

# Compensation 101

*May 2018*

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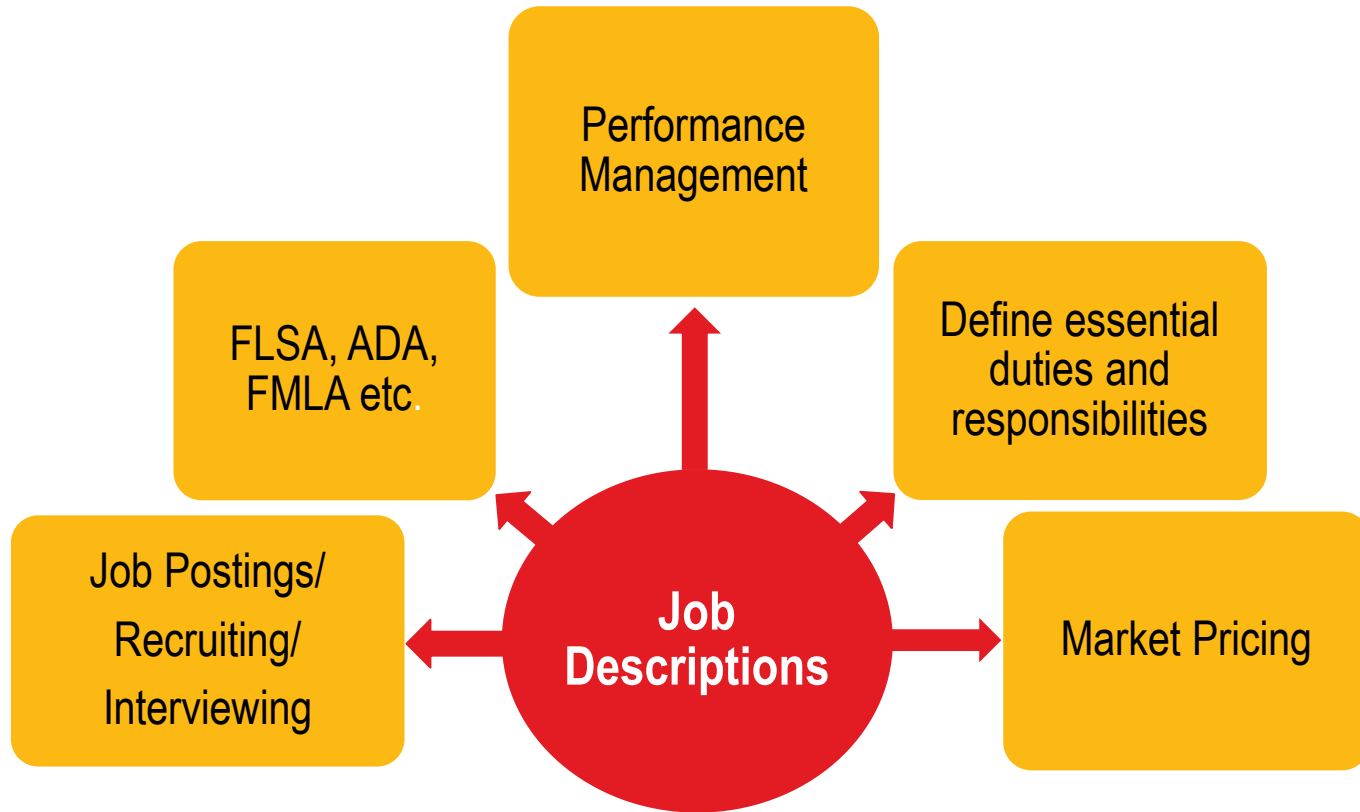
- Explain the job evaluation / market pricing process at UofL
  - Remove the mystery and stigma
- Be transparent about the process and how it works
- Begin to help employees understand how grades and pay ranges are determined

*Please hold questions until the end of the presentation.*

- Total Rewards is defined as those things that, collectively, help to attract, engage, motivate and retain employees and include:
  - Compensation (pay)
  - Health benefits
  - Retirement benefits
  - Work/Life balance
  - Recognition
  - Performance management
  - Talent development
- This presentation will focus on Compensation

- Market-competitive compensation means ensuring our jobs are in pay ranges that are aligned with the external market and allow us to attract the right talent
- Through the use of market data, we match UofLs benchmark jobs to similar jobs in the market to “price” our jobs and, ultimately place them in a pay range
  - Benchmark jobs are those jobs which exist at UofL and other organizations and for which we can find market data from other organizations
  - Jobs that are unique or too specific to UofL are non-benchmark jobs. These jobs are “slotted” into a pay range based on their skills and responsibilities as compared to similar jobs at UofL

