



September 2011

Review and Refinement of the Compensation Program for Administrative Staff

Final Report

Bowling Green State University



Reason for the Study

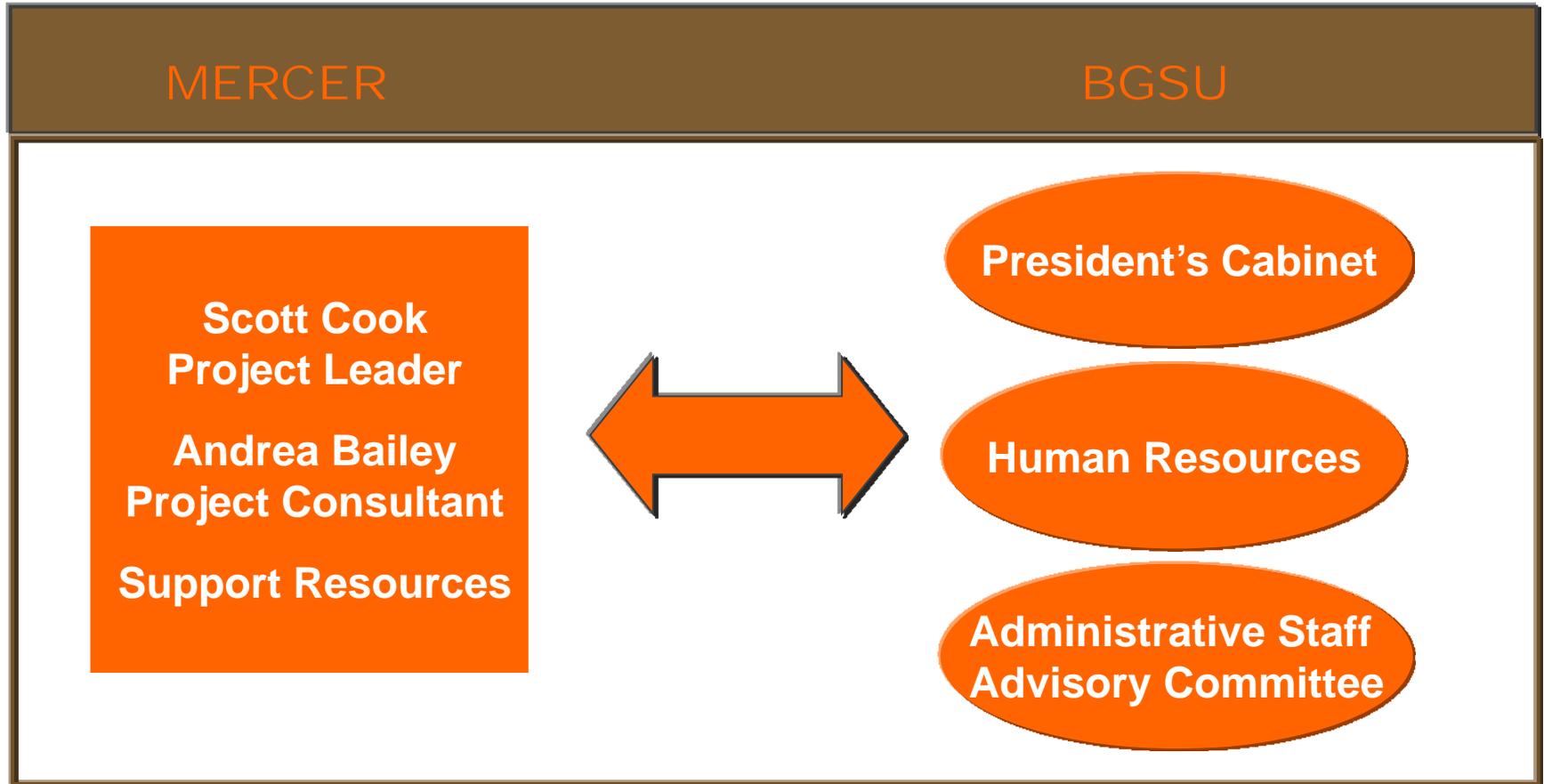
- The University's existing compensation and evaluation program was developed in the mid-1990's
- While market studies have periodically occurred during the interim, the program has not been comprehensively revamped since it was implemented
- As a result, questions exist relative to:
 - The strength and adequacy of the job evaluation plan used to grade the jobs given that it has not been refreshed since its inception
 - The market competitiveness of the pay ranges and the extent to which the positions are properly graded to ensure internal and external equity
 - The extent to which the current program reflects and is aligned with the University's pay philosophy and compensation strategies

