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## Staff Compensation System: Market Calibration Project

Western Michigan University


## Agenda

Project Team
Project Goals
Staff Compensation System - History
Project Overview
Project Findings

- WMU Market Matrix
- Geographic Differentials
- WMU SCS Pay Structure 2023-24
- Project-related Pay Adjustments - NO pay cuts
- Job Title Guidelines and Administrative Guidelines

Next Steps
Questions

## Project Team

- Aon
- John Scott, Director
- Compensation Analysts: Paula Yu, Michelle Knapp, Emma Houghton
- Human Resources
- Amy Brimmer, Director Compensation and Benefits
- Tracy Matthews, Compensation Analyst
- Amy Moran, Human Resources Representative
- Logan Buhl and Mia Vandenberg, HR Interns, Haworth College of Business
- Institutional Equity
- Adam Wall, Associate Director


## Project Team - Divisional Representatives

- Divisional Representatives
- Kelli Bond, Research and Innovation
- Dace Copeland, Academic Affairs
- Lisa Garcia, Government Affairs
- Nicole Kalmbach, Student Affairs
- Elizabeth Knips, Intercollegiate Athletics
- Tracie Moored, Business and Finance
- Deanne Puca, Marketing and Strategic Communications
- Jamie White, Diversity and Inclusion
- Evelyn Winfield-Thomas, President's Division


## Project Goals - Questions to be answered

WMU's compensation philosophy: A market-based staff compensation system that seeks to match rather than leading or lagging the market

1. Does WMU's pay structure continue to be aligned with market?
2. Are WMU jobs (job titles) in the proper pay grade when considering the market and internal equity?
3. Given recent changes to an individual position's (person's) job duties, is the position still in the proper pay grade? Does the position still have the proper job title?
4. Do the SCS job title guidelines and administrative guidelines continue to be aligned with market?

- No employee will experience a pay cut as a result of this project
- Merit pay is outside the scope of the project
- Changes arising from the project are effective with the beginning of the 2023-24 fiscal year


## Internal Equity vs. Market Competitiveness




## Staff Compensation System (SCS) History - Original Project

New compensation system launched - July 1, 2015

- Aligned with market with consideration for internal equity - seeks to match rather than to lead or lag the market
- Designed to support a merit component in the future
- Shared governance detailed in the SCS Administrative Guidelines
- Executive Committee (President's Cabinet), Job Evaluation Committees, and Human Resources
- Commitment to update system every three to five years, based upon Aon's recommendation
- No pay reductions resulted from the project
- Pay increases to pay grade minimum centrally funded - total budget impact $\$ 2,159,044$, including fringes
- 355 employees



# Staff Compensation System (SCS) History - First Years 

Adjustments to salary scales:

2016-17 2\% increase to pay scales

2017-18 $\quad 1 \%$ increase to pay scales

2018-19 $\quad 1 \%$ increase to pay scales

## Staff Compensation System History - 2019 Update Project

Market recalibration project completed - July 1, 2019

- Goal continued to be to match rather than lead or lag the market
- Pay structure remained aligned with market - number of pay grades, differential between pay grade midpoints and breadth of pay ranges remained appropriate to capture market rates of pay
- Administrative guidelines remained aligned with best practices
- Continued to defer conversations about merit pay until a future time
- Majority of jobs remained in the same pay grade - representing $86 \%$ of the SCS employee population
- No pay reductions resulted from the project
- Market-based pay increases funded by executive areas - total budget impact of $\$ 851,624$, including fringe benefit rate
- 116 employees


# Staff Compensation System (SCS) History - Past Three Years 

Adjustments to salary scales:

2020-21

2021-22

2022-23

No increase to pay scales

1\% increase to pay scales
$1.5 \%$ increase to pay scales

## Market Calibration Project 2023 - Findings

- Pay structure is no longer aligned with market - to be replaced with a new, market competitive pay structure
- Majority of jobs (87\%) remain in the same pay grade - representing $91 \%$ of SCS employees
- $8 \%$ of jobs, representing $5 \%$ of employees are moving down one grade ( 57 employees)
- $5 \%$ of jobs, representing $3 \%$ of employees are moving up one grade (36 employees)
- No pay reductions will result from the project
- Pay increases to pay grade minimum centrally funded for the first year - total budget impact $\$ 2,265,306$, including fringes ( 476 employees)
- Market-based pay increases funded by executive areas - total budget impact of $\$ 113,126$, including fringe benefit rate ( 13 employees)
- Administrative guidelines and job title guidelines updated to better reflect market
- Continue to defer conversations about merit pay to a future time


