

APPENDIX B

Review and Comments on Base Pay Compensation Structure

by

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Introduction

The scope of services requested by HEPC/CTCS regarding the base pay service agreement included a review of the history and current operations of the two-year and four-year institutions, the infrastructure and policies of the classification and compensation system, and the goals and objectives of Senate Bill 603 from the perspectives of the Legislature, the HEPC/CTCS, the institutional administrators, and the Classification, Compensation, and Market Study Committees (and indirectly the Performance Management Committee). This process required numerous conference calls and other forms of communication with the Project Coordinator Nichelle Perkins, Vice Chancellor Dennis Taylor, and various committee members.

The analysis also required a review of the Mercer Market Salary Survey results, the Compensation Committee's recommended Compensation Plan, the current base pay plan structure, the Classification Committee's recommended revisions to the Job Evaluation Plan and its compensable factors. The consultants shared many documents with the Project Coordinator throughout the course of the analysis and during the two-day work session, concluded with this final report, its supporting Excel workbooks, and the updated PowerPoint presentation used at the work session.

The services included the two-day work session with key members of the Compensation Committee and other team members on January 22-23, 2009, in Charleston, West Virginia, as well as a meeting with the Project Coordinator, the Vice Chancellor, and two members of the Job Evaluation Committee on the evening of January 22. The consultants reviewed the Job Evaluation documents with the Compensation Committee and other team members, as well as presenting numerous documents in the form of PowerPoints, Excel files, and other documents in order to assist, guide, and direct this cross functional team of SB603 Committee members, Human Resources Administrators, classified employee leaders, and Chief Financial Officers in restructuring the base pay plan that addresses the following issues.

The key issues addressed included whether twenty-five (25) pay grades is the appropriate number of pay grades given the distinction of skill, supervisory relationships, and career progression across the West Virginia higher education system, whether the pay ranges for each pay grade offers a competitive pay given the results of the market salary survey, whether the range spread is appropriate for each pay grade (group of pay grades) given the recommended step plan, whether the midpoint-to-midpoint differential in pay rates between the two adjacent pay grades is appropriate with regard to the Committee's recommended step plan, and whether the range overlap suggested is consistent with the recommended step plan.

Throughout the two day work session, the consultants encouraged the participants to focus on, address, and make decisions regarding a number of questions before a new base pay structure

could be developed. Those questions, which were repeated and reviewed throughout the PowerPoint presentation and the discussions, were as follows:

- Have the Mercer data been validated?
- Did Mercer use the right job descriptions in when performing the market analysis?
- Do the job descriptions match the jobs?
- Do the job titles match the jobs?
- Do the same jobs have different titles?
- How well does the market pricing match the jobs and grades?
- Should the job descriptions be reviewed in light of outliers?

These questions were reviewed and addressed by email and telephone communications, interactions with participants during the work sessions, meetings with the Vice Chancellor and Project Coordinator, and correspondence with various team members both before and after the work sessions. The issues of whether Mercer used the right job descriptions when performing the market analysis, whether the job descriptions matched the jobs, whether the job titles matched the jobs, whether the same jobs had different titles, and whether the job descriptions needed reviewing in light of outliers were addressed in part during the work sessions and were clarified after the work sessions when additional information became available through specific reviews by team members.

Eventually, the administration and the participants of the work sessions concluded that a revised base pay structure should retain the same general grade structure as before, with 18 of the grades (grades 4 through 21) currently populated. The administration and the participants also concluded that two additional service levels should be added, that the midpoint progressions were reasonable and did not require a constant midpoint progression adjustment, and that the existing range spreads from grade to grade did not need to be modified.

Thus, the main thrust of the project then focused on recommendations for changes to the current salary structure based on the Mercer Market Salary Pricing Data, as outlined in their Match Detail Report of 12/8/08, as requested by the Project Coordinator. As noted in the service agreement, all recommendations are advisory in nature, with the final decision being made by the HEPC and/or the CTCS.

