

Western Kentucky University

Compensation Study Report
March 1996

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W F CORROON



Purpose of the Study

Western Kentucky University (WKU) retained the services of W F Corroon to conduct a comprehensive compensation study to address issues of internal fairness and market competitiveness for all non-faculty staff below the director level. Accordingly, W F Corroon was charged with the following tasks:

- Assess the competitiveness of existing pay programs for staff including salary structure and pay practice comparisons.
- Determine the internal value of staff jobs using a job evaluation methodology developed to reflect the important characteristics of universities in general, and WKU in particular.
- Develop a pay policy and salary structure for staff that reflects a competitive pay practice of comparable employers.
- Draft job descriptions for staff jobs based on job content information provided by employees to ensure job duties and responsibilities are accurate and current and that the Americans with Disability Act considerations are addressed.
- Develop policies that administer the system and provide the proper balance of flexibility and control.
- Involve employees in the process and communicate the system to foster employee understanding.

Project Components

Planning

The study began with planning sessions with members of the Senior Administration team and Human Resources (HR). During these initial meetings, Senior Administrators discussed the goals of the compensation system and the desired market position to ensure W F Corroon consultants had a clear understanding of WKU's unique needs, culture and administrative style. Moreover, these meetings provided W F Corroon consultants with the necessary information to guide WKU in the selection of the optimal compensable factors to support its mission. Subsequent meetings were held with the department directors and a support staff task force to solicit opinions concerning specific aspects of the study.

Also as part of the planning phase in the compensation study, ten focus groups were conducted with employees to obtain their perceptions of compensation at WKU. The focus groups served three purposes: 1) to assess employees' level of understanding and satisfaction with current pay practices; 2) to gain insight regarding their perception of which job characteristics drive WKU's success; and 3) to obtain their suggestions for the design of the new compensation system. The sessions were composed of similar-level employees from different functional areas and were conducted by a trained W F Corroon consultant to ensure that employees felt free to talk.

In addition to the initial planning sessions and focus groups, W F Corroon consultants had subsequent meetings with the Director of HR to refine system characteristics and develop strategies to conduct the study. The purpose of these meetings was to provide another check that ensured that W F Corroon recommended a compensation system that met WKU's unique needs.



Job Documentation

In order to price jobs to the market, evaluate jobs for internal value and develop job descriptions, it is important to clearly understand the nature and scope of each job. W F Corroon developed a questionnaire to obtain job content information that specifically addressed the different types of jobs found at WKU. Employees and their supervisors were asked to provide the job information to guarantee the most accurate and complete data. Each employee had the opportunity to complete a job questionnaire. The questionnaire was designed so that incumbents could describe the most important duties and responsibilities for their job. Before the questionnaire was returned to HR, each incumbent's supervisor reviewed the responses and had an opportunity to provide additional information or clarification.

HR is currently in the process of drafting staff job descriptions by incorporating the information from the questionnaires to ensure accurate and thorough job documentation. In addition, job descriptions are being modified to comply with the Americans with Disability Act considerations.

Job Evaluation

Job evaluation systems determine the internal worth of a job based on job characteristics that the organization values. WKU's job evaluation system values the following job characteristics:

- Knowledge
 - ⇒ Education
 - ⇒ Experience
 - ⇒ Depth
- Problem Solving
 - ⇒ Nature and Discretion
 - ⇒ Availability of Information



- Decision Making
 - ⇒ Scope
 - ⇒ Impact
- Supervision
- Working Contacts

Each job is rated using a step-by-step approach to ensure consistency in the application of the system. As a job is evaluated, the relative level of each of these characteristics, or factors as they are also called, is determined. Each factor has subfactors which are the individual components that comprise each factor. For example, the factor Knowledge consists of the subfactors Education, Experience and Depth. Subfactors reduce the amount of time needed to evaluate a job and increase the accuracy of the evaluation because they require the evaluator to only consider one unique dimension of a job at a time. Throughout the development stage of the system, W F Corroon worked to increase relevance, helping to ensure ease of understanding and use, with a goal of long-term self-administration. Each factor and subfactor has a number of levels, or degrees, as they are called in the field of compensation. Degrees establish a hierarchy from the lowest level of a subfactor to the highest one. Each degree has a number of points assigned to it. Total job value is calculated by summing the individual factor degree points, resulting in a rank ordering of all jobs according to the number of points assigned to each job.

