Staff Compensation Review – Results

January 2018

Lunch & Learn Presentation to Staff Employees by:

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Background

- The Robust Employer-Employee Relationship theme’s “Be an exemplary employer” goal recognizes that employee attraction and retention is critical to our success.

- Salaries are a key (but not the only) component of employee attraction and retention; best practices in the area of compensation management is to test the competitiveness of salary structures on a regular basis.

- For the above reasons, the Provost agreed to the completion of a full and comprehensive compensation review during the May 1, 2015 to April 30, 2018 compensation cycle period, through the Provost’s Advisory Committee on Staff Compensation (PACSC).

- External support to conduct this review, through a consulting firm that specializes in compensation was deemed necessary and appropriate by the PACSC.
Request for Proposal (RFP) Process

- Procurement led an RFP process for the PACSC with support from HR
  - January – June 2016: RFP requirements discussed and defined
  - June – July 2016: RFP released to the market; three proposals received
  - July – August 2016: evaluation team (2 individuals from the UWSA, 2 individuals from HR) reviewed the proposals and ranked them against the predetermined evaluation criteria
    - September 2016: recommendation to engage Gallagher McDowall and Associates (Gallagher)
- PACSC approved the recommendation and shortly thereafter, Gallagher consultants commenced work on the initiative with a project plan finalized towards the end of 2016
Scope of the Review

- Gallagher’s proposal and project plan defined the scope of the review that sought to answer the following questions:
  - What is the University’s Compensation Philosophy?
  - Is the Staff salary structure (USG 1-21) aligned with that philosophy?
  - Is the Staff salary administration aligned with best practices in compensation management?
- The purpose of today’s session is to share the results of Gallagher’s review
The first phase of the project was for Gallagher to conduct stakeholder interviews and analyze key findings in order to confirm the compensation philosophy with the PACSC.
Stakeholder Interviews

- Gallagher conducted 5 stakeholder interviews between November 30-December 9/16:
  - UWSA Board (J. Serviss, T. Ireland, A. Antkiewicz, J. Gorrie, M. Herz, S. Filsinger, T. Labach, L. Folland)
  - Associate Provost, HR (M. Thompson) and Executive Director, HR (K. Needham)
  - President (F. Hamdullahpur)
  - Vice President, Academic & Provost (I. Orchard) and Vice President, Finance & Administration (D. Huber)
- In each of the interviews, 12 consistent questions served as a framework for the discussion
- Meetings lasted between 1 and 2 hours
Guiding Principles

- Compensation Philosophy
  - Equity & Consistency
  - Alignment
  - Balance
  - Flexibility
  - Competitiveness
  - Linkage to Performance
  - Commitment to Staff Development
  - Communication

Staff Compensation Review – Results
Guiding Principles

Combination of salary, benefits, pension, paid time off, and a collegial teamwork based culture with work/life balance
Guiding Principles

Components are designed and applied consistently to align with and support UW’s strong brand, academic and research reputation, and desire to be an employer of choice.
Guiding Principles

Comparable roles and positions across departments and faculties are evaluated and treated consistently and fairly.
Guiding Principles

*Flexibility exists while maintaining fairness in order to recognize the diversity in the workforce*

Balance

Alignment

Equity & Consistency

Flexibility

Competitiveness

Linkage to Performance

Commitment to Staff Development

Communication

Compensation Philosophy
Guiding Principles

Comparator market includes local employers in every sector plus a broader geographic market, other universities, or specific industry sectors for specialized roles.

Competitiveness with the comparator market is defined as the 50th percentile but the 50th percentile is not guaranteed by job.
Guiding Principles

Top performing staff are recognized and rewarded through merit based salary increases, supported by a comprehensive performance management program.
Guiding Principles

Enhanced training and development opportunities support internal equity and enable staff to compete with external candidates.
Open and transparent communication on programs and policies to all staff is important
The next phase of the project was for Gallagher to review the competitiveness of the Staff salary structure (USG 1-21) relative to the comparator market and the University’s philosophical position – the 50th percentile.
What is meant by the 50th Percentile?

