and Supervision
  - Reporting relationship/Leadership and Talent Management
  - Knowledge and Experience

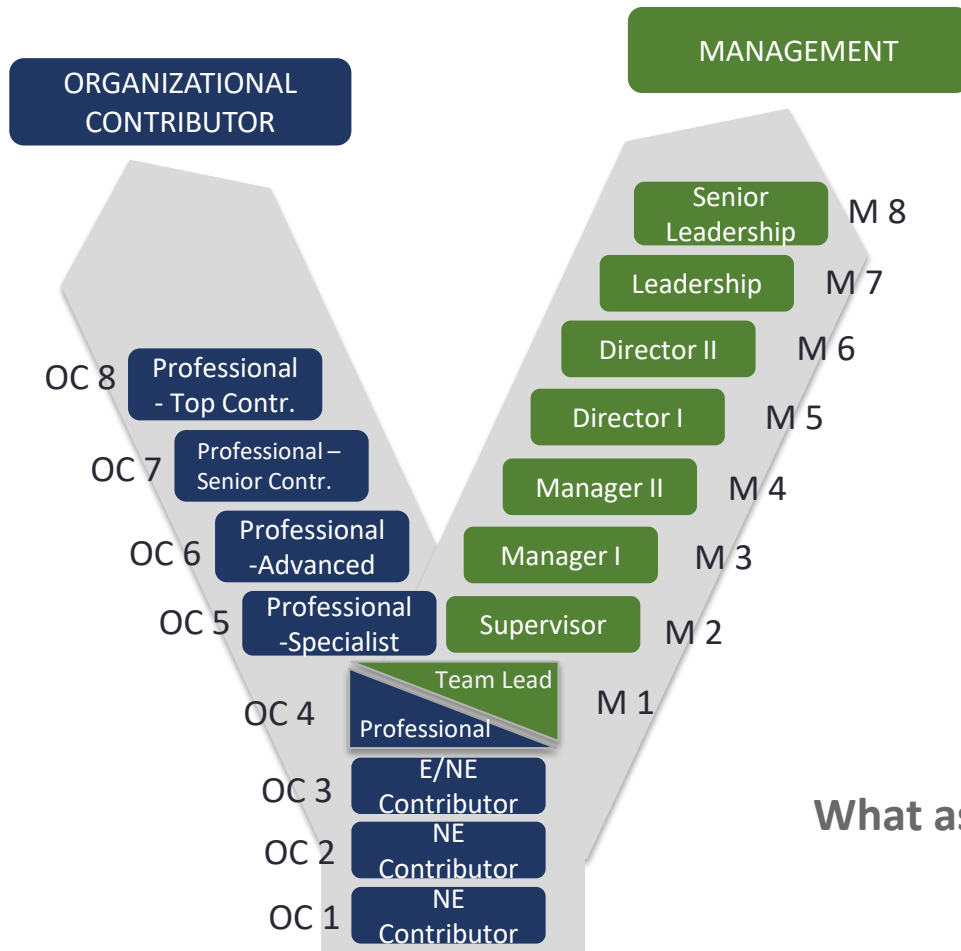
## External Competitiveness

- To align internal salaries to the competitive marketplace
- Define competitive pay for jobs of comparable value or grade

## Transparency

- To ensure consistency & accountability for pay actions (*i.e.* salary increases)

# Internal Equity - Job Leveling Framework



## Career Levels OC/M

Recognize distinct responsibilities aligned to organizational contributor or management core responsibilities