Study Purpose and Goals

Purpose: To review and refine the compensation program so that it is equitable, competitive and defensible and allows for the attraction and retention of a talented workforce

- Goals:***
- To ensure the program supports sound principles of compensation design
 - To establish objectivity and fairness in evaluating and compensating staff
 - To ensure internal equity among the jobs
 - To achieve a competitive pay relationship with the market

A Collaborative Effort



Key Project Steps

September
2011

Communications &
Rollout

Implementation Planning
& Cost Modeling

Pay Structure Review &
Job Reevaluation

Market Benchmarking &
Analysis

Job Evaluation Plan
Refinement

Study Planning & Pay
Philosophy Validation

Timeframe

October
2010



Study Planning & Pay Philosophy Validation

Pay Philosophy Validation

Components to Address

How do you define “total rewards”?

- Pay
- Benefits
- Careers
- Work environment
- Other intrinsic factors

BGSU:
Emphasis on salaries and benefits

*Defining a
Pay
Philosophy*

What should be the criteria for evaluating jobs for placement within a pay hierarchy?

- Internal equity
- External equity
- Pay-for-performance

BGSU:
Emphasis on internal equity and market

What should future adjustments be based on?

- Individual performance
- Longevity/service with BGSU
- Combination

BGSU:
Emphasis on performance

Pay Philosophy Validation

Components to Address

What is competitive pay?

- Being a top payer
- Paying in the middle of the market
- Paying low because of offsetting factors

Should the desired level of competitiveness vary by job level, department, or job family?

BGSU:

To be aligned as ONE university

Defining a Pay Philosophy

How competitively should BGSU pay?

- Above the market (75th percentile)
- At market (50th percentile)
- Below the market (25th percentile)

BGSU:

Total compensation targeted between 50th and 75th percentile

What is the recruiting market for jobs?

With whom does BGSU compete for talent?

- Local, regional or national
- Public or private sector
- Higher education peers

BGSU:

Emphasis on peer institutions



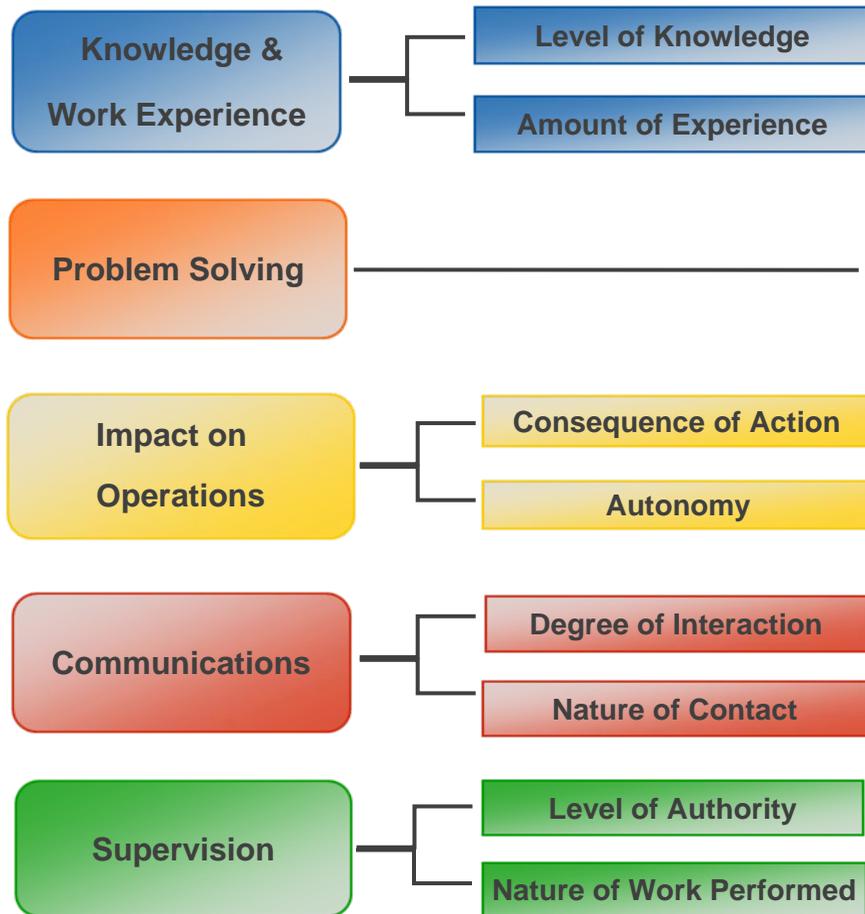
Job Evaluation Plan Refinement

Job Evaluation Plan Design

- The method of job evaluation currently used by BGSU is referred to as point-factor job evaluation where jobs are rated on a series of factors and the resulting point score determines the grade assignment
- Mercer revamped the plan in accordance with the following steps:
 1. Compensable factors were chosen to capture the value system of the University with respect to what lends value to a job
 2. Level definitions were created for each factor to capture the range of choices needed to evaluate the various occupations having different value within BGSU

Job Evaluation Plan Redesign

Compensable Factors



- Measures the minimum amount of related work experience and the level of education normally required for entry into the job
- Measures the variety and difficulty of tasks encountered and considers the amount and nature of critical thinking required for analyzing, evaluating, drawing conclusions, and exercising judgment
- Measures the degree of latitude and autonomy the position has for making decisions or taking actions along with the consequences and the degree to which the decisions may impact the operations of the unit and/or other areas of the University
- Measures the level of communication (oral and written) skills required of the incumbent to fulfill the responsibilities of the job
- Measures the responsibility for providing guidance, oversight and/or supervision to other individuals

Job Analysis

- Mercer developed a job analysis questionnaire (JAQ) for staff to complete
 - The JAQ solicited information on duties and responsibilities as well as the factors in the job evaluation plan
 - JAQs were completed by staff and supervisors to document duties, responsibilities, and requirements
- The JAQs served a vital purpose as they were used to:
 - Identify comparable benchmark jobs for market competitive analysis
 - Rate each job under the job evaluation plan



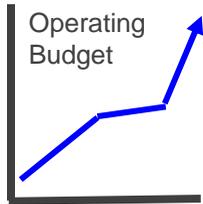
Market Benchmarking & Analysis

Market Benchmarking

Defining the Market



Industry Type
**Higher Education and
General Industry**



Scope
**Doctoral, Public, and
Operating Budget**



Geography
**National, Regional and
Local**

- Salary data was collected from multiple sources to reflect the various recruiting markets for staff occupations
 - Administrative non-management jobs*
 - Regional and local geographies
 - Higher education and general industry
 - Administrative management jobs*
 - Regional and national geographies
 - Comparable higher education peer group

Market Benchmarking

Survey Sources and Peer Group

Higher Education Surveys

- CUPA* Administrative Compensation Survey
- CUPA* Mid-Level Administrative & Professional Salary Survey