Job evaluation systems are designed to determine significant differences among the degrees for each factor and then look at the relative mix of all the factors. Therefore, jobs with different titles or jobs with the same title that are somewhat different in how they carry out the work or perform somewhat different specific duties and responsibilities often receive the same evaluation score. It is important to mention that job evaluation systems do not consider an employee's performance. The job's characteristics, not the employee's characteristics, are the issues evaluated. Accordingly, the job evaluation system was developed so that no consideration is given to any

individual's race, color, creed, gender, age, national origin, veteran status, or mental or physical disability (except where such ability is a bona fide requirement of the job).

W F Corroon consultants initially evaluated all jobs. Those evaluation scores were then reviewed by the Director of HR and department heads to ensure that the overall ranking was consistent with their perception of WKU.

Market-Based Salary Structure

WKU's job evaluation system is linked to market pay through its salary structures. Simply stated, dollars were attached to job evaluation points with salary bands defined by a point range. For example, jobs with evaluation points of 216 to 270 are in Band 7, and the midpoint salary of that band for Market Structure 100 is \$27,918 annually, approximately the median of the market for those jobs. The first step in developing the market-driven salary structures was to compare WKU's salaries with market salaries for each job. Nine local, regional and national pay surveys that detail average pay within the labor market in which you hire your staff were used for the market comparison. The following salary surveys were used:

- CUPA 1994-95 - Administrative Compensation Survey
- 1995 Bowling Green Area Wage & Salary
- Associated Industries of Kentucky 1995
- Wyatt Data Services: 1994/95 Technical and Skilled Trades Personnel Report
- Wyatt Data Services: 1994/95 Professional & Scientific Personnel
- Wyatt Data Services: 1994/95 Office Personnel Report
- Wyatt Data Services: 1994/95 Supervisory Personnel Report
- William M. Mercer 1994/95 Geographic Salary Differentials Report
- Corporation for Public Broadcasting 1994 Salary Report

Not every job at WKU could be market priced. W F Corroon priced "benchmark" jobs which are common among most organizations allowing us to find matches in the survey data. Every organization has some unique jobs that exist to fulfill specific needs that may not be present in other organizations. Moreover, while many organizations use similar job titles, they do not always refer to the same responsibilities. For the most part, the responsibilities of benchmark jobs are well-known, relatively stable, and agreed upon by a variety of employers. Benchmark jobs for WKU were found to represent all levels in the study. Accordingly, the market pricing process strives to match the job under review to a survey position of similar job content, responsibilities and educational requirements as opposed to matching based on the job title. Merely matching by job title does not take into account the diverse ways organization may utilize the position. Understanding a job's full responsibilities and span of control and then matching it to the market based on specific job content issues ensures that the proper market comparison has been made.

Just as important as understanding the job is understanding the characteristics of the competitive market place. The two most important labor market characteristics are the areas and industries from which you recruit your staff. Most hourly paid jobs such as clerical and trade jobs are recruited locally. Professional jobs are typically recruited regionally or even nationally. This is because individuals who work in professional positions often relocate solely to accept a new job. Hourly workers seldom relocate primarily on the basis of a job. To accurately reflect this market place characteristic the survey data must be comprised of participants which reflect the area scope of the position in question. Too narrow or broad a market area scope either does not consider all necessary factors or introduces irrelevant factors.

Industry is also a critical consideration for matching jobs to the market. Some jobs only exist within a certain industry and are most accurately priced to that industry exclusively. Student services jobs are a good example of jobs that are exclusive to the university market place. Other jobs are found in all organizations, and the true

market for these jobs usually considers this broader market. For example, clerical, accounting, data processing and human resource jobs can be found in any organization.