- Market data comes from multiple third-party sources (e.g., CUPA, Mercer, Willis Towers Watson, Western Management, etc.) and includes data representing hundreds of institutions and thousands of incumbents
- To match UofL jobs to jobs in the marketplace, we must have accurate job documentation via a Job Description, which outlines the job's
  - Job Summary
  - Essential Duties and Responsibilities
  - Minimum Requirements
  - Preferred Qualifications
  - Competencies
  - Physical Requirements



Job Descriptions are a core component to many essential processes.

- Introducing new 2-page job description format
- Managers are responsible for writing job descriptions
- Job description sections
  - Job Summary: a brief summary of a job's responsibilities
  - Essential Duties and Responsibilities: a list of the essential duties of the job; should include the five to seven main responsibilities of the job, not every task associated with the job
  - Minimum Requirements: these are the absolute minimum requirements to be considered for the job; if a candidate does not meet the Minimum Requirements, he/she cannot be considered for the job; include education, experience, specific skills, etc.
  - Preferred Qualifications: these are the “nice to haves” and may include advanced degrees, specific work experience, experience with specific systems, etc.
  - Competencies: the competencies required to perform the duties of the job at a fully competent level
  - Physical Requirements: these outline the physical requirements of the job (e.g., office environment, computer use, environment hazards, etc.)

- A job description does not contain every duty and responsibility that may be required of the employee
- Management has discretion to give additional duties to employees or change duties, as necessary, as stated at the bottom of the job description –

*The above statements are intended to describe the general nature and level of work being performed by individuals assigned to this job. It is not intended to be an exhaustive list of all duties and responsibilities required of individuals in this job. Other duties may be assigned as determined by management. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential duties and responsibilities of this job.*

- **Additional Information**
  - Current and proposed organization charts
  - Discussion with the job's supervisor to understand the job and its fit or interaction within the department/organization



## Do

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Describe the job's primary responsibilities as they are today



Assume competent performance – describes the job as being performed by a competent, experienced employee



Define the minimum requirements to perform the job's responsibilities and the preferred qualifications of the job

## Do Not

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Describe what the job may be (or is anticipated to be) in the future (i.e., assume projected growth or changes in the job)



Consider the manager's or employee's perception of what the market pays



Focus on the incumbent(s)

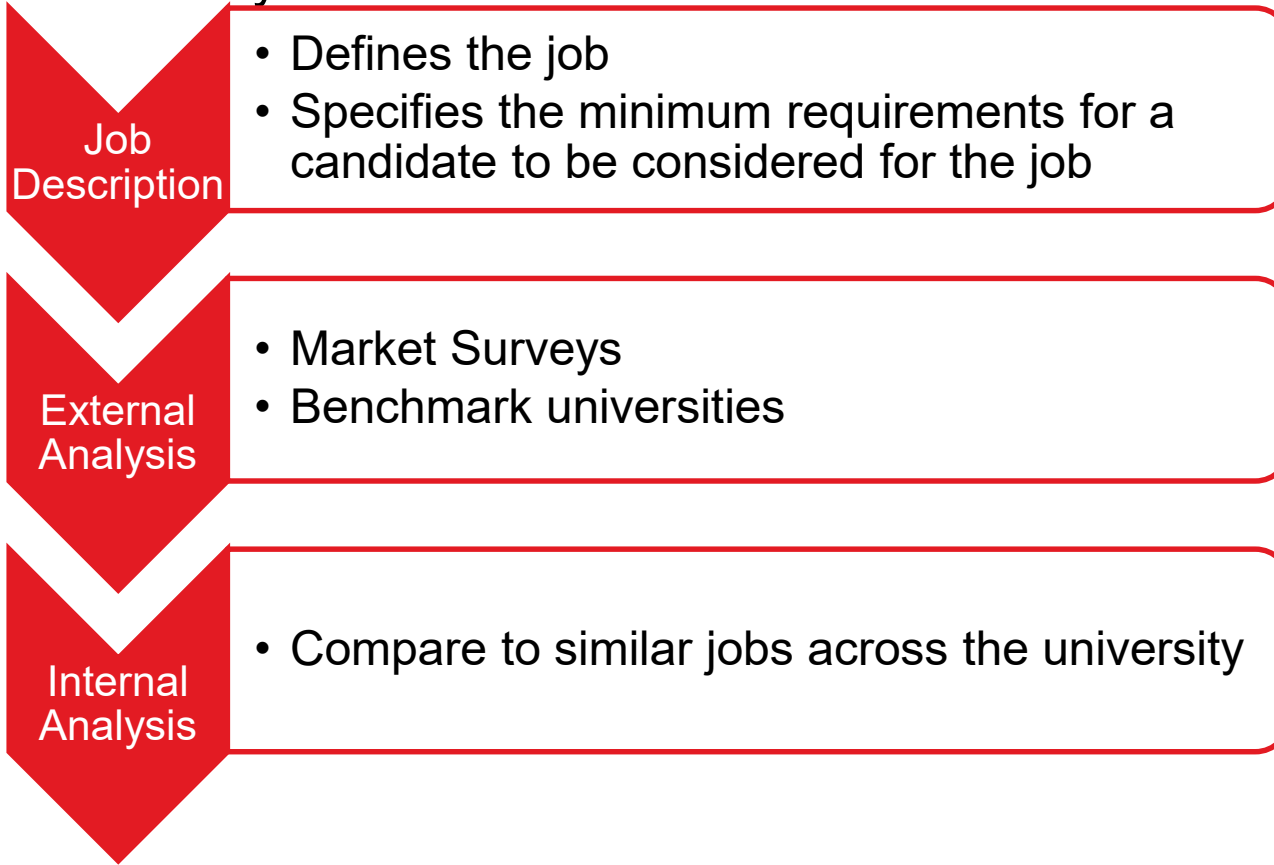
- Job titles should accurately describe the job and level of responsibility
- Job titles are a function of industry, culture, and the organization
- Job titles are not inflated in an attempt to attract higher level candidates
- UofL will assign job titles to help ensure consistency across the university