* College and University Professional Association for Human Resources

General Industry Surveys

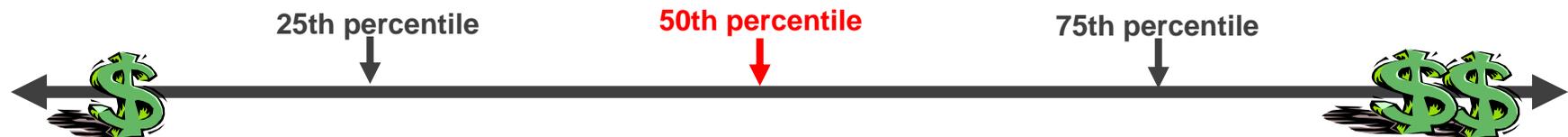
- Employers Group
- Mercer Benchmark Database
- Towers Watson Suite of Surveys

- For management positions, a peer group of institutions was defined
 - Carnegie Definition – *Doctoral*
 - Classification – *Public*
 - Geography – *National*
 - Operating Budget – *\$190M - \$760M (median = \$450M)*
- 71 institutions met this criteria resulting in a robust sample size

Market Benchmarking Methodology

- Market salary data was collected on 75 benchmark jobs representing various job families, levels, and departments throughout the University
- In matching the staff jobs, comparisons were based on job content and requirements contained in the JAQs and not on job titles or incumbent-related factors
- Survey data was aged forward to a common date of 7/1/2011
- For purposes of assessing the competitiveness, the 50th percentile of the market served as the point of comparison

WHAT IS COMPETITIVE PAY?



Most organizations define competitive pay as the median (50th percentile) of the defined external market.

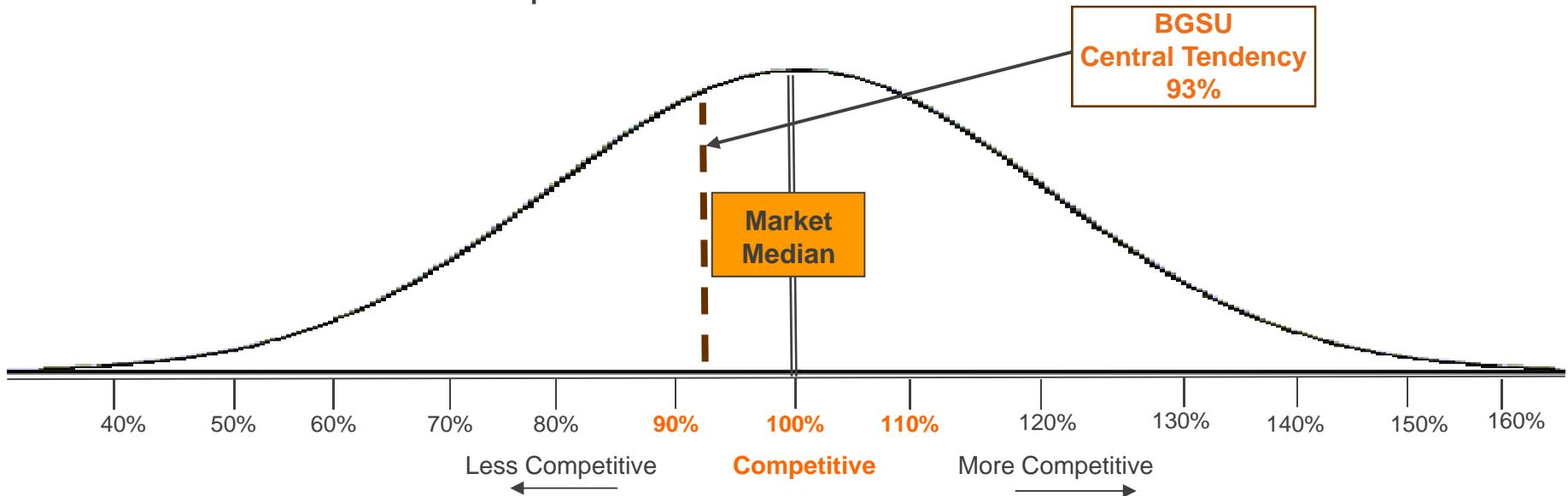
Salary structures are often set at market median to enhance recruitment and retention although other components such as the benefits are also taken into account when defining the competitiveness of the total compensation package.