- No greater than the point in the range which half the values fall below, as illustrated in the following example:

<table>
<thead>
<tr>
<th>Comparator Organization</th>
<th>Salary for a Specific Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$65,000</td>
</tr>
<tr>
<td>B</td>
<td>$65,000</td>
</tr>
<tr>
<td>C</td>
<td>$50,000 = 50th percentile (median)</td>
</tr>
<tr>
<td>D</td>
<td>$49,000</td>
</tr>
<tr>
<td>E</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

Note: with an even number of values, the average of the 2 middle numbers is the 50th percentile
The Staff salary structure’s 21 pay ranges are illustrated below – the minimum salary of each is 80% of job value and the maximum is 120% of job value...
The distribution of our 2330 Staff employees, 1626 job titles, and 740 unique jobs across the Staff salary structure is illustrated below...
Step 1: Identification of Benchmark Jobs

- It is not possible nor necessary to review the market pay levels for all jobs; instead, a representative sample of jobs – benchmark jobs – are reviewed against the market.

- Gallagher’s benchmark job criteria:
  - A solid cross section of all levels and functions
  - Jobs that reflect the full range of knowledge, expertise, and responsibility (e.g. deep experts to broad generalists, single contributors to team leaders and managers)
  - Roles that are generally understood across the University – each faculty/department can relate to and understand how the roles contribute to the University as a whole
  - Jobs that are typical and not unique including multi-incumbent roles as well as a strong sampling of those that are highly populated
  - Roles that are operating within a relatively stable and optimized organization structure (in terms of reporting relationships and spans of control)
  - Roles that are frequently used in external market compensation surveys
Step 1: Identification of Benchmark Jobs (cont.)

- Using Gallagher’s criteria for the selection of benchmark jobs, the PACSC identified 155 benchmark jobs
  - Representing 21% of jobs and 26% of the population, across USGs 2-19 and with a good distribution across all areas of the University
  - Considered sufficient by Gallagher to serve as a foundation for the competitiveness review
- To confirm that the benchmark jobs are representative of all of the jobs within the Staff salary structure, Gallagher needed to conduct an audit

How are jobs are assigned a USG at UW?

Job Evaluation
Step 2: Job Evaluation System and Process Audit

- As positions are created or evolve and job descriptions are written to reflect the accountabilities, job evaluation is performed by a team of specialists within HR to confirm USG assignment within the Staff salary structure using the Hay point factor system.

- The job evaluation process includes a review of the job description, reporting structure, and other aspects along with an interview process with the employee and their manager to clarify aspects that may be unclear in the job description.

- Gallagher examined the following components:
  - All documented processes for both job description development and job evaluation.
  - Use and quality of the key tools – the job description template and Hay evaluation tool.
  - Application of the Hay evaluation tool (a sample of positions were evaluated independently).
  - Administration of the overall system and process.
Step 2: Job Evaluation System and Process Audit (cont.)

- Gallagher’s findings:
  - The documented processes for both job description writing and the job evaluation system application and maintenance are comprehensive and thorough; very few organizations have documented processes of our quality
  - The job description template and design meets all the criteria required to complete a proper evaluation of the position
  - The Hay evaluation tool is applied with rigour, in a thorough and consistent manner
  - Gallagher’s review confirmed the integrity of the process and accuracy of the results which enabled them to move into Step 3 ... a review of the benchmark jobs’ pay levels in the market
**Step 3: Market Review of Benchmark Jobs**

- Gallagher completed market pricing against the 155 benchmark jobs’ actual salaries and job values effective May 1, 2017

- Benchmark jobs were matched to published survey jobs based on:
  - A review of job descriptions and other materials provided to Gallagher
  - A comparison of the job duties and responsibilities of the benchmark job positions to capsule job descriptions in the published survey sources

- Scoping adjustments were applied to the survey data on an individual basis where applicable, to reflect differences in the level or scope of the published survey job’s responsibilities compared to the benchmark jobs
Step 3: Market Review of Benchmark Jobs (cont.)