- Fair Labor Standards Act of 1938 (FLSA)
  - Includes regulations on minimum wage, overtime pay and child labor protections for workers in the U.S.
  - Includes exemptions from overtime for certain workers
- Two tests must be passed to qualify as exempt from overtime pay
  - Salary Test – must make over \$455/week
    - If a job passes the salary test, then it must also qualify under one of five exemption tests
  - Duties Test
    - Types of Exemption
      - Administrative
      - Computer Professional
      - Executive
      - Higher Education
      - Professional

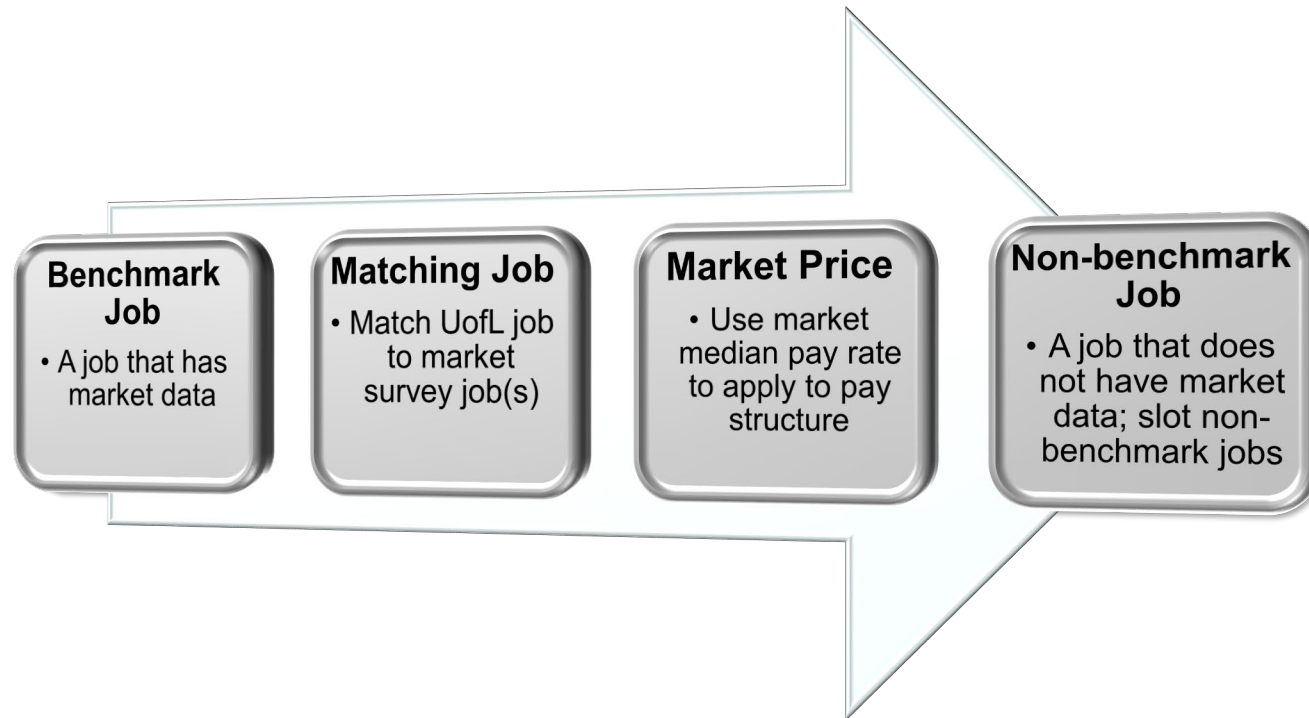
- At UofL nonexempt employees are paid hourly and are eligible for overtime pay
- Consequences of misclassification can include:
  - Up to three (3) years of back wages for overtime not paid
    - Absent historical records, the number of hours paid for back wages is based upon incumbents' recollection
  - Penalties/Fines
- Compensation department is responsible for FLSA review and determination
- FLSA review is conducted each time a job is evaluated or “priced”

