PSRP Classification & Compensation Study

Results and Next Steps
Agenda

• Introduction
  – Kristin Gebhardt, Human Resources
• Study Overview and Results
  – Mike Verdoorn, Fox Lawson & Associates
• Impact Analysis and Changes
  – Kristin Gebhardt
• Timeline for Implementation
  – Kristin Gebhardt
Study Overview and Results

Mike Verdoorn
Senior Consultant
Fox Lawson & Associates, a Division of Gallagher Benefit Services
Table of Contents

- Project Summary
- Study Initiation
- Classification & Job Evaluation
  - Application of Decision Band™ Method
- Compensation Study
- Compensation Analysis
- Findings & Recommendations
Project Background

- From 2010 to 2011, Madison College (College) implemented a new classification and compensation system for the Administrative employee group.

- This project addresses the PSRP employee group to link the employee groups into a cohesive compensation system.

- The objectives of the study were to:
  - College desires a Classification and Compensation system for PSRP group that supports the organization’s goal to recruit, select, motivate and retain well-qualified employees.
  - College desires an understandable and transparent classification and compensation system that enables employees and management to effectively manage career growth and development.
  - College desires a compensation structure that is reflective and competitive of the labor market.
Project Summary

The project consisted of five phases:

1. Study Initiation and Strategy
2. Classification Study
3. Job Evaluation Study
4. Compensation Study
   - Process
   - Comparisons
   - Salary Structure Development
   - Implementation Costs
5. Salary Structure Summary and Recommendations
Study Initiation & Strategy

- College project team and Fox Lawson (FLA) met to set project approach and timeline.
- College provided FLA with materials describing the work and pay of the PSRP employee group.
- FLA reviewed the material to gain an initial understanding.
- FLA presented the project approach, as well as the Position Description Questionnaires (PDQs) to PSRP employees and representation.
Study Initiation & Strategy

- Due to College needs, it was determined that the Facilities group would be addressed first through the completion of PDQs and the development of a temporary classification structure, job evaluation and compensation structure.
- The temporary structures were provided to the College to address staffing needs and then reviewed and integrated into the final recommendation.
- All of the following steps that will be discussed were done by a quicker timeline for the facilities group.
- During the course of the project, the College determined the need to review the Administrative salary structure.
- By collecting market data for the PSRP and Administrative employee groups, we were able to explore the use of a single salary structure to analyze the overlap at the two employee groups and assure comprehensive market competitiveness of the proposed structure.
Classification Study

- In July 2014, PDQs for PSRP positions were completed by College employees and provided to FLA for review.
  - Participation was very close to 100%.
- In August 2014, FLA staff reviewed the PDQs to determine employees or occupational groups that required additional information.
- FLA conducted occupational panels and employee interviews to collect job information and ensure our understanding of information included in the PDQs. PDQs were continually referenced throughout the project to ensure accuracy of the job family development.
- This information was utilized along with our expertise and experience in College to create the broad classification structure.
- The structure were reviewed by College HR, Management, and PSRP representation.
Job Evaluation Study

- FLA utilized a formal job evaluation method, Decision Band™ Method (DBM) to establish and maintain internal equity.

- What is Job Evaluation
  - A method used to determine the relative value of jobs within College.
  - A tool for blending internal equity with market parity.
  - The foundation of a salary structure

- Purpose of Job Evaluation:
  - Establishes a job value hierarchy/equity
  - Assignment to pay grades
  - Helps to grade a new or changed job

- Three-step process ensures fair and equitable salaries.
  - The value of a job should reflect the importance of the job to the College.
  - The importance of a job is directly related to the decision-making requirements of the job.
  - Decision-making is common to all jobs.
  - Decision-making is measurable.

- Evaluations were reviewed and verified by College HR, Management, and PSRP representatives/designees.
Decision Band™ Method

Step 1: Determine appropriate band

<table>
<thead>
<tr>
<th>Band A: Defined</th>
<th>Band B: Operational</th>
<th>Band C: Process</th>
<th>Band D: Interpretive</th>
<th>Band E: Programming</th>
<th>Band F: Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine manner and speed to perform defined steps of an operation</td>
<td>Determines how and when to perform steps of processes</td>
<td>Develops and Selects appropriate process to accomplish operations of programs</td>
<td>Interprets programs into operational plans and deploys resources</td>
<td>Plans strategies, programs and allocates resources to meet goals</td>
<td>Organization scope, direction, and goals</td>
</tr>
</tbody>
</table>

Step 2: Determine appropriate grade

- Jobs with coordinating or supervisory responsibility within the same band are placed in the higher grade
- Jobs without this responsibility within the same band are placed in the lower grade

Step 3: Determine appropriate subgrade

Primary Criteria: Job Difficulty

Is affected by: Task Complexity

Is determined by: Number of Tasks, Diversity of Tasks, Task Frequency, Percent of Time

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PSRP Positions

- In addition to applying the job evaluation method to all proposed PSRP classifications, FLA also analyzed the classifications in regards to the Fair Labor Standards Act.