## 

## Project Overview



## Project Overview




## Staff Compensation System Calibration Project Overview

- Cross-functional project team involved through-out project, with multiple opportunities for key stakeholders to provide input
- Validated compensation philosophy, market matrix and geographic impact
- Gathered information about WMU and the work of SCS employees:
- Reviewed organization charts for all executive areas, including all staff
- All employees had the opportunity to update their job content tool and supervisors had the opportunity to review
- Nearly $80 \%$ of employees submitted updated job content tools


## Staff Compensation System Calibration Project Overview (Continued)

- Gathered updated market data for approximately 500 benchmark jobs, using higher education, not for profit, and general industry data as appropriate
- Data from over 400 colleges and universities
- Overlaid market data on the current pay structure to identify and make necessary changes to the pay structure
- Assigned jobs to grades within pay structure based upon market and internal equity
- Evaluated necessary market adjustments and the financial impact based on revised pay structure and pay grade assignments
- Reviewed administrative guidelines, job title guidelines, and career pathways to ensure alignment with market best practices


## Project Findings

## Project Findings

- Market matrix - Who we compared to
- Geographic differentials
- SCS pay structure
- Pay grade changes
- Pay changes
- Job title guidelines
- Administrative guidelines


## 

## WMU Market Matrix

| Staff Group | Industry | Geography | Survey <br> Base Pay |
| :--- | :--- | :--- | :--- |
| - Directors, managers, supervisors, and professional - Academic Affairs, Student <br> Affairs, Diversity and Inclusion, and Intercollegiate Athletics | Higher Education | Regional/National | Median |
| - Development/Fundraising | Higher Education <br> Not for Profit <br> Health Care | Regional/National | Median |
| - Directors - Accounting, Finance, Budget, Business, Information Technology | Higher Education <br> General Industry | Regional/National | Median |
| - Directors and managers - Clinical, Allied Health, and Direct Patient Care | Higher Education <br> Health Care | Regional/National | Median |
| - Aviation | Higher Education <br> General Industry <br> Aviation | Regional/National | Median |
| - Managers, supervisors, and professional - Dining Services, Facilities, <br> Accounting, Finance, Budget, Business, Information Technology, Engineering, <br> Libraries, Marketing, etc. | Higher Education <br> General Industry | Local/Regional | Median |
| - Supervisors, professional, and support - Clinical, Allied Health, and Direct | Higher Education <br> Health Care | Local/Regional | Median |
| Patient Care | Higher Education <br> General Industry | Local/Regional | Median |

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## Geographic Differentials

Cost of Labor and Cost of Living

- Market best practice is to set pay levels using cost of labor, not cost of living
- Kalamazoo, MI example
-Cost of labor = approximately $97.6 \%$ or $2.4 \%$ below the national average
-Aon considers $+/-5 \%$ of national or $95 \%$ to $105 \%$ at the national level


## Cost of Labor

- The cost of employing people in the relevant marketplace
- Established by pay rates and market values of given jobs
- Relied upon when determining target compensation opportunity
- Determined through the compensation of a standard "basket of jobs"


## Cost of Living

- The cost of purchasing goods and services

Established by the supply and demand of goods, services, and property

- Determined by a standard "package of goods"


## Pay Structure Calibration Process



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## Creation of the Pay Structure

Step 1

Use the market data to determine the distribution of pay for a particular job in the market
Market Median Salary
(50th Percentile)


## Creation of the Pay Structure

## Step 2

Create a range that encompasses the desired part of the market; typically, ranges are centered on the market median and are approximately $+/-20 \%$ of the market median salary
$80 \%$ to $120 \%$ of the range midpoint is considered market competitive

Market Median Salary
(50 ${ }^{\text {th }}$ Percentile)