- Ad-Hoc
  - When a new job is created
  - When there are significant changes to the essential duties and/or scope of the job
    - Adding or removing duties that make up a significant portion of the job
    - *An increase in the volume of work (doing more of the same thing), using new software, etc., does not increase the value of a job; hence it would not warrant a change in grade or salary*
  - When a department restructures
- On-going
  - Market rates for existing jobs should be reviewed on a regular basis
- *Note*
  - *A change in job duties does not always warrant a change in grade level*
  - *A higher job in the organization requires a larger change in scope to impact it's grade level*

- The job is compared to the market (external) to ensure market equity and to other jobs at the university (internal) to ensure equity across the university

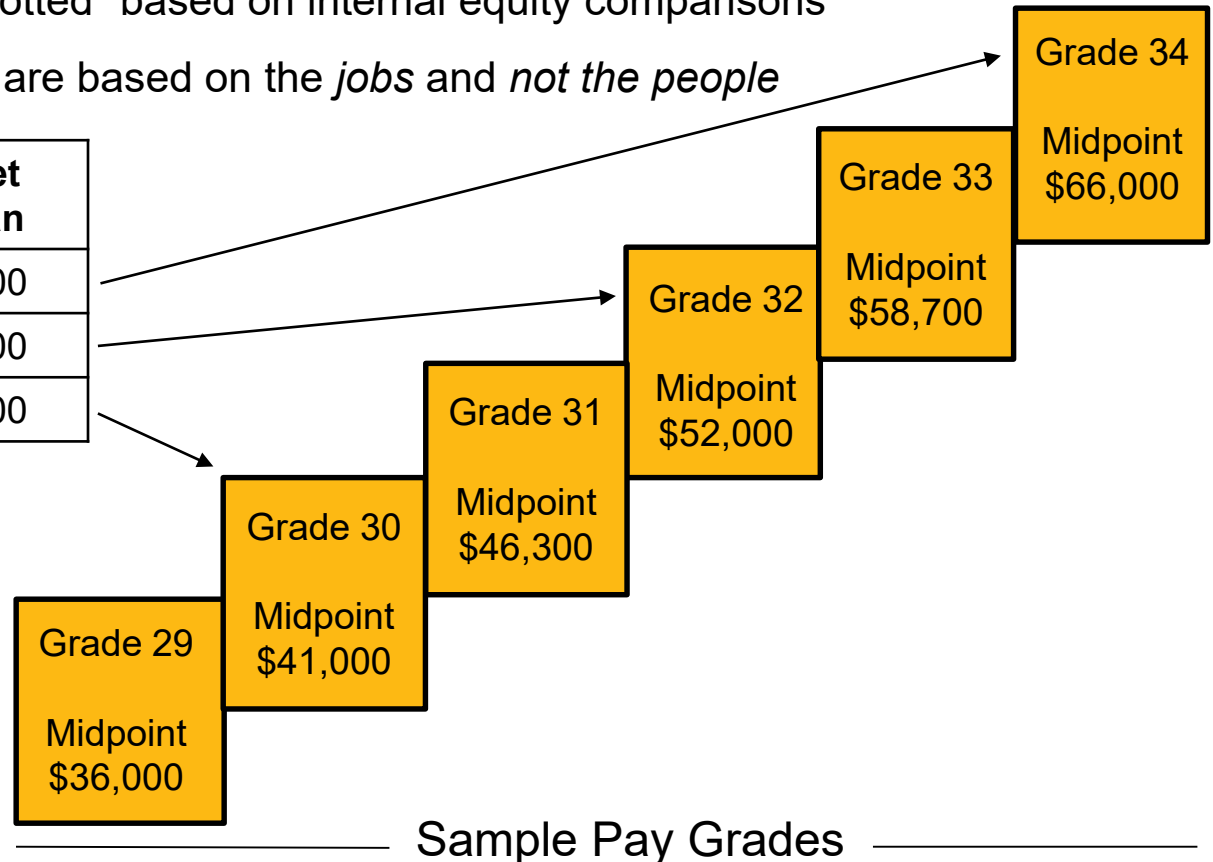


- Match jobs based on duties and responsibilities, requirements, qualifications and scope



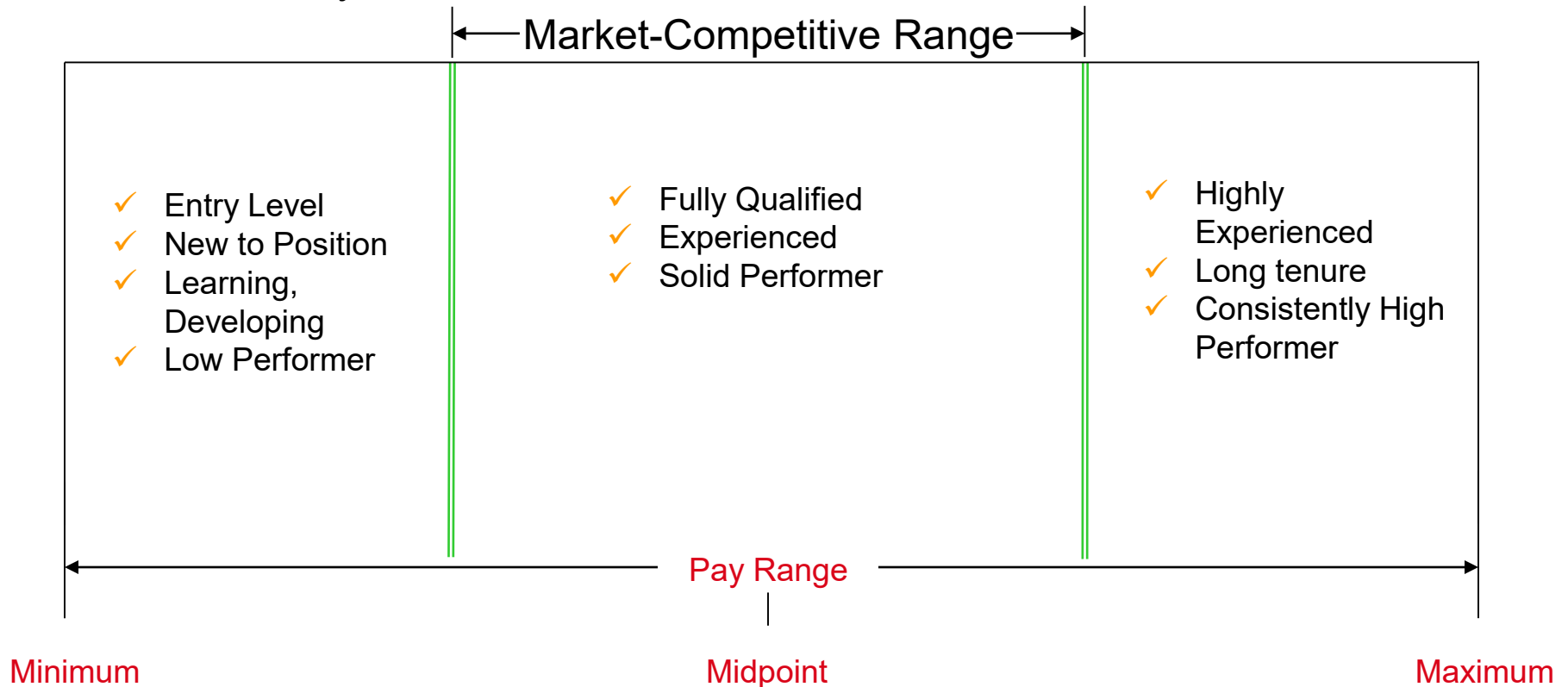
- Each benchmark job is assigned to a grade where the midpoint is in close proximity to the market rate (typically +/- 10%-15%) while taking into account internal equity between jobs
- Non-benchmark jobs are “slotted” based on internal equity comparisons
- Note that these evaluations are based on the *jobs* and *not the people*