- The definition of Band C meets the required exemption criteria of “independent judgment in matters of significance” in all exemption tests, as well as more detailed explanation letters provided from the Department of Labor, Wage and Hour Division.
## Job Evaluation Study - Method

<table>
<thead>
<tr>
<th>Decision Band</th>
<th>Grade</th>
<th>Subgrade</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>F - Policy</td>
<td>10 - President</td>
<td>1</td>
<td>F101</td>
</tr>
<tr>
<td>E - Programming</td>
<td>8 - Vice President</td>
<td>3, 2, 1</td>
<td>E83, E82, E81</td>
</tr>
<tr>
<td>D - Interpretive</td>
<td>7 - Senior Director</td>
<td>3, 2, 1</td>
<td>D73, D72, D71</td>
</tr>
<tr>
<td></td>
<td>6 - Dean/Director</td>
<td>3, 2, 1</td>
<td>D63, D62, D61</td>
</tr>
<tr>
<td>C - Process</td>
<td>4 - Administrative Manager/Technical Leadership</td>
<td>5 (2), 4 (1)</td>
<td>C45/C52, C44/C51</td>
</tr>
<tr>
<td></td>
<td>5 - Academic Manager</td>
<td>3, 2, 1</td>
<td>C43, C42, C41</td>
</tr>
<tr>
<td>B - Operational</td>
<td>2 – Technician*</td>
<td>5 (2), 4 (1)</td>
<td>B25/B32, B24/B31</td>
</tr>
<tr>
<td></td>
<td>3 - Administrative Supervisor</td>
<td>3, 2, 1</td>
<td>B23, B22, B21</td>
</tr>
<tr>
<td>A - Defined</td>
<td>1 – Assistant*</td>
<td>3, 2, 1</td>
<td>A13, A12, A11</td>
</tr>
</tbody>
</table>

* Tentative classification titles
Compensation Study - Process

- FLA worked with College to select 39 benchmark jobs from the 60 proposed classifications.

- Identified appropriate surveys to use.
  - Towers Watson Survey Library
  - Mercer Survey Library
  - College and University Professional Association Survey
  - Wisconsin Technical College System Survey
  - Greater Madison Area Society for Human Resource Management Survey

- Collected and verified salary data from published salary surveys to represent local & regional labor markets of the public & private sectors.

- Performed statistical analyses of compensation data including assessment of College’s market competitiveness.

- Individual benchmark job comparisons were provided to the college.

- Developed updated pay structure recommendations for each level incorporating recommendations for pay system improvement with associated implementation costs.
Compensation Study - Market Data

- The following guidelines are used when determining the competitive nature of current compensation:
  - +/-5% = Highly Competitive
  - +/-10% = Competitive
  - +/-10-15% = Possible misalignment with market
  - >15% = Significant misalignment with market

- The following chart provides a general picture of how College actual salaries compare to the collected market data, in aggregate:
  - Positive (+) indicates College pays above the market
  - Negative (-) indicates College pays below market
Compensation Study- Findings

- Benchmark jobs that are significantly misaligned (>15% difference) with the market, do not mean misalignment.

- Factors such as performance, turnover and longevity will impact actual salaries and may explain some of the differences between College and the market actual salaries for individual jobs.

- We recommend the College conduct further investigation into these positions to determine actual cause of misalignment.
Compensation Study- Findings

Summary of College’s comparison to the market:

- The chart below provides a general picture of how College’s actual salaries and salary range structure compares to the collected market data.

<table>
<thead>
<tr>
<th></th>
<th>PSRP</th>
<th>Administrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market 50th</td>
<td>+35.35%</td>
<td>+11.33%</td>
</tr>
<tr>
<td>Percentile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market 75th</td>
<td>+16.52%</td>
<td>-6.80%</td>
</tr>
<tr>
<td>Percentile</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- PSRP group is misaligned with the market at both the 50th and 75th percentile.

- Administrative group is competitive at the 75th percentile, which is the target market position per the College strategy.
Compensation Study- Salary Structure

- We next combined the market data with our DBM evaluations of the College benchmark jobs to develop the basis of the salary structure.

- The basis of the salary structure is developed through regression analysis which balances market competitiveness with internal equity.

- The following graphs compare the benchmark jobs for College actual pay v. the market 75th percentile (the competitive position adopted by the College).