A salary structure set at the 50th percentile does not prohibit an organization from paying above the 50th to recognize people for their service and contributions.

Market Benchmarking

Competitive Analysis—Actual Salaries Paid

- When compared to the 50th percentile, BGSU actual salary practices are 7 percentage points below market, in aggregate
- The vast majority of the benchmarks (82%) were within +/- 15% of the aggregate competitive position
- Relative to the market 25th and 75th percentiles, the competitiveness is:
 - 6% above the 25th percentile
 - 19% below the 75th percentile

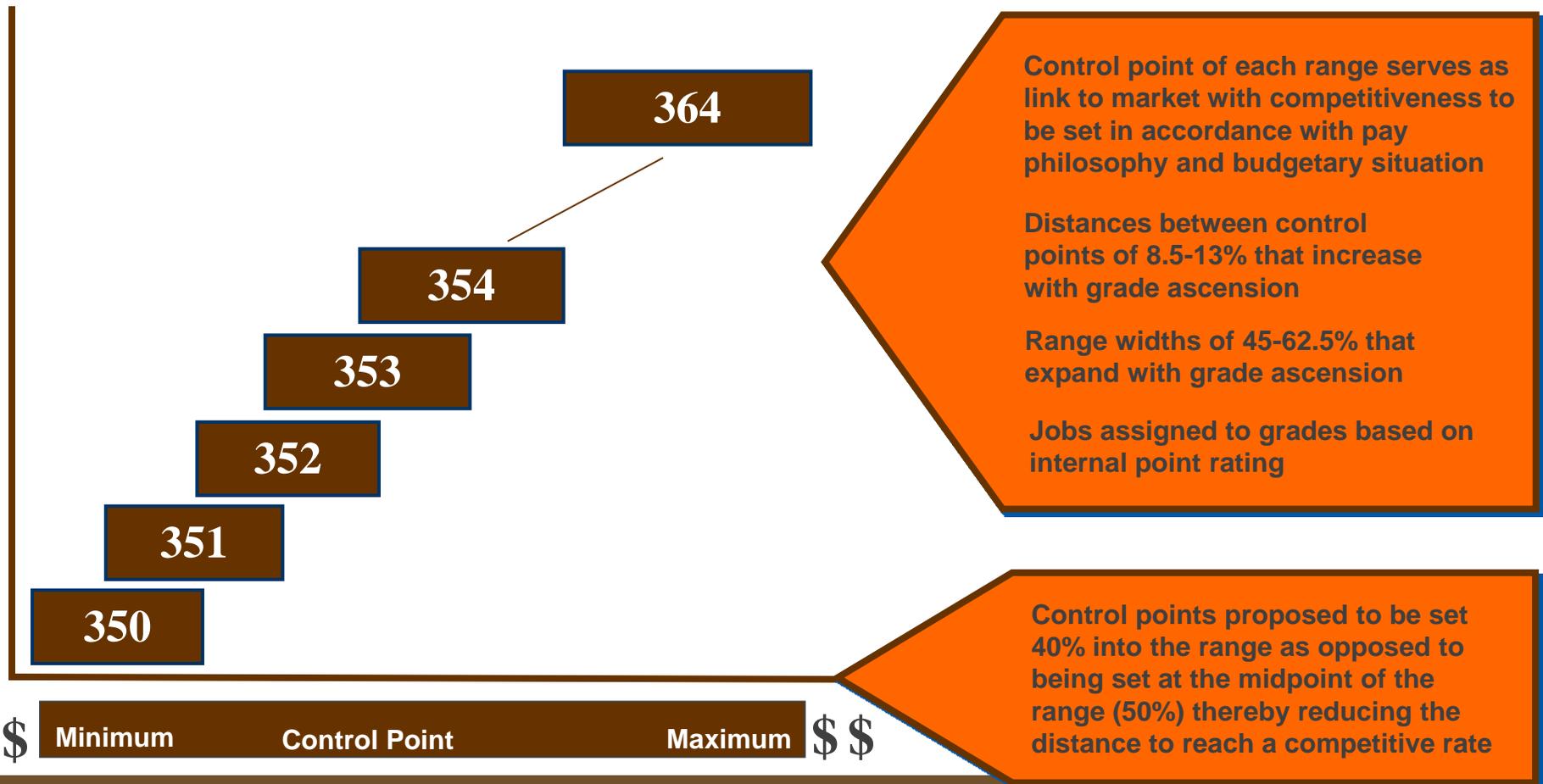




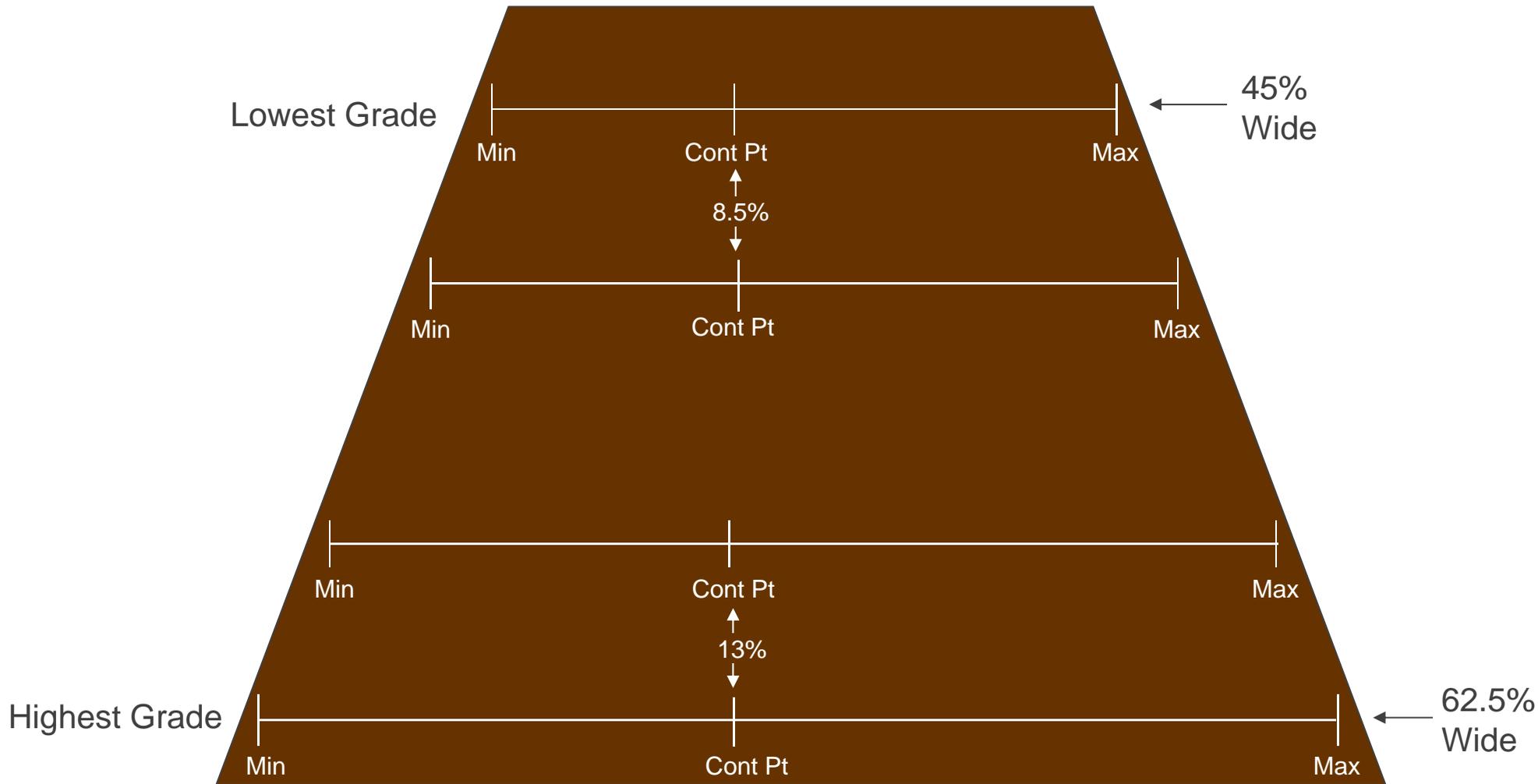
Pay Structure Review & Job Reevaluation

Salary Structure Development