## WMU Benchmark Jobs in Current Pay Structure



## WMU Benchmark Jobs in New Pay Structure



## Pay Structure Key Components

| Component | Definition |
| :--- | :--- |
| Minimum | The acceptable lower bound of pay for a job within a particular grade |
| Maximum | Pay value representing the median market pay determined by the analysis <br> of compensation survey data |
| Midpoint | The difference between the maximum and minimum amounts of a given <br> grade |
| Range Spread (Width) | The difference between the midpoint of one range and the midpoint of the <br> range below |
| Midpoint Progression | The part of a pay range overlapping with the next higher pay range |
| Range Overlap |  |

## Staff Compensation System Pay Structure

Effective June 26, 2023 (nonexempt/hourly) and July 1, 2023 (exempt/salaried)

| Grade | Minimum (annual) | Midpoint (annual) | Maximum (annual) | Minimum (hourly) | Midpoint (hourly) | Maximum (hourly) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| B | $\$ 31,200$ | $\$ 38,400$ | $\$ 45,600$ | $\$ 15.00$ |  | $\$ 18.46$ |
| C | $\$ 34,960$ | $\$ 43,700$ | $\$ 52,440$ | $\$ 16.81$ | $\$ 21.01$ | $\$ 21.92$ |
| D | $\$ 41,078$ | $\$ 51,348$ | $\$ 61,617$ | $\$ 19.75$ | $\$ 24.69$ | $\$ 25.21$ |
| E | $\$ 48,267$ | $\$ 60,334$ | $\$ 72,400$ | $\$ 23.21$ | $\$ 29.01$ | $\$ 34.82$ |
| F | $\$ 55,600$ | $\$ 70,892$ | $\$ 86,183$ | $\$ 26.73$ | $\$ 34.08$ | $\$ 41.43$ |
| G | $\$ 66,720$ | $\$ 85,070$ | $\$ 103,420$ | $\$ 32.08$ | $\$ 40.90$ | $\$ 49.72$ |
| H | $\$ 80,064$ | $\$ 102,084$ | $\$ 124,103$ | $\$ 38.49$ | $\$ 49.08$ | $\$ 59.66$ |
| I | $\$ 96,077$ | $\$ 122,501$ | $\$ 148,924$ | $\$ 46.19$ | $\$ 58.90$ | $\$ 71.60$ |
| J | $\$ 120,097$ | $\$ 153,126$ | $\$ 186,155$ | $\$ 57.74$ | $\$ 73.62$ | $\$ 89.50$ |
| K | $\$ 150,121$ | $\$ 191,408$ | $\$ 232,694$ | $\$ 72.17$ | $\$ 92.02$ | $\$ 111.87$ |

## New Pay Structure-Impact

- Pay ranges adjusted by over $10 \%$ based upon overall benchmarking data
- Each job's grade assignment was reviewed in light of the new, more competitive pay structure
- Benchmark jobs (497): Market data available, jobs assigned to a pay grade based on the latest market data
- Represents 85\% of SCS employees
- Non-benchmark jobs (196): Market data not available, jobs assigned to a pay grade based on job evaluation process.
- Represents $15 \%$ of SCS employees


## New Pay Structure-Impact (cont.)

- Aon slotted non-benchmark jobs into the structure
- HR reviewed for validity and internal equity.
- WMU's CIO reviewed all IT jobs.
- Vice presidents reviewed all job placements.
- Considerations:
- The relative market value of a job may have stayed the same or increased, but the job may have moved to a lower grade in the higher, more competitive pay bands of the new structure.


## New Pay Structure-Impact on Pay Grade

| Grade Change | Job Count | EE Count |
| :---: | :---: | :---: |
| Up 1 Grade | 34 | 36 |
| No Change | 603 | 968 |
| Down 1 Grade | 56 | 57 |
| Total | 693 | 1,061 |

- The majority of jobs (87\%) and employees (91\%) have no change in pay grade
- $8 \%$ of jobs and $5 \%$ of employees are moving down 1 grade
- $5 \%$ of jobs and $3 \%$ of employees are moving up 1 grade

Note: Data based upon employee census as of April 17, 2023, with projections for personnel transactions approved through June 30, 2023.