Because survey data was not available for all WKU jobs, a statistical procedure called Simple Linear Regression was used to approximate the market value for those jobs for which market data could not be found. Stated simply, this procedure approximates market value for jobs that could not be matched in the salary survey by comparing their internal value with the internal value of jobs that were matched to the survey. As mentioned previously, the job evaluation system determined internal value. The result was fair pay, not only in terms of the market, but also in terms of WKU's internal value.

The statistical procedure Simple Linear Regression allowed W F Corroon to develop the salary structure. Actually, W F Corroon developed two market median-based salary structures for WKU positions to reflect the fact that some jobs are paid more highly than others in the job market. Market Structure 100 is the default structure into which all jobs slot unless extraordinary pay considerations are demonstrated either through difficulty in recruiting and retaining employees or documented salary survey data. As the need to pay more for a job is demonstrated, it moves into Market Structure 200.

Each structure consists of ten salary bands that have a minimum dollar value, a midpoint dollar value and a maximum dollar value. The band midpoint represents the market's going rate. Because WKU decided to pay at the market competitive rates, the salary band midpoints were set at the median of the market data. The minimum and maximum salaries and the job point range were then calculated for each band such that the minimum represents an attractive entry salary and the maximum adequately reflects service and contribution without being an excessive rate. A copy of the salary structures can be found in the **Salary Structure** section of the report.

Western Kentucky University - Compensation Study Report

Jobs were assigned to a salary band based upon total job evaluation points. Jobs with similar points were assigned to the same salary band because they have approximately the same value to WKU. The difference, called the Grade Differential, is a 25% difference between the midpoint points of one salary band to the next salary band. The spread between a salary band's minimum and maximum also serves to accommodate differences among the total job evaluation points for jobs that are slotted into the same salary band.

The descriptive statistic that compensation professionals use to compare a given wage to the incumbent's salary band is the compa-ratio. The compa-ratio is expressed as a percentage and is the wage divided by the salary band midpoint. Because the salary band midpoint is approximately the market going-rate for the job, this ratio illustrates the incumbent's pay compared to the market rate. A compa-ratio of 100% indicates the position is paid at the market average. A compa-ratio less than 100% indicates the position is paid less than the market average. A compa-ratio more than 100% indicates the position is paid more than the market average. An analysis for each job that provides the compa-ratio, the cost to adjust all employees' salaries to the minimum of the salary band and the amount of dollars employees' salaries are over the maximum of the salary band can be found in the Confidential Salary Analysis provided in a separate report.

Salary Administration Policies and Procedures

After the base salary system was designed, salary administration policies and procedures were developed to provide guidelines for managers to administer the system. They were developed with the following objectives in mind: 1) to provide fair and competitive compensation, 2) to establish common practices for managing compensation, and 3) to support WKU's performance culture by stimulating excellence in both individuals and organizational performance. The policies were also designed to comply with federal and state regulations regarding salary and equal employment issues and provide WKU management the desired amount of flexibility and control. They serve as the vehicle that allows you to react to both internal and external change. A draft copy of these policies and procedures may be found in the **Policy** section of the report.

Western Kentucky University - Compensation Study Report

Your labor attorney must review the policies and procedures before you implement them, since W F Corroon is prohibited from providing legal advice.

Progression Through a Salary Band

It is recommended that annual employee pay adjustments will be dependent upon two factors: market pay movement and employee performance.

Every year most employers adjust the pay of their employees. This *market pay movement* is based on many considerations including organizational success, economic growth and inflation. Based on these and other considerations the average market pay movement percentage for all employers is calculated and captured in widely available published survey data. Each year, the Department of Human Resources will review market movement and make a recommendation to the Administration for any salary structure adjustment.

An individual employee's increase should depend on his or her performance and represents the key factor by which employees pay progresses through the salary band. The percent increase an employee's annual salary will be adjusted will be more or less than the market pay movement, amount based on his or her performance and university resources.

Employees can also increase their rate of pay by demonstrating value-added performance. Value-added performance will be defined differently for each division, profession, vocation and job. The basic principle is that for an employee to receive a value-added pay increase, he or she must acquire a skill or education and/or develop a process, work practice or idea that has ongoing value to WKU. In other words, ongoing value to WKU translates into ongoing pay for the employee which occurs through an upward adjustment to base salary. An example of an ongoing skill would be a computer programmer who becomes expert through training in a specific software application that modifies a new student records system.

When employees reach the maximum of their salary ranges, we recommend that all rewards be distributed in the form of lump sum payments. We do recommend that WKU encourage employees at or above their maximum to meet their performance expectations and go beyond by providing value-added performance; however, these should be one-time lump sum payments.

Key Findings and Recommendations

- Approve the policies that drive your compensation system.
- Enhance the objectivity and relevance of your performance management process.
- Adopt the recommended number of salary bands to emphasize a flatter, less bureaucratic organization, a direction which many public and private sector organizations are taking.
- On average, employees are paid less than competitive market rates. Employees whose salaries fall below proposed salary minimums should have their pay increased to the new minimum as the budget allows. For employees earning a pay rate below the minimum consider granting raises to outstanding performers and adjust other performers' salaries more slowly, or not at all in the case of poor performers.
- Employees who earn more than the proposed salary band should not suffer pay cuts. However, future pay increases for these employees should be held until adjustments to the maximum of the salary band surpass the employees' pay, or these employees should receive lump-sum payments that are not added to base salary.
- Reduce the total number of job titles.



Point and Salary Structures

The Point and Salary Structures in the following table displays the following information:

- The pay band and structure. There are ten bands within two structures. The first number designates the structure and the second number designates the band. For example, 105 is structure 100 band 5;
- The minimum number of job evaluation points needed to slot a job into the corresponding band;
- The midpoint number of points for the corresponding band;
- The maximum number of job evaluation points any job within the band is assigned;
- The grade differential which is the percent difference between the midpoint points of one salary band to the next salary band. This percentage suggests how much a job must grow before it appropriately fits into the next higher salary band;
- The *spread* which is the percent difference between the minimum and maximum of the salary band. This spread represents an appropriate range of pay around the market's going rate;
- The minimum amount an employee should be paid to reflect an attractive market competitive entry pay rate;
- The midpoint which is the median of the market as approximated by the statistical process; and
- The maximum amount an employee should be paid to reflect an appropriate but not excessive above-market competitive pay rate.

Western Kentucky University - Compensation Study Report

Salary Structures

Band	Point Range			Grade Difference	Spread	Salaries by Grade		
	Minimum	Midpoint	Maximum			Minimum	Midpoint	Maximum
101	60	64	70	25%	50%	\$11,266	\$14,083	\$16,900
102	71	80	90	25%	50%	\$12,249	\$15,312	\$18,374
103	91	100	110	25%	50%	\$13,478	\$16,848	\$20,217
104	111	125	135	25%	50%	\$15,014	\$18,768	\$22,521
105	136	156	170	25%	50%	\$16,934	\$21,168	\$25,401
106	171	195	215	25%	55%	\$18,955	\$24,168	\$29,380
107	216	244	270	25%	55%	\$21,896	\$27,918	\$33,939
108	271	305	335	25%	55%	\$25,572	\$32,605	\$39,637
109	336	381	420	25%	55%	\$30,168	\$38,464	\$46,760
110	421	477	530	25%	60%	\$35,222	\$45,788	\$56,355
201	60	64	70	25%	50%	\$14,102	\$17,627	\$21,152
202	71	80	90	25%	50%	\$15,222	\$19,027	\$22,833
203	91	100	110	25%	50%	\$16,622	\$20,778	\$24,933
204	111	125	135	25%	50%	\$18,372	\$22,965	\$27,558
205	136	156	170	25%	50%	\$20,560	\$25,700	\$30,840
206	171	195	215	25%	55%	\$22,838	\$29,119	\$35,399
207	216	244	270	25%	55%	\$26,190	\$33,392	\$40,594
208	271	305	335	25%	55%	\$30,379	\$38,733	\$47,088
209	336	381	420	25%	55%	\$35,616	\$45,410	\$55,205
210	421	477	530	25%	60%	\$41,351	\$53,756	\$66,162

University Policy Regarding Compensation Issues

Compensation for Education and Special Training- (Non-Faculty)

The University recognizes the personal and institutional benefits of continuing education and special training. In recognition of developmental achievements, employees who become certified by a recognized and accredited certification program, or who earn an associate's, bachelor's, or graduate degree are rewarded with pay. If the certification or degree is relevant and related to the employee's current position, the appropriate salary adjustment is added to the base pay rate. When the certification or degree is not related, payment is made in lump sum and not added to the employee's base pay rate. Additionally, employees must be in "good standing" and rated at satisfactory or above on the most recent written performance evaluation. Employees are not eligible for the additional compensation if the degree or certification is a condition of employment. The attainment of a second degree at an equivalent level does not qualify under this policy. Increases will be provided only for education and special training received after the effective date of this policy.

Procedure

Pay rewards will adhere to the following schedule:

Certification/Professional Designation/Licensure	\$300
Associate's Degree	\$300
Bachelor's Degree	\$500
Master's Degree	\$700
Specialist Degree	\$900
Doctoral Degree	\$1,200

All requests for payment must be documented in a supporting letter from the department head along with a copy of the transcript or other documentation indicating the date and type of certification or degree awarded. All base salary adjustments will be effective on January 1 or July 1 immediately following the attainment of the certification or degree. Lump sum payments will also be payable on these dates. All adjustments will be funded from the central University budget and are subject to the availability of funds.

Establishing Initial Pay for New Hires

Department heads are authorized to establish initial pay rates at any point between the *minimum* and *midpoint* of the pay band. In making this determination, consideration should be given to the nature and extent of the candidate's qualifications (education and experience) in addition to salary equity issues within the department. The following guidelines reflect relevant experience and/or education beyond what is minimally required in the position and should be followed in setting pay.

<u>Experience/Education</u>	<u>Hiring Rate</u>
1 year or less	Minimum
More than 1 year - 8 years	0% - 15% above minimum
Greater than 8 years	15% above minimum - midpoint

Exceptions to this policy may be made in cases with unusual circumstances and where market conditions prohibit hiring within the authorized hiring range. All exceptions must be approved in writing through administrative channels and by the Director of Human Resources.

Determining Pay for Promotions, Transfers, and Demotions

A promotion occurs when an employee moves to a job in a higher pay band or when his or her job is reassessed to a higher pay band. In such cases, the employee is eligible for an increase that is reflective of the change in responsibilities. The employee's pay shall be adjusted 10 percent for each pay band shift not to exceed the greater of 30 percent or the minimum of the new pay band.

A transfer occurs when an employee transfers to another position in the same pay band as the position previously occupied. In such cases, the employee shall not be eligible for a pay increase at the time of such transfer.

A demotion occurs when an employee's position is reassessed to a lower pay band or when an employee is transferred to a position in a lower pay band typically due to reorganization. A demotion also occurs when an employee voluntarily accepts a position in a lower pay band than the position occupied. In these instances, the employee's pay shall be reduced by 10 percent for each pay band decrease not to exceed 30 percent and not to be reduced below the minimum of the new pay band. At the discretion of the department head, the salary of a demoted employee may remain unchanged through the end of the fiscal year.

Pay Effective Period and Annual Merit Adjustments

Compensation rates for all University employees are effective for the fiscal year, July 1 through the following June 30. Once pay is determined and assigned, the pay for an employee is not normally changed except as otherwise provided within University policy or as mandated to comply with any state or federal regulations.