As part of the study, Mercer has developed a new salary structure for administrative staff consisting of an open range system encompassing 15 grades



Salary Structure Development



Job Evaluation Process

Plan Weighting

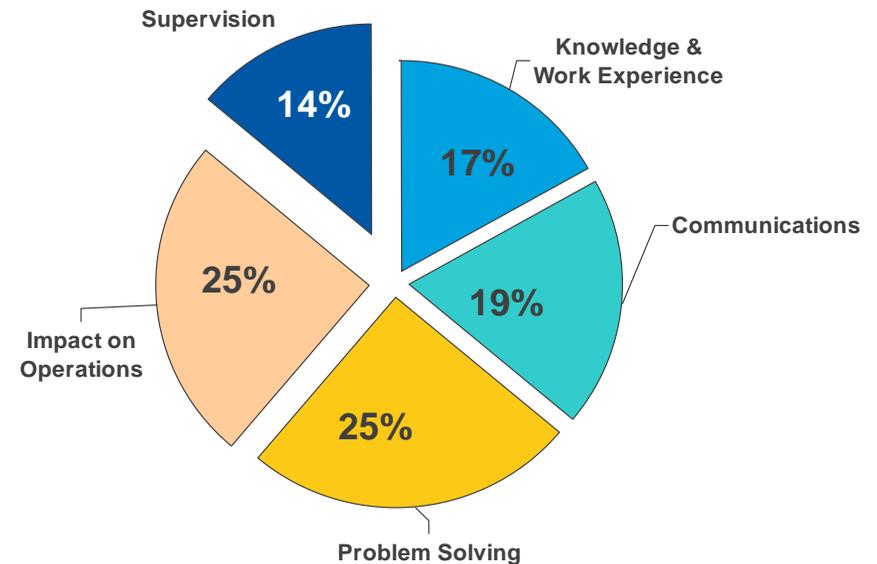
A regression modeling process was used to develop a relationship between factor ratings and market salaries which resulted in:

Establishing how much compensation value is associated with each level of each factor in the marketplace

Determining how much weight each factor will carry in the plan and setting the points for each level of each factor

Establishing point ranges for the grades

A valid, reliable and equitable model for placing jobs into a grading hierarchy that captures the market and reflects values important to BGSU



Job Evaluation Process

Review of JAQs

- Mercer reviewed the benchmark JAQs to establish a preliminary grading hierarchy
 - The benchmarks were first rated in order to weight the plan and create points for the factors and levels
 - A pay structure was then developed and point ranges were created for the grades thus producing a strong correlation between the job ratings and the market values
 - The non-benchmarks were then rated by BGSU committee members with the total point score driving the grade placement of the job
 - All jobs were reexamined relative to their market rates, if applicable, reporting lines, and relationship to other jobs in the same family and/or career ladder
 - Refinements to the ratings were made, where appropriate, to preserve consistency throughout

