Compensation Pay Philosophy

Ohio University believes that employees are its most valuable resource and are partners in achieving the university’s mission and goals. Compensation is a key factor in recruiting, retaining, motivating and rewarding a talented and committed workforce. Pay determination policies and guidelines emphasize continued development of knowledge, expansion of skills, performance and the ability to be flexible and adaptable to change. Our goals are:

- to compete for qualified employees in an evolving higher education environment,
- to pay employees fairly and equitably
- to reward qualified employees
- to be fiscally responsible

The purpose of these guidelines is to establish a university decision-making process for employee base wage adjustments other than general annual increases for administrative staff. For pay plans to be equitable and effective it is important to consider both internal and external equity. Internally, it is important to consider the salaries of like jobs, as well as the individual’s skills, knowledge, performance and job related experience. The external market consists of other organizations with whom we compete for employees with relative skills and experience. University Human Resources will review the salary levels and ranges to determine whether we are paying “at market.”

University Human Resources tracks the market value of jobs by participating in annual salary surveys and obtaining salary information on “industry standard” positions, referred to as benchmark jobs; i.e., those jobs that are typical in higher education and other industries and easily matched to jobs at OU. Salary data from these surveys indicate a salary range for jobs found in the market similar to ours. The market value for certain jobs will vary and pay levels may increase at different rates depending on whether certain skill sets are in increasing demand or whether there is a shortage of individuals with specific expertise. UHR will watch the market closely and monitor the relevant labor market to determine market movement and its effect on employees’ pay.

The provisions in these guidelines are to ensure that the same decision factors and priorities are consistently applied with respect to adjusting salaries and approving salary actions within the context of the Administrative and Professional compensation pay plan. All actions described in the following guidelines must be reviewed and approved through the applicable approval process before they are communicated to the affected or prospective employee.

Refer to Policy 40.036 for Administrative & Professional Pay Plan and Policy 40.055 Pay Determination Policy for Classified/Classified IT & Administrative IT Staff
I. Summary of Current Pay Determination Policies (outlined in policies 40.036 and 40.055)

A. New Hires

Starting salaries for new employees are typically determined by referring to the pay grade assigned to the position being filled, the individual’s job-related experience, knowledge and skills, current pay, and the salaries of other employees performing the same or similar job functions. In order to compare pay for employees in similar jobs, a manager must also analyze job-related characteristics for each employee, including:

- Job content (are employees, in fact, doing similar work?)
- Years of experience
- Qualifications, education
- Job-related knowledge
- Skills (required and “premium”)
- Technical expertise
- Performance
- Value of job in the labor market

Employees shall be hired at no less than the minimum salary of the applicable pay grade provided that the minimum qualifications of that position are met. All salaries must be approved by the Planning Unit Head.

- Using the Pay Structures as a Guide for Starting Salaries

  - The pay grade minimum is the rate that is typically offered to employees who meet the minimum qualifications and who are expected to perform the basic duties and responsibilities of the position after normal training. These employees often have limited relative experience and will require learning certain aspects of the job.

  - The midpoint or the market reference point is consider appropriate for experienced and fully qualified employees whose performance and experience fulfill the major requirements of the position and enables them to perform most aspects of the job effectively with little or no training.

  - The maximum of the pay grade is considered the upper limit of the salary opportunity in a grade for a broadly and highly experienced employee. The individual should be knowledgeable in the job and related areas, and may have specialized skill or unique knowledge and serve as an expert resource.

- Approval Process for Starting Salaries for New Administrators

  - The hiring department is authorized to approve starting salaries within the first quartile or 25th percentile of the A/P pay structure, or within the developing range of the C&IT pay structure for IT administrators. With approval from the planning unit head, the department is authorized to prepare the appointment letter.

  - Requests for starting salaries beyond the 25th percentile of the A/P pay structure, or beyond the developing range of the C&IT pay structure for IT administrators require consultation with University Human Resources. UHR will review the request and make a salary recommendation to the department. With approval from the planning unit head, the department is authorized to prepare the appointment letter.

  - Requests for starting salaries beyond the midpoint or market reference point of the pay structure require consultation with University Human Resources. A justification or business case for the higher salary should be provided by the department and approved by the planning unit head. UHR will review and forward the request with a
recommendation to the Provost. Provost approval must be received before initiating an appointment letter.

B. Promotion – Promotions normally occur as a result of the employment process and is the upward movement of an employee to a job in a higher pay grade with greater responsibility. A promotional increase must bring the employee to, at least, the minimum of the new pay grade. The amount of the increase is normally 10% for administrators and 7%-12% for IT administrators, but is dependent upon increased level of responsibility. Before determining the amount of promotional increase, the following factors should be considered:

- The employee’s proficiency relative to job requirements.
- Where the employee’s current pay is in relation to the pay range.
- How the employee’s recommended pay compares to that of others in same or similar positions, both internally and externally.
- How the employee’s recommended pay compares to that of the supervisor or direct reports.
- The employee’s performance.
- The impact of the employee’s position on departmental goals and on the university’s mission and goals.
- Funding availability.

Promotional Increases for Administrators:

- Promotional increases for administrators are normally 10% of incumbent’s current salary or the minimum of new pay grade, which ever is greater. With approval from the planning unit head, the department is authorized to process the new appointment letter.

- Departmental requests for promotional increases in excess of 10% require consultation with University Human Resources. A justification or business case for the higher increase should be provided by the department and approved by the planning unit head. UHR will review and forward the request with a recommendation to the Provost. Provost approval must be received before initiating an appointment letter.

Promotional Increases for IT Administrators:

- Promotional increases for IT administrators are normally in the range of 7%-12% of the incumbent’s current salary or the minimum of new pay grade, which ever is greater. With approval from the planning unit head, the department is authorized to process the new appointment letter.

- Departmental requests for IT promotional increases in excess of 12% require consultation with University Human Resources. A justification or business case for the higher increase should be provided by the department and approved by the planning unit head. UHR will review and forward the request with a recommendation to the Provost. Provost approval must be received before initiating an appointment letter.

C. Upgrade – The assignment of a position to a higher pay grade based on an evaluation or job audit of the position due to significant changes in the assignment of duties and level of responsibility.

Upgrade Increases for Administrators

- Upgrade increases for administrators are normally 5% of incumbent’s current salary or the minimum of new pay grade, which ever is greater. With approval from the planning unit head, the department is authorized to process the new appointment letter.
Departmental requests for upgrade increases in excess of 5% require consultation with University Human Resources. A justification or business case for the higher increase should be provided by the department and approved by the planning unit head. UHR will review and forward the request with a recommendation to the Provost. Provost approval must be received before initiating an appointment letter.

(Note: Requests for increases beyond the normal rates should be reviewed and evaluated with consideration to internal and external equity, performance and the position’s impact on departmental goals, as well as, the mission and goals of the university.)

D. Demotion – The assignment of a position to a lower pay grade based on an evaluation or job audit of the position due to significant changes in the assignment of duties and level of responsibility.

- Employees reassigned to a different position in a lower pay grade with decreased responsibility shall have their salary reduced if it is in excess of the lower pay grade’s maximum.

- May be reduced as low as the midpoint of the new pay grade. With approval from the planning unit head, the department is authorized to process the new appointment letter.

- Any assignment below the midpoint must be reviewed by University Human Resources. A justification for the decrease in salary should be provