Overview of Project

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
Approach

**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
Approach

**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
Findings and Results

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 50\textsuperscript{th} 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\%
Findings and Results

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
Recommendations

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
Recommendations

- 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