## Job Leveling

Recognize incremental changes in job responsibilities

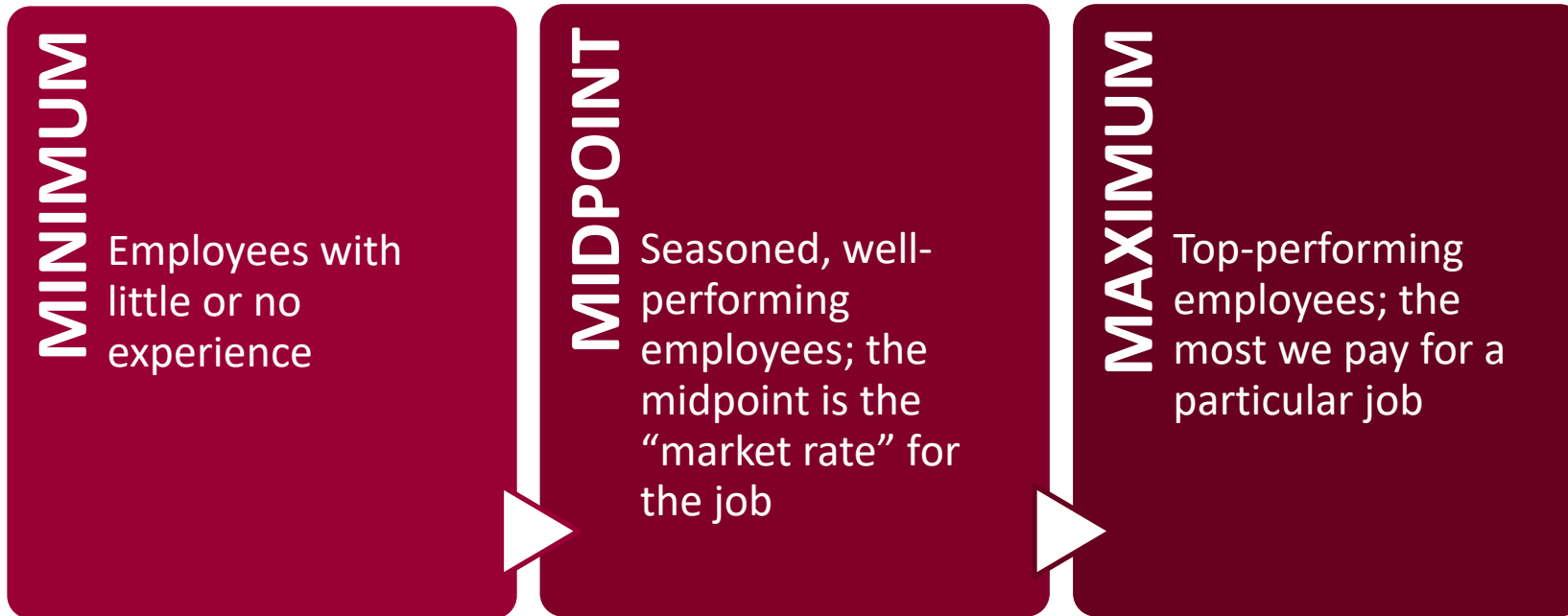
Consistent across all in-scope job families and sub-families (excludes Executives & Faculty)

What assumptions do people make about how to get raises?



# Transparency - How does the Salary Range Work?

- **Salary Range:** a market-based compensation range with a minimum, midpoint and maximum salary



# How is a Salary Structure Maintained?

## A salary structure is typically assessed every 2-3 years

- The structure is adjusted according to the compensation program objectives and the university's ability to make the adjustment

## External market data is used for comparison

- “The Market” – it depends - how/with whom are we competing for talent in labor market
  - Industry/Institutional peers with whom we compete for labor (*i.e.* relevant labor market), which can have a geographic consideration as well as a private/public consideration.