## Project Related Pay Adjustments

## Project Related Pay Adjustments

Pay will not be reduced for any employees.

There are two pay adjustment processes that are consistent with the SCS Administrative Guidelines

- Process \#1
- Increase employee pay to the minimum of the new pay grade, if necessary
- Process \#2
- Market adjustments for employees moving to a higher pay grade, up to $10 \%$ depending upon specified factors


## Increase Pay to Pay Grade Minimum

- Pay adjustments to the pay grade minimum:
- Pay is below minimum of the pay grade for 476 employees ( $45 \%$ of population)
- The total budget impact bring pay to grade minimum is $\$ 2,265,306$, across all funds, including fringe rate
- Based upon 2022-23 fringe rate of 53.25\%
- Executive divisions will be responsible funding pay adjustments to the minimum of the pay grade
- One-time central funding for adjustments to minimum (base pay plus fringes) for fiscal year 2023-24 only


## Increase Pay to Pay Grade Minimum by Division - Base Pay Only

| Executive Group | Total Number of <br> Employees | Count of Employees <br> Below Minimum | Cost to Bring to <br> Minimum |
| :--- | :---: | :---: | :---: |
| Academic Affairs | 633 | 366 | $\$ 1,168,490$ |
| Business and Finance | 169 | 36 | $\$ 103,029$ |
| Diversity \& Inclusion | 17 | 11 | $\$ 36,835$ |
| Government Relations | 0 | 0 | $\$ 0$ |
| Intercollegiate Athletics | 37 | 16 | $\$ 23,343$ |
| Marketing \& Strategic Comm | 10 | 2 | $\$ 1,661$ |
| President's Division | 12 | 4 | $\$ 7,901$ |
| Research and Innovation | 26 | 19 | $\$ 10,676$ |
| Student Affairs | 106 | $\mathbf{4 7 6}$ | $\$ 66,167$ |
| University Advancement | 51 | $\mathbf{1 , 0 6 1}$ | $\mathbf{4}$ |
| Total |  |  | $\mathbf{\$ 1 , 4 7 8 , 1 7 7}$ |

Total budget impact $=\$ 2,265,306$ across all funds, including fringe rate, based upon 2022-23 fringe rate of 53.25\%

## Jobs with Market Grade Below Current Grade

SCS Administrative Guidelines govern pay decisions

- Available at wmich.edu/hr/staffcompensation (first document in list).

Pay decisions on a case-by-case basis with consensus of vice-president and CHRO.

Impact
-57 employees.
-No pay reductions.
-Pay below or slightly above new pay grade midpoint for 55 employees.
-Pay in the fourth quartile of new pay grade for 2 employees.

## Jobs with Market Grade Above Current Grade

SCS Administrative Guidelines govern pay decisions

- Available at wmich.edu/hr/staffcompensation (first document in list).

Process \#1 - Minimal compliance with administrative guidelines - 36 employees whose paygrade goes up

- Move pay to minimum of new pay grade, if necessary - 29 employees
- If pay already above minimum of new pay grade, pay adjustment to minimum not required - 7 employees

Process \#2 - Allowed but not required - 13 of the 36 employees whose pay grade goes up

- Market adjustments up to 10\%-13 employees

Budget Impact of Market Adjustments $=\$ 113,126$, including fringe rate

- Based upon 2022-23 fringe rate of 53.25\%
- Executive divisions will be responsible for funding market adjustments



## Cost of Market Adjustments by Division - Base Pay Only

| Executive Group | EE Count | Cost of Market <br> Adjustments |
| :--- | :---: | :---: |
| Academic Affairs | 6 | $\$ 29,120$ |
| Business and Finance | 2 | $\$ 24,935$ |
| Diversity \& Inclusion | 0 | $\$ 0$ |
| Government Relations | 0 | $\$ 0$ |
| Intercollegiate Athletics | 0 | $\$ 0$ |
| Marketing \& Strategic Comm | 0 | $\$ 0$ |
| President's Division | 1 | $\$ 5,560$ |
| Research and Innovation | 0 | $\$ 0$ |
| Student Affairs | 4 | $\$ 14,203$ |
| University Advancement | 0 | $\$ 0$ |
| Total | $\mathbf{1 3}$ | $\$ 73,818$ |