The following is a summary of the process and facts related to this effort, outlining the methodology and procedures applied, describing conclusions, and explaining decisions that need to be made in examining and revising the base pay structure. This report includes and makes reference to supporting documentation used during the process in support of the conclusions.

Compensation Structure Process

The end result of this service agreement was to provide alternatives for a revised base pay structure for West Virginia Higher Education Positions that is responsive to the market data

projected to the beginning of the Fiscal year (7/1/09). The market data were provided by W. M. Mercer Company Consultants, as stated previously.

The consultants began with a list of classified employees from Higher Education Institutions in West Virginia and the market data, as provided by the Project Coordinator and supporting team members. The consultants used the median of the survey to define the Market Rate. The 25th and 75th percentiles for each position for which market data were provided by Mercer are also included in the spreadsheet that accompanies this report. The consultants matched the market data with the appropriate corresponding positions in the employee database that was provided.

The initial analysis revealed a few anomalies with regard both to data and job titles. The consultants also determined that some positions were part-time. The consultants had assumed they were working with annual salaries and subsequently requested and received the percentage of full time such employees worked; the consultants then annualized such data.

The consultants also learned during training session discussions with the Compensation Committee that each employee receives an additional amount of *incremental* pay based on years of service, as required by state law. After considerable discussion and recommendations made by the administration, the consultants added this incremental pay to the employee's base pay to determine employees' total cash compensation. Subsequently, this total cash compensation was compared to the market data by position and grade.

Upon further review of the data, the consultants noticed a number of other issues they also identified as anomalies. These anomalies were typically market rates that were either greatly exceeding the majority of other position market rates within the same grade or were well below the other position market rates within the same grade. For example, one of the positions of concern was the Assistant Director of Public Safety & Training. The reported market rate for this position in the salary survey was less than half that of the position of the Applications Systems Analyst Programmer, Lead.

These positions were then discussed with the Committee and reviewed by the HR administrators of the various universities and colleges, both during and after the work sessions. Based on the feedback received by the consultants, they decided not to use the market rates for the following positions:

- Database Technician I
- Database Technician II
- Manager, Graphics Services E
- Public Relations Manager
- Financial Reporting Manager
- Assistant Director of Public Safety & Training
- Construction Project Manager
- Chef
- Manager Information Service

- Manager Business Operations
- Executive Assistant to the President

Excel Workbooks to Support Structure Creation and Flexibility

The market rates obtained from Mercer were then loaded into one of the Excel workbooks provided by the Project Coordinator, now entitled *2008 Comp structure Analysis REV-1.xls*. The consultants sorted the positions by grade and determined the average salary, average midpoint, and average market rate for each grade. The tab entitled *Analysis* within this Excel workbook displays these values by grade. It also includes the number of positions for each grade. In order to obtain the difference in average market rates, average salaries, and average midpoints, the consultants multiplied each of these values by the number of employees per grade to obtain the total values for each grade and then for the total population. Market data from Mercer were not available for the positions in grade six (6), so the analysis had to be performed by eliminating the salaries and midpoints related to grade six (6).

The data reveal that the total salaries are 13.3% below the market as projected to 7/1/09. Further, the midpoints of the current structure fall 21.3% below the market as projected to 7/1/09. Subsequently, the 13.3% was multiplied by the total salaries including grade six (6) in order to determine the total cost of moving the average salary to the market.

Structures for Consideration

Based on requests during the session and meetings in Charleston, the consultants have developed a base pay structure by increasing the current structure by 21.3%. This revised structure is included in a separate Excel workbook entitled *WV HEPC Annual Salary Schedule at Market as of 7-1-09.xls*. This Excel workbook has three spreadsheets, identified by the following three tabs:

- *2001 Structure*
- *Market Structure*
- *Institution Structure*

The *2001 Structure spreadsheet* is based on the original 2001 base pay structure (with one slight modification, as discussed below), while the *Market Structure spreadsheet* is a dynamic spreadsheet that shows a pay structure based on the market data derived from Mercer. The *Institution Structure spreadsheet* is a dynamic spreadsheet that provides flexibility options for each individual institution if desired, as discussed at the work sessions and as explained below.