## Range adjustment

- Ranges may be adjusted if there is evidence that the university structure has fallen out of alignment with the external market and/or compensation program objectives
  - Range adjustment may or may not impact employee pay





Part 2

# SALARY ADMINISTRATION GUIDELINES

# Pay within the Grade

## New Hire

- Employees must be paid within their assigned pay grade and range

## Pay Progression

- Progression over time is expected
  - When employees develop position-related skills
  - When employees become fully functional in their position

## Re-evaluation/Re-classification - Permanent Changes to a Job

- Requests may be made to HR when a position has significant changes
  - It may warrant a re-classification into another position, and/or an increase in pay based on expanded responsibilities

# HR Toolkit – Quartiles & Pay Positioning

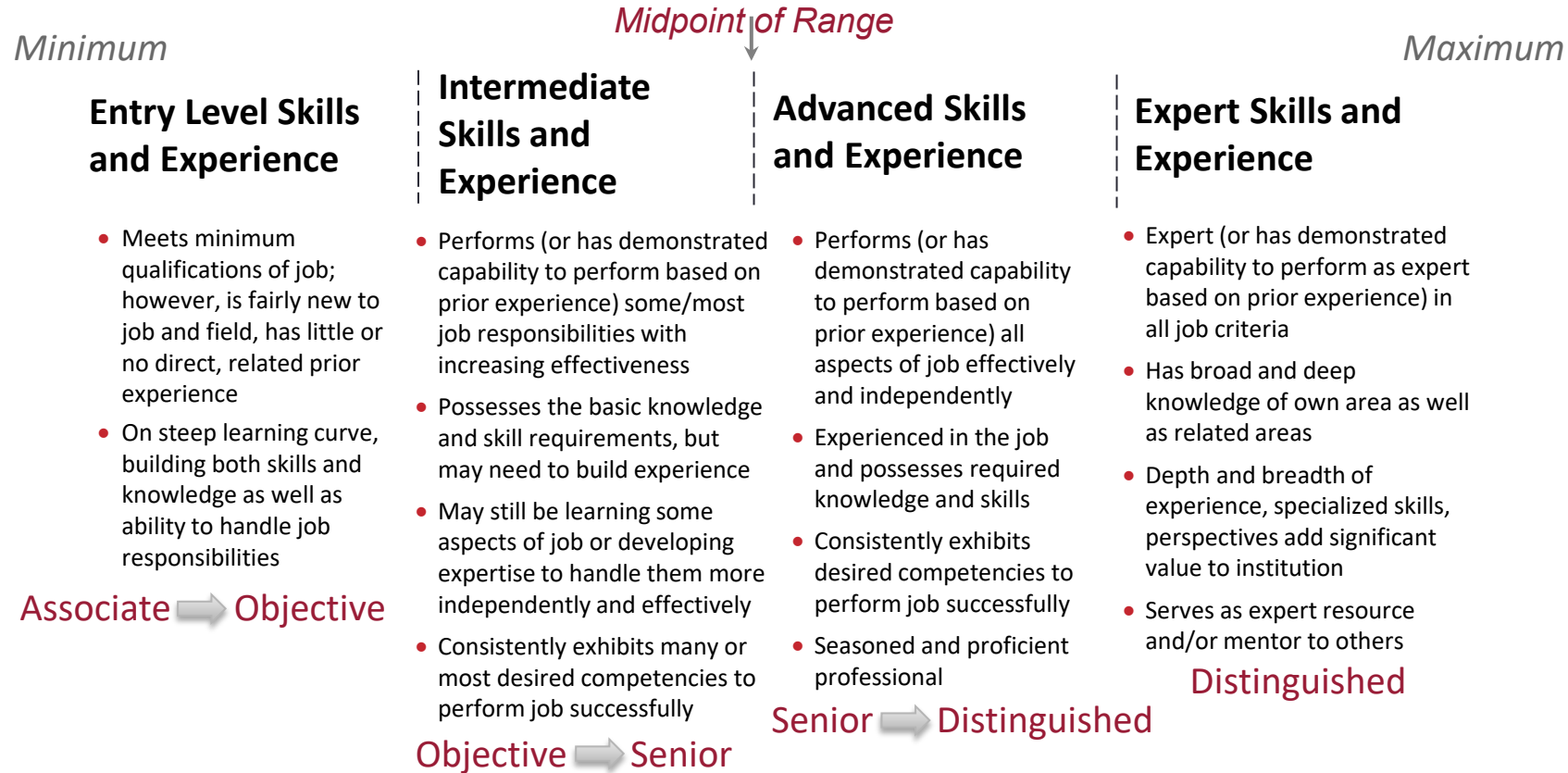
The grades of the new salary structure are wide enough to provide appropriate pay for employees with a variety of skills, knowledge, experience and performance. The following model may be used as a guide for typical employee pay within a grade and range:

Compensable factors for progression within the salary range may be based on external market, individual performance, and skill.