- Statistics analyzed within the sample included the following:
  - 25\textsuperscript{th} percentile – 25\% of observations are at or below this amount
  - 50\textsuperscript{th} percentile/median (the University’s target position, as per the compensation philosophy)
  - 75\textsuperscript{th} percentile – 75\% of observations are at or below this amount
  - Average

- Data cuts were reviewed by each of the following:
  - Sectors: Public and Not-for-Profit, Private
  - Regions: National, Greater Toronto Area, Kitchener/Waterloo

- Market results within a +/-5\% window from the 50\textsuperscript{th} percentile is considered competitive
Results: Job Value

- Overall results across the USGs for each of the analyzed statistics are as follows ...

[Graph showing job values relative to the competitive market with different statistics represented by lines and markers.]

Job Values Relative to the Competitive Market

U of W Job Rate  Market P25  Market P50  Market P75  Market Average
Results: Job Value

- Current job values are 2.1% below the 50th percentile on an overall basis ...
## Results: Job Value (cont.)

<table>
<thead>
<tr>
<th>Data Cut</th>
<th>P25</th>
<th>P50</th>
<th>P75</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Markets</td>
<td>9.1%</td>
<td>-2.1%</td>
<td>-13.3%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>8.5%</td>
<td>-4.2%</td>
<td>-16.7%</td>
<td>-6.7%</td>
</tr>
<tr>
<td>GTA</td>
<td>10.1%</td>
<td>-0.3%</td>
<td>-10.6%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>K/W</td>
<td>10.5%</td>
<td>-2.0%</td>
<td>-12.9%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Public Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>10.3%</td>
<td>-0.3%</td>
<td>-14.2%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>GTA</td>
<td>4.8%</td>
<td>-3.8%</td>
<td>-11.6%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>K/W</td>
<td>12.9%</td>
<td>2.0%</td>
<td>-12.2%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>
Results: Actual Salaries

- Overall results across the USGs for each of the analyzed statistics are as follows ...
Results: Actual Salaries

- Actual salaries are 1.2% above the 50th percentile on an overall basis...
## Results: Actual Salaries (cont.)

<table>
<thead>
<tr>
<th>Data Cut</th>
<th>P25</th>
<th>P50</th>
<th>P75</th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>All Markets</td>
<td>14.1%</td>
<td>1.2%</td>
<td>-11.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>12.0%</td>
<td>-1.2%</td>
<td>-14.0%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>GTA</td>
<td>14.9%</td>
<td>1.9%</td>
<td>-9.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>K/W</td>
<td>17.3%</td>
<td>1.5%</td>
<td>-10.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Public Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>12.7%</td>
<td>-1.0%</td>
<td>-13.4%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>GTA</td>
<td>13.3%</td>
<td>1.9%</td>
<td>-9.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>K/W</td>
<td>15.3%</td>
<td>1.3%</td>
<td>-11.3%</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>
Results: Summary of Gallagher’s Findings

- Staff salary structure is aligned well with the competitive landscape.
- Since overall compa-ratios are representative of range midpoints (i.e. job values), there is a good fit between salaries and the structure.
- Alignment between the existing Staff salary structure and the internal and external job values was demonstrated through mathematical regression techniques with key variables being:
  - Job evaluation points
  - Market data at the 50th percentile
  - Job values assigned to benchmark jobs
The final phase of the project was to review salary administration practices in comparison with best practices in compensation management.
Gallagher’s Findings

- In comparison with prevalent practices within the overall market, broader public sector, and specifically education institutions, Gallagher reviewed documented policies and practices involving compensation decisions, including:
  - New hires
  - Job changes – temporary or permanent
  - Annual merit (staff salary increase process)
  - Shift premium
  - Regional differentials

- Findings indicate alignment with standard practices but identified a few areas that could benefit from more clear and detailed communications
NEXT STEPS
Next Steps

- Satisfied that a full and comprehensive compensation review was performed by Gallagher, the PACSC then developed a communication strategy
  - Phase 1: Share the results of the Staff Compensation Review (by UWSA and HR)
    - Presentations to key stakeholder groups (December / January)
    - High level written summary of the results through Daily Bulletin, Blast Email
    - Lunch & Learn sessions for employees (January 23, 24, 31, and February 2)
  - Phase 2: Strengthened Communication of Current Arrangements (by HR)
    - Compensation booklet to be developed in 2018/19
    - Annual Lunch & Learns commencing in 2019
- The PACSC will periodically review and update all the project components to ensure external competitiveness and internal equity are maintained on an ongoing basis