It is important to note that the *2001 Structure spreadsheet* within the *WV HEPC Annual Salary Schedule at Market as of 7-1-09.xls* Excel workbook includes two additional service steps, which were added to the former structure, as requested by the administration. Thus, that spreadsheet now contains 18 steps, ranging from “0 Years of Service” to “17 Years of Service.” This inclusion addresses an administration concern regarding the pace of progression through the

step system, allowing administration more flexibility with regard to this progression. As noted earlier, the spreadsheet contains the original 25 grades, although only grades 4 through 21 are currently populated by employees.

Next, the *Market Structure spreadsheet* within the *WV HEPC Annual Salary Schedule at Market as of 7-1-09.xls* Excel workbook shows a proposed structure with these same 18 steps and 25 grades, updated to 7/1/09, based on the market data obtained from Mercer. Notice that in cell 2E of this spreadsheet, the value of 21.3% appears. This is the value used to convert the *2001 Structure spreadsheet* to the *Market Structure spreadsheet*, which was based on determining that the midpoints of the current structure fall 21.3% below the market, as projected to 7/1/09. This value can be used to bring the structure close to market, based on sample survey data, and dependent on the reliability and representativeness of that sample data. However, the value in cell 2E can easily be replaced by other percent values to obtain alternative revised structures for the administration's consideration. To do so, the user can simply replace the value in cell 2E with another percent value, and the 2001 Structure will automatically be revised to reflect that percent. It is recommended that the original version of this Excel workbook be saved prior to making any changes or attempting any "what-if" scenarios so that the original data will not be lost or reformatted.

Finally, the *Institution Structure spreadsheet* within the *WV HEPC Annual Salary Schedule at Market as of 7-1-09.xls* Excel workbook will allow administrators at different universities and colleges to revise the market structure by a desired percentage of market. To make individual institution adjustments, the user can insert into Cell 1E the percentage to market he/she desires. This will then automatically modify the structure by that amount in the dynamic spreadsheet, with the calculations immediately updated in the structure. For example, if a particular institution prefers a structure that is 95% of market, he/she can simply type 95 into cell 1E, and the new structure is created. Of course, this modification is based on the structure included in the *Market Structure spreadsheet*, which is currently set at 21.3%. As noted in the previous paragraph, it is recommended that the original version of this Excel workbook be saved prior to making any changes or attempting any "what-if" scenarios so that the original data will not be lost or reformatted.

Further information is also included in all three spreadsheets of the Excel workbook. For example, the *2001 Structure spreadsheet* includes the current range spreads of each grade (after adding the two additional grades). As can be seen, the current structure has a gradual increase in range spreads from 38% to 60.5%. It also includes the midpoint progressions from grade to grade, including existing aberrations for grades 10 and 19. The *Market Structure spreadsheet* and the *Institution Structure spreadsheet* contain the same information, revised as a result of the update process and the market pay data. Grade 9 was used to approximate the market for these structures in these two spreadsheets. The average of the structure value for *0 Years of Service* and *17 Years of Service* was used to approximate the midpoints for each of the 25 grades.

Summary

In summary, we have provided several examples for revising the base pay structure. These examples provide maximum flexibility, include dynamic Excel software, and address the concerns of the administration discussed during the work sessions, conference calls, meetings with team members, and meetings with the administration. The consultants trust you will find this discussion and the associated materials, including the Excel workbooks and the PowerPoint Presentations, useful as you move forward with your development of a base pay structure that will address the needs of the various colleges and universities. Thank you for the opportunity to work with you. We hope your efforts will work out well for the administration, the legislature, and the employees of the public colleges and universities of West Virginia.

Attachments under Separate Cover

2008 Comp structure Analysis REV-1.xls

WV HEPC Annual Salary Schedule at Market as of 7-1-09.xls

West Virginia Higher Education Policy Commission-Job Evaluation and Base Pay-Final.ppt