\*HR should closely review placement into or above the 4<sup>th</sup> quartile

Paying for the Job  
(based on external Market)

Paying for the Individual  
(based on performance and skill/considering internal equity)



# Job Changes & Pay

**Promotion** – When an employee moves to a new position in a higher pay grade

- Salary increases are based on qualifications, market and internal equity considerations
- Salary increases should not exceed maximum of the range and are typically between the minimum and midpoint

**Lateral transfer** – When an employee moves to a similar but different position with comparable responsibility in the same pay grade

- Same grade, similar content/tasks = no increase in base pay
- Same grade, significant change in content /tasks = possible base pay increase
- Lateral transfers may be useful for skill and career development

**Demotion** – When an employee moves into a position in a lower pay grade by employee's choice, performance-based or due to organizational change

- When salary range in new position is lower, the employee moves to the lower range but no lower than the minimum of that range
- When the employee's salary exceeds the maximum of the new position's range, then their base pay is typically frozen until it moves back into the new position's pay range
- Review any governance or university policies and procedures prior to demoting an employee

# HR Toolkit – Quartiles & Pay Positioning

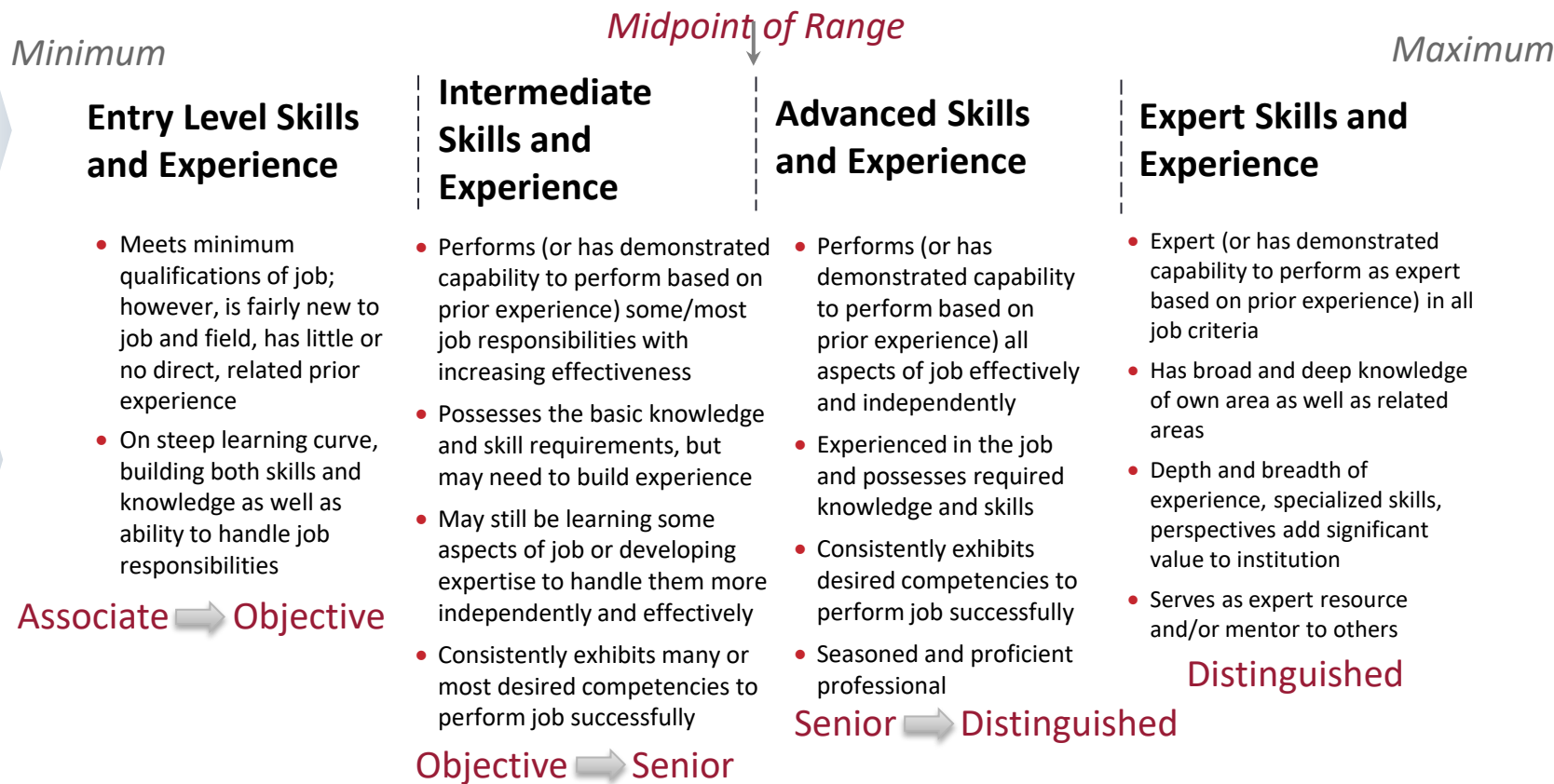
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# HR Toolkit – Pay Actions