Sample Benchmark Jobs	Market Median
Sales Supervisor	\$63,700
Sales Rep II	\$50,000
Sales Rep I	\$40,000

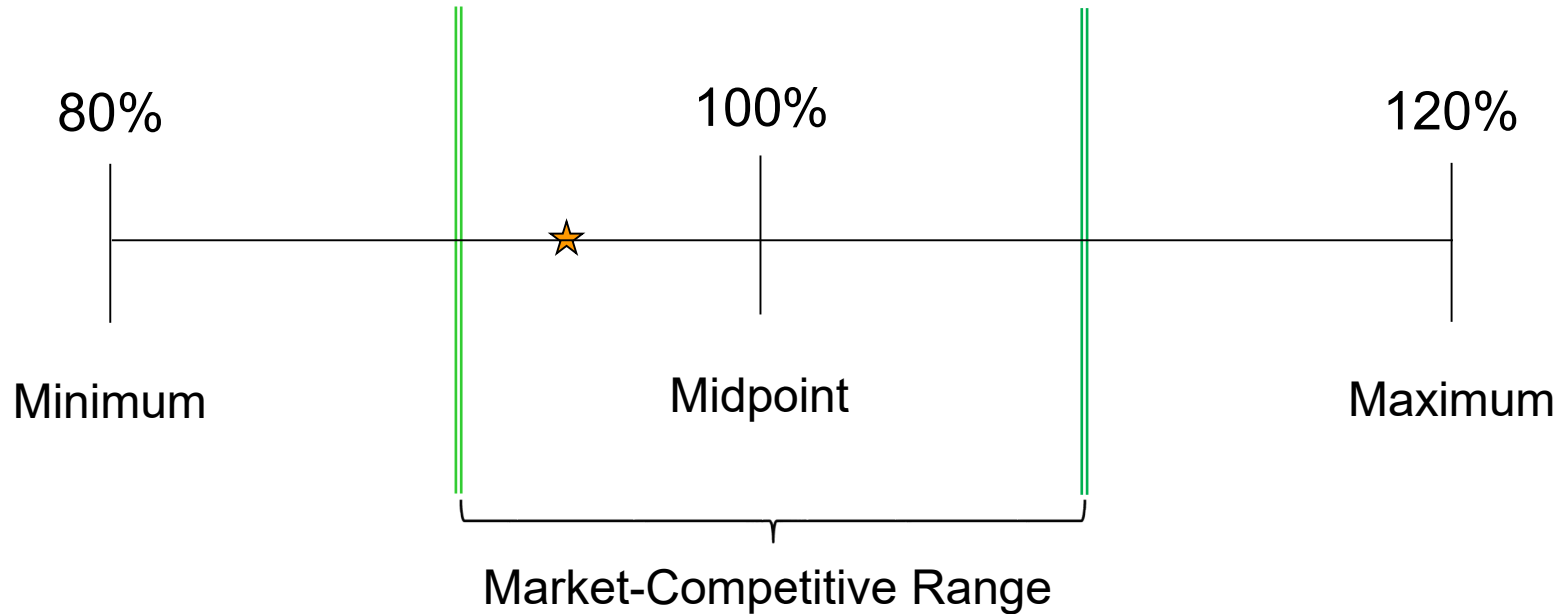




- Pay ranges provide flexibility to pay according to employees' varied skill sets, years of experience and performance while meeting the needs of the University



- Compa-Ratio: The relationship of an employee's pay to the **pay range** midpoint



### Example

- ★ Employee's Pay = \$45,000
- Grade Midpoint = \$48,200
- Compa-Ratio =  $\$45,000 / \$48,200 = 93.4\%$

- When requested, Compensation will review a job to ensure it is in the appropriate grade
- Once Compensation receives a job description and supporting documentation, the pricing is targeted to be completed within 2 weeks
  - 2 weeks presumes the hiring manager is available to discuss the job for clarification, as needed



## **Pay Adjustments**

- If a pay adjustment is being requested, there is no need to submit the job description for review *unless* there has been a significant change in duties and responsibilities

*Questions?*