- The trend line (line of best fit) for each data set provides a visual display of the difference between the market salary rate and College’s actual pay, which confirm that College actual salaries is competitive to the market 75th percentile.
We first compared College average actual salaries to the market 75th percentile salaries.
The exponential equation developed is then used to calculate the single salary structure. The $R^2$ value of 0.938 shows a high correlation of the internal evaluations and the market data, and support the development of a single salary structure for the College.
As a second option, we developed a dual-structure which is a combination two linear regression result. The first part of this structure starts from A11 and ends at C42; the second part starts from C43 and ends at E83.
By comparing the R-Square of the two options and the overall fit of the market data, we recommended College use the exponential structure.

A single salary structure maintains market competitiveness and internal equity, while also decreasing administrative time and complexity to maintain separate salary structures.
From the market 75th trend line we calculate a progressive salary range structure to represent the market data and the education and experience typically required at each level of responsibility.

\[ y = 28,738.04461454 e^{0.00023519x} \]

\[ R^2 = 0.93760687 \]
Compensation Study- Salary Structure Development

- Using the exponential equation at Market 75th percentile and a progressive range spread, we calculated salary ranges for all DBM evaluations to create the below recommended salary structure:

<table>
<thead>
<tr>
<th>DBM Rating</th>
<th>Min</th>
<th>Mid-Point</th>
<th>Max</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A11</td>
<td>$28,462</td>
<td>$34,154</td>
<td>$39,846</td>
<td>40%</td>
</tr>
<tr>
<td>A12</td>
<td>$30,780</td>
<td>$36,936</td>
<td>$43,092</td>
<td>40%</td>
</tr>
<tr>
<td>A13</td>
<td>$33,288</td>
<td>$39,945</td>
<td>$46,603</td>
<td>40%</td>
</tr>
<tr>
<td>B21</td>
<td>$35,273</td>
<td>$43,209</td>
<td>$51,146</td>
<td>45%</td>
</tr>
<tr>
<td>B22</td>
<td>$38,146</td>
<td>$46,729</td>
<td>$55,312</td>
<td>45%</td>
</tr>
<tr>
<td>B23</td>
<td>$41,254</td>
<td>$50,536</td>
<td>$59,818</td>
<td>45%</td>
</tr>
<tr>
<td>B24/B31</td>
<td>$45,504</td>
<td>$55,743</td>
<td>$65,981</td>
<td>45%</td>
</tr>
<tr>
<td>B25/B32</td>
<td>$51,182</td>
<td>$62,699</td>
<td>$74,215</td>
<td>45%</td>
</tr>
<tr>
<td>C41</td>
<td>$55,327</td>
<td>$69,159</td>
<td>$82,991</td>
<td>50%</td>
</tr>
<tr>
<td>C42</td>
<td>$59,834</td>
<td>$74,793</td>
<td>$89,751</td>
<td>50%</td>
</tr>
<tr>
<td>C43</td>
<td>$64,708</td>
<td>$80,885</td>
<td>$97,062</td>
<td>50%</td>
</tr>
<tr>
<td>C44/C51</td>
<td>$71,376</td>
<td>$89,220</td>
<td>$107,064</td>
<td>50%</td>
</tr>
<tr>
<td>C45/C52</td>
<td>$80,282</td>
<td>$100,352</td>
<td>$120,423</td>
<td>50%</td>
</tr>
<tr>
<td>D61</td>
<td>$85,148</td>
<td>$110,693</td>
<td>$136,237</td>
<td>60%</td>
</tr>
<tr>
<td>D62</td>
<td>$92,084</td>
<td>$119,710</td>
<td>$147,335</td>
<td>60%</td>
</tr>
<tr>
<td>D63</td>
<td>$99,586</td>
<td>$129,462</td>
<td>$159,337</td>
<td>60%</td>
</tr>
<tr>
<td>D71</td>
<td>$107,724</td>
<td>$140,041</td>
<td>$172,358</td>
<td>60%</td>
</tr>
<tr>
<td>D72</td>
<td>$116,499</td>
<td>$151,449</td>
<td>$186,398</td>
<td>60%</td>
</tr>
<tr>
<td>D73</td>
<td>$125,989</td>
<td>$163,786</td>
<td>$201,583</td>
<td>60%</td>
</tr>
<tr>
<td>E81</td>
<td>$136,284</td>
<td>$177,170</td>
<td>$218,055</td>
<td>60%</td>
</tr>
<tr>
<td>E82</td>
<td>$147,386</td>
<td>$191,602</td>
<td>$235,818</td>
<td>60%</td>
</tr>
<tr>
<td>E83</td>
<td>$159,393</td>
<td>$207,211</td>
<td>$255,028</td>
<td>60%</td>
</tr>
</tbody>
</table>
Compensation Study- Implementation