## **Merit/Performance**

Due to notable sustained performance that meets and exceeds established standards of a job

## **Market**

Recognizes significant market changes in a job-specific industry

## **Retention**

Awarded to retain a valuable employee (e.g., specialized skill set, exemplary performer, hard to fill, etc.)

## **Parity**

Maintains salary relationships for same titles or closely related job titles, taking into consideration distinguishing factors such as performance, skills, and experience

## **Equity**

Addresses salary differences relative to protected statuses (e.g., gender, race, age)

# Pay for Performance Management



Given to individuals based on individual performance as a **one-time** reward.



Given to individuals, teams, or university-wide as an **annual** salary increase.

# HR Toolkit – Merit/Performance Matrix

Adjustment Amounts  
based on performance rating and position in grade

| Performance Rating | Higher in Grade | Around Midpoint of Grade | Lower in Grade |
|--------------------|-----------------|--------------------------|----------------|
| Exemplary          | 1-3%            | 3-5%                     | 4-6%           |
| Satisfactory       | 0-2%            | 2-4%                     | 3-5%           |
| Unsatisfactory     | 0%              | 0%                       | 0%             |

❖ *increases can be as a % of base pay or % of midpoint of salary range*

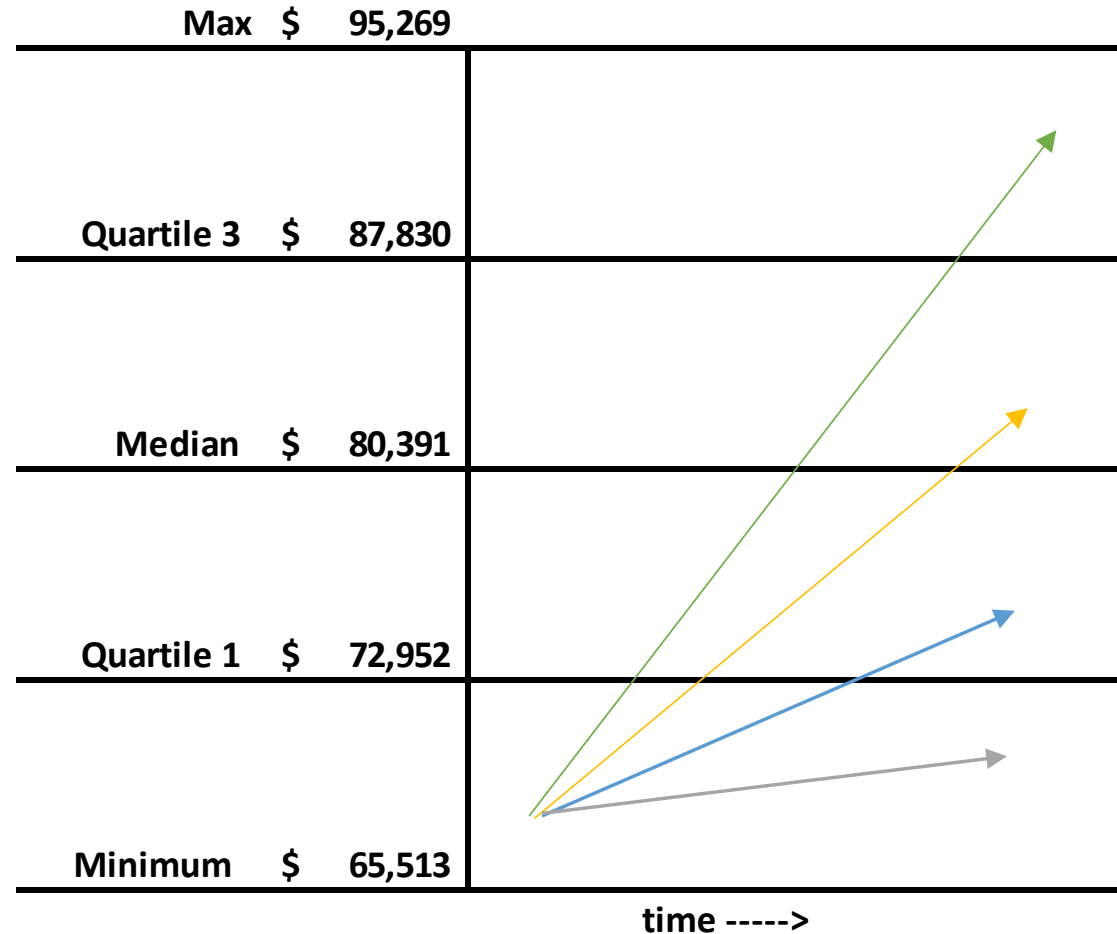
Exemplary: Serves as a desirable model; represents the best of and/or outstanding performance.

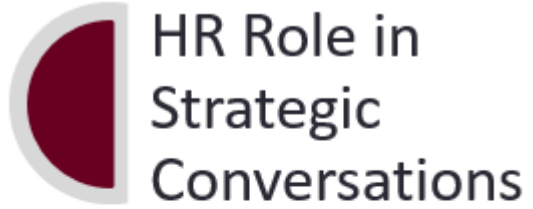
Satisfactory: Fulfills expectations or needs; acceptable performance.

Unsatisfactory: Does not meet expectations; unacceptable because of poor performance.