Job Evaluation Plan Redesign

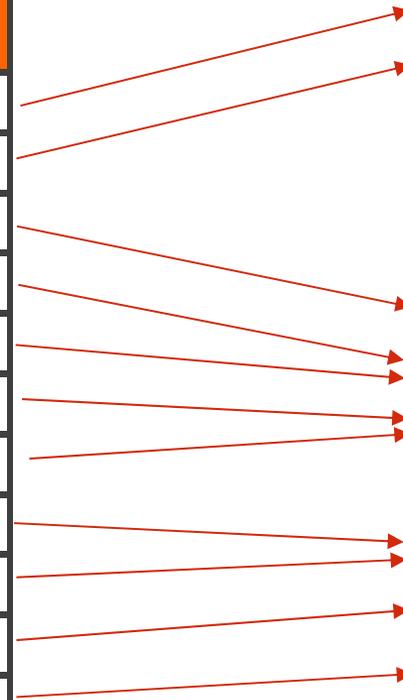
Assignment of Jobs to Grades

Jobs have been assigned to grades based on internal equity as reflected by their point score

However, the evaluation plan does bear a strong relationship to the market

SAMPLE BENCHMARK JOB	PROPOSED GRADE	POINT SCORE
Admissions Counselor/Officer	352	388
Financial Accountant	353	427
Systems Programmer	357	559
Senior Project Manager	358	605
Assistant Bursar	358	615
Director of Stewardship	359	644
Director of Annual Giving	359	664
Bursar	361	750
Director of Student Financial Aid	361	788
Controller	362	863
Chief Communications Officer	363	940

GRADE
350
351
352
353
354
355
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357
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359
360
361
362
363
364



Job Evaluation Plan Redesign

Sample Job Evaluation

Thoughtful evaluation on each factor leads to consistency and equity



Example: DIRECTOR OF ADMISSIONS

	Rating	Degree
Knowledge & Experience		
Knowledge	3	
Work Experience	4	12
Problem Solving	4	4
Impact		
Consequence	4	
Autonomy	4	16
Communications		
Degree of Interaction	3	
Nature of Contact	3	9
Supervision		
Level of Authority	5	
Nature of Others	4	20
TOTAL POINT SCORE:		788
GRADE 361 POINT RANGE:		750-824

Comparing to other reference jobs . . .

<u>JOB</u>	<u>POINT SCORE</u>	<u>GRADE</u>
REGISTRAR	788	361
DIR, STUDENT FIN AID	788	361
ASSOC DIR ADMISSIONS	628	358



Implementation Planning & Cost Modeling

Implementation Model

- **Purpose**

- To develop a consistent approach for addressing the most severe salary inequities
- To equitably set individual salaries between the minimums and control points

- **Methodology**

- First priority is to ensure that all employees are paid no less than the minimum
- Second priority is to consider in-range adjustments for employees who continue to be significantly below the control point for their amount of experience

- **Proposed Cost Model**

- Mercer recommends the following model:
 - Raise any employee whose current salary is below the minimum of the new grade to the new minimum
 - Allow salaries to penetrate the range by crediting employees for their years of experience with BGSU—grant 1/8th of range distance between the minimum and control point for each full year up to 8 years
- Note that the cost of the implementation will be influenced by two factors:
 - Where the salary structure is competitively set in relation to market; and
 - The aggressiveness of the model for crediting job experience above the minimum

Implementation Model

Financial Implications

IMPLEMENTATION PLANNING

- The new salary structure would become effective on 7/1/2012.
- Mercer recommends that anyone below the minimum be raised to the minimum [***Please note:*** If dollars are available increase will occur 9/1/2012].
- Based on current budget expectations, BGSU plans to grant in range increases in installments over two fiscal years in 2013 and 2014. However, if the budget improves BGSU may modify the plan for granting in range increases.

MERCER