- FLA analyzed two implementation options for College to consider, which included:
  - **Increase to the Minimum Method** – this method ensures all employees are paid at the minimum of the new salary range.
  - **Years of Service Method** – this method places employees at the appropriate step (implementation step structure only) in the new salary range based on years in the current job title. Each step increase is equal to one year increase in the current position up to the range midpoint, from the midpoint till the range maximum, each step increase is equal to a two year increase in the current position. This method is used for analysis purposes only to identify compression and potential placement in the proposed salary range, only considering time in the current position and no other work history with the College.
## Compensation Study - Implementation

### Implementation Costs:

<table>
<thead>
<tr>
<th></th>
<th>DBM Structure- Increase to Minimum</th>
<th>DBM Structure- Years of Service Method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PSRP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Increase Amount (% of payroll)</td>
<td>0.09%</td>
<td>1.54%</td>
</tr>
<tr>
<td>Total Increase Amount ($)</td>
<td>$25,000</td>
<td>$375,000</td>
</tr>
<tr>
<td>Total Number of Employees increased</td>
<td>6</td>
<td>83</td>
</tr>
<tr>
<td><strong>Administrative</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Increase Amount (% of payroll)</td>
<td>0.42%</td>
<td>N/A*</td>
</tr>
<tr>
<td>Total Increase Amount ($)</td>
<td>$45,000</td>
<td>N/A*</td>
</tr>
<tr>
<td>Total Number of Employees increased</td>
<td>9</td>
<td>N/A*</td>
</tr>
</tbody>
</table>

*Time in current position for Administrative group employees is not available.*
Final Report- Recommendations

- Adopt the recommended classifications structure for the PSRP group that consistently defines the target level of work.
- Adopt the single salary structure that balances internal equity and market competitiveness into account through the regression analysis.
- Utilize the increase to Minimum Method to implement the recommended structure first.
- If financially possible, utilize the Years of Service Method to implement the recommended structure.
Final Report

- The following documents and information have been provided to College Human Resources separately:
  - Market data information by benchmark job
  - Job evaluation ratings
  - Grade assignments
  - Salary Structure Step Plan
  - Employee implementation analysis
Impact Analysis and Changes

Kristin Gebhardt
Human Resources
Impact Analysis and Changes

• Priorities for Current Employees
  – Recent Facilities hires will have pay adjusted to new ranges (retro to hire)
  – Adjustments for other employees whose pay is below range (timeline tbd)
  – Adjustments for identified pay compression (effective July 1, 2015)
Impact Analysis and Changes

• Open Positions
  – Posted with new ranges as of Thursday, February 12, 2015
  – Bands A and B:
    • Hiring range is grade Min – 1st Quartile (1st Segment)
  – Band C (PSRP and Admin)
    • Min – Mid (1st and 2nd Segments)
  – Variances from posted ranges will require approval
Impact Analysis and Changes

• Band C PSRP Employees
  – Convert from FLSA Non-Exempt to Exempt
  – Salaried and not eligible for OT
  – Remain in AFT Local 243 union
  – 52-week schedules
  – Analysis on FLSA impact for Band C employees
    • Significant overtime over 3 years
    • Pay rate relative to new range
  – Vacation: 3 weeks at hire
    • Vacation increases will align with the standard PSRP vacation schedule thereafter
Impact Analysis and Changes

• Red Circle
  – Defined as pay above the assigned grade range
  – No increases to base pay rate
  – Lump sum payments are allowed
• No pay decreases
Impact Analysis and Changes

Other Related Activities

• Compensation Philosophy
  – Draft statement being reviewed by President and Cabinet

• Compensation Guidelines
  – In development

• Jobs and Titles (as warranted)

• Career Path Development
Ongoing Review

The activities below will follow to complete the study and maintain the classification and salary structure:

- HR review and approval of recommendations
- Discussion with appropriate stakeholders
- Implementation plan
- Ongoing recommendations to manage pay increases
Timeline for Implementation

Communications

- **Wednesday, February 4** – Study results were presented to PSRP union representatives/designees
- **Week of February 9** - Employee details delivered to supervisors
- **Wednesday, February 11** - Presentation to College Assembly
- **Monday-Tuesday, February 16-17** Presentations to PSRP Employees
- **Wednesday, February 18** - Classification materials posted on website
- **Supervisory Training on Friday, February 20**
- **Week of February 23** - Classification letters delivered to PSRP employees
Timeline for Implementation

Classification Appeals

• Starting Monday, March 2
• Details announced week of February 23
Timeline for Implementation

• Priority pay adjustments
  – Facilities positions
  – Other Green Circle issues (pay below range)

• Workday implementation
  – Back office changes will be executed in phases starting in March

• Other changes effective July 1, 2015
For more information

• Madison College website
  – Search “For PSRP”
• Classification@madisoncollege.edu