# Example of Employee Pay Progression based on Regular Increases (above and beyond Pay Plan)





HR Role in  
Strategic  
Conversations

Part 3

# HR ROLE IN STRATEGIC CONVERSATIONS

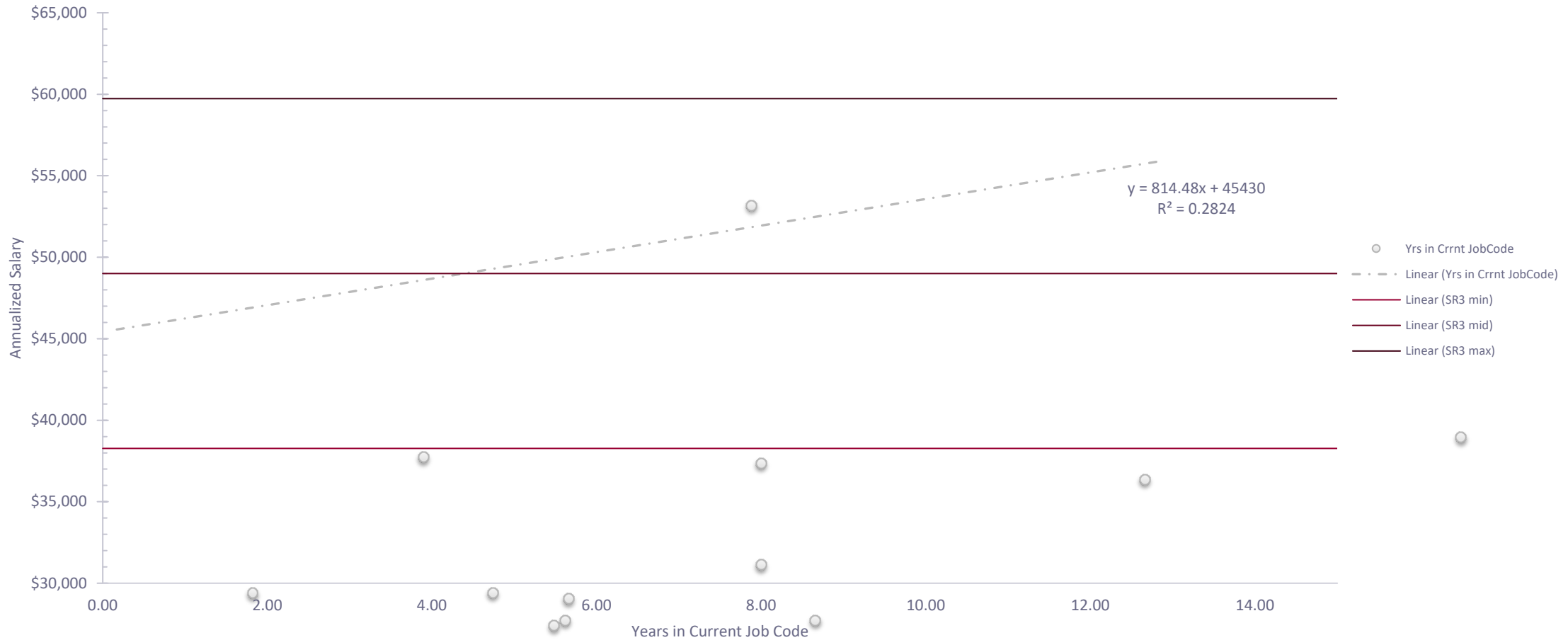
# What is my role as HR?

- Partner with leadership to develop and maintain a compensation program and structures aligned with institutional goals
- Assist leaders in:
  - understanding and communicating the compensation program
  - evaluating employee career growth and movement within their pay grade
- Communicate the compensation program to managers & employees
- Maintain updated position documentation
- Establish, assess and communicate performance requirements, especially if your institution has a pay-for-performance or merit pay component

# Where To Start?

- Art and Science
  - Institutional peers in title
    - Average, median, regression analysis
  - External Market
    - Salary Surveys (e.g. CUPA, BLS, Professional Associations, etc.)
  - Other Factors:
    - Relevant experience
    - Education

# Example of Compensation Analysis & Considerations





Title &  
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Part 1

This talk is part of continuing education about compensation management at UW System.



Salary  
Administration  
Guidelines

Part 2

The target is really the midpoint of the range for the objective/senior-level employees



HR Role in  
Strategic  
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Part 3

The TTC project supports more meaningful comparisons (market, employee, etc.), but it is the role of HR to help guide leadership in the decision-making process of which compensation tools and practices will best support your institution's strategic vision.

## KEY TAKEAWAYS