Total budget impact $=\$ 113,126$, including fringe rate, based upon 2022-23 fringe rate of $53.25 \%$

## FLSA Status Changes and Implications

Two employees will experience an FLSA status change

- One employee will change from exempt/salaried to nonexempt/hourly
- One employee will change from nonexempt/hourly to exempt/salaried

Employee financial impact - change from exempt/salaried to nonexempt/hourly

- Forty hours less annual leave for 2023-24 (based upon years of service)
- \$1,081 annual value, to be added to base pay prior to any across-the-board increase

Changes effective either June 26, 2023, or July 1, 2023, depending upon FLSA status

## Job Title Guidelines and SCS Administrative Guidelines

## Job Title Guidelines

Changes to Better Align with Market

- Clarify that Senior Directors may have Director reports
- Remove reference to Bachelor's degree in the administrative/technical job title guideline
- Eliminate overlap between professional and administrative job titles.
- Changes designed to assist with the recruitment/hiring process as well as the link to market surveys
- Some recruiting issues may be linked to WMU using "lower level" job titles for some positions, when compared to how similar roles are titled in the market
- Impact: job title changes for 53 employees.

Revised guidelines will be available at wmich.edu/hr/staffcompensation later today

Note: WMU utilizes "working titles" as unofficial job titles to be used informally for day-to-day business purposes. No changes to the working title process are recommended. Details about WMU working titles are available at wmich.edu/hr/workingtitleform.

## SCS Administrative Guidelines

## Changes to Better Align with Market

- Align approval levels for new hire and promotional rates across executive divisions, with "first level" approval at the dean/associate vice-president level in all divisions
- Guidelines currently allow each VP to set unique approval levels, leading to inconsistency and administrative complexity
- Modify job evaluation process to enhance link to market, additional detail on next slide
- Remove Professional/Job Code Group Movement section, which has never been implemented
- Since inception of the new compensation system in 2015, changing pay grades for multiple-incumbent jobs has been achieved via market reviews as opposed to independent administrative decisions
- Clarify the following items:
- Leadership is responsible for pay decisions in consultation with Human Resources, as opposed to requiring HR approval for pay decisions within guidelines
- Factors that should be taken into consideration when setting new hire and promotional rates
- Performing more of the same or similar work is not considered a promotion

Revised guidelines will be available at wmich.edu/hr/staffcompensation later today

## SCS Administrative Guidelines - Job Evaluation Committee

Changes to Better Align with Market

- Utilize market data as the primary method of assigning a pay grade. The goal is to have as many jobs as possible benchmarked to salary surveys when a new position or pay grade review is requested
- Jobs requested for review will be submitted to an outside compensation consultant for market pricing
- Department (hiring unit) will be responsible for funding the consulting fees for the market pricing
- Current arrangement with Aon is $\$ 525$ per job
- Jobs will only be sent to the Job Evaluation Committee for review if market data is not available
- When market data is not available, the Job Evaluation Committee is responsible for assigning pay grade only
- Decisions regarding job titles to be the responsibility of Human Resources in consultation with leaders and managers while leveraging the WMU Job Title Guidelines instead of the Job Evaluation Committee
- Decisions regarding in-grade promotional pay adjustments to be the responsibility of leaders and managers in consultation with Human Resources instead of the Job Evaluation Committee

Next Steps

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## Next Steps

Notification to employees - Beginning Wednesday, May 17.

- In-person distribution within executive areas for all SCS employees, regardless of whether there is a change to job title, pay grade, or pay.

Effective date of changes
June 26, 2023 -nonexempt/hourly
July 1, 2023 - exempt/salaried

Job evaluation committee briefings - June and July

## Questions

## Now

-Questions from the audience.
-Please use microphone so that our online viewers can hear.

Later
-Project website: wmich.edu/hr/scs-market.
-Project team member from your division.

- Individual impact:
-Talk with your supervisor and escalate through organizational structure as needed.
-Contact your HR Representative.