Subject to legislative appropriations, availability of funds, and approval by the Board of Regents, annual merit adjustments are provided to eligible employees based on documented work performance. The University President defines and authorizes the range within which adjustments may be made. All adjustments must follow these general guidelines:

1. Those employees receiving a higher evaluation on the most recent written performance evaluation shall receive a greater merit increase than similarly situated employees within the same department with a lower overall written performance rating.
2. Only those employees hired on or before January 1 are eligible for merit increases.

Purpose of the Classification and Compensation System

The overall purpose of the University's Classification and Compensation System is to provide a means to assist in recruiting, retaining, and rewarding employees. It seeks to establish wage and salary ranges that reflect the value of positions to the University, as determined by a system of job evaluation which takes into account the duties and level of responsibility of each job. All positions within the University are included in the system other than senior administrative/executive positions, department heads, and faculty (EEO Groups 1 and 2).

Objectives of the system are as follows:

To ensure a pay philosophy that is reflective of the values and goals of the University.

To ensure the most effective and efficient use of the University's financial resources.

To provide a rational basis for making pay decisions eliminating arbitrary salary assignments thereby establishing internal fairness.

To maintain pay structures that are competitive with labor markets from which employees are recruited.

To establish titles and descriptions for consistent use throughout the University.

To clarify relationships among positions, thereby avoiding overlaps and gaps in responsibilities.

To assist supervisors in evaluating and rewarding employee job performance.

Maintenance of the Classification and Compensation System

The Department of Human Resources is responsible for maintenance of the Classification and Compensation System. These responsibilities include assessment of proposed new positions, reassessment of existing positions, preparation and maintenance of job descriptions and assignment of position titles and pay levels, and maintenance of the overall University pay structure.

Assessment of New Positions

1. Following approval to create a new position, the supervisor completes the Position Inventory Form (PIF) describing the duties to be assigned to the position.
2. The department head submits the PIF through administrative channels to the Department of Human Resources for assessment.
3. The Department of Human Resources conducts an assessment of the duties and responsibilities of the position and in consultation with the department head, assigns a position title and pay band.
4. The department head is notified in writing of the position title and pay band assignment following which recruitment for the vacancy may begin.
5. When there is disagreement regarding a position assessment, an appeal may be made to the Vice President for Finance and Administration.

Reassessment of an Existing Position

1. Except in unusual circumstances, requests for reassessment may be made annually in concert with budget preparation. Each year the Department of Human Resources will notify departments of the period within which any position reassessments must be considered. A review of a position's classification is warranted when there has been a material, significant, and permanent change in job duties. The supervisor or department head is responsible for recognizing such job changes. Additionally, an employee who believes his or her job is not properly evaluated may request a reassessment.

Western Kentucky University - Compensation Study Report

2. When the supervisor and department head concludes that a material, significant, and permanent change in job duties has occurred, the PIF should be completed and sent through administrative channels to the Department of Human Resources.
3. Upon receipt of a PIF, an assessment of the duties and responsibilities of the position will be made. This process usually includes an interview with the employee and supervisor. Following a complete evaluation, the Department of Human Resources will determine if the job should remain as presently classified or if a new classification is appropriate. The department head is notified in writing of the reassessment results.
4. When there is disagreement regarding the reassessment of a position, an appeal may be made in writing to the Vice President for Finance and Administration.

Periodic Position Review and Maintenance of Job Descriptions

In order to ensure that jobs remain in the appropriate classification and job descriptions are relevant, the Department of Human Resources is responsible for establishing procedures so that all positions are reviewed every four years.

Annual Review of Pay Structure

On an annual basis, the Department of Human Resources will review the pay structure and recommend adjustments when warranted by changing economic and competitive factors as determined by surveys and other data sources.

Western Kentucky University - Compensation Study Report

Pay Above Band Maximum

The Classification and Compensation System is a tool used by the University to provide a rational basis for pay decisions. It helps to ensure that positions are not underpaid or overpaid based on job responsibilities and the competitive labor markets from which employees are recruited. The pay band assigned to each position indicates the value of the position to the University. For any employee whose pay is above the maximum for his or her pay band, future increases will be limited to merit and will be provided in lump sum payment rather than added to base pay.