


University of Louisville

*Benchmark Staff Compensation
Study*

*Employee Communication Sessions
March 2002*

PRICEWATERHOUSECOOPERS 



- *Overview of Project*
- *Approach*
- *Findings and Results*
- *Recommendations*
- *Questions & Answers*



Objectives of the Study

The objectives for conducting the Benchmark Staff Compensation study were the following:

- Work with the University of Louisville to develop workable, usable recommendations regarding the new compensation program with minimal disruption to the ongoing operational activities of the organization;
- Develop a formalized total compensation strategy and philosophy to support the University's strategic objectives;
- Assess the internal equity of the University's proposed staff salary structure;
- Collect and analyze comparable pay data from published surveys;
- Provide best practices information on the performance management program; and,
- Design a compensation program that aligns with the University's total compensation strategy.



Information Collection

The information collection phase of the project focused on two main objectives

- Understand the institution's current and future business strategy
- Solidify our understanding of current state
- Collected and reviewed current program/organization information
 - Annual Report
 - Organization Charts
 - Payroll Data
 - Salary Structures
 - Administrative Policies
 - Performance Management Forms and Guidelines
- Facilitated eight focus groups with randomly selected employees
 - Gather employees' perceptions, needs, concerns regarding current compensation program
 - Gather multiple perspectives concerning existing compensation program
 - Utilize information to solicit possible changes for improvement
- Developed a compensation philosophy based on input from focus groups and discussions with the Advisory Committee



Job Evaluation

- Prepared a customized position information questionnaire (PIQ) with 10 job evaluation factors
 - Education
 - Work Experience
 - Impact of Actions
 - Complexity
 - Decision Making
 - Internal Communications
 - External Communications
 - Customer Relations
 - Managerial Skills
 - Job-Related Knowledge & Skills
- Presented and explained the PIQ to employees
- Reviewed and cleaned questionnaire responses using a statistical review process



Market Assessment

- Collected base salary information for 172 benchmark positions using 39 nationally published market survey sources
- Matched benchmark positions to market survey jobs based on the minimum requirements, duties and responsibilities described in the PIQ
- Targeted comparable jobs found in organizations/institutions in the higher education industry in the Mid-Southeast States
 - Institutions/Organizations Targeted:
 - Educational Institutions
 - Not-for-profit Organizations
 - Healthcare Industry



Salary Structure

- Developed a 9 grade salary structure
- Targeted the 50th percentile of the University's market to build the salary structure

Performance Management

- Reviewed the current performance appraisal system to ensure the University was using a “best practices” approach and had a link between pay and performance

Pay Equity Assessment

- Conducted an internal equity assessment of the proposed staff salary structure
- Utilized two methods to test whether gender or racial/ethnic pay disparity exist
 - First method estimated average pay difference between either male and female employees or between minority and non-minority employees
 - Second method compared the proposed pay with the pay predicted for each employee by the pay regression



Market Assessment

- Collected market information for 172 unique benchmark positions
- Base salaries on average are lagging the targeted market or 50th percentile by 11.7%
- Salary structure also lagged the market by approximately 14.5%



Job Evaluation

- Job Evaluation Program Tenets
 - Consistent measurement of all staff positions according to a standardized set of compensable factors
 - Orders positions into hierarchy
 - Process focuses on jobs, not employees
- Point-Factor Approach
 - Defines process for maintaining internal equity
 - Allows organizations to pay for what it values most (i.e., education, experience)
 - Applicable to a wide range of positions over an extended period of time
 - Market driven
 - More equitable compensation system



Salary Structure

- Market competitive salary structure was developed from the market analysis and job evaluation hierarchy
- Midpoint of the salary structure was developed using the market 50th percentile
- Transition from grade to grade is smooth to eliminate compression
- Modified broadbands allows for growth in positions

Current Structure

- 2 Salary Structures
- 29 Grades (Professional/Administrative 16 grades; Classified 13 grades)
- Professional/Administrative Range Spread 46% to 61%
- Classified Range Spread 40% to 52%
- Grade to Grade Increments: 7%

Revised Structure

- 1 Salary Structure
- 9 Grades
- Range Spread 50% to 65%
- Grade to Grade Increments: 18%



Performance Management

- Developed recommendations which are in line with best practices in the industry and to make the system consistent and fair for all employees
 - Clearly delineate between performance factors and goals
 - Incorporate mandatory semi-annual reviews to provide feedback and shape behaviors
 - Hold managers and supervisors accountable for communicating performance factors, on-time completion of appraisals for subordinates
 - Provide specific descriptions of ratings which apply to each of the levels within the behaviors that are chosen
 - Use a standardized set of behaviors for all employees to be measured against
 - Require completion of development plan section to be used in goal setting
- Designed a merit matrix to link an employee's performance to their pay increase



Pay Equity Assessment

- Analysis of Average Pay Differences
 - Non-exempt employees
 - No statistically significant pay disparity between males and females or minorities and non-minorities
 - Exempt employees
 - No statistically significant pay disparity between males and females or minorities and non-minorities

- Analysis of Difference between Proposed Pay and Pay Predicted by Regression
 - Non-exempt employees
 - No statistically significant pay disparity between males and females or minorities and non-minorities
 - Exempt employees
 - No statistically significant pay disparity between males and females or minorities and non-minorities



PwC recommends that the University of Louisville adopt the following to ensure a competitive and internally equitable compensation program:

- Adopt a compensation philosophy that reflects a market target at the 50th percentile
- Adopt the 9 grade market competitive salary structure
- Adopt a statistically valid, effective administration tool for determining the internal and external value of positions
- Adjust all employees to structure minimums
- Adjust employees to their predicted salaries over time
- Facilitate the completion of the Position Information Questionnaire for all positions
- Conduct a comprehensive total compensation program review every 3-5 years to maintain a competitive, internally equitable program
- Adopt the “best practices” recommendations for the Performance Appraisal System
- Adopt a merit matrix which links an employee’s performance to their pay increase

- Review the experience and performance of employees who are being paid significantly more than predicted by the salary regression to determine if the difference is justified
- Institute a review of decisions on salaries for new hires by in-house staff familiar with the pay equity analysis to ensure that these new salaries meet the equity standards
- Adopt a plan to enter the results of performance evaluations and information on prior work experience into the electronic employee database in the near future



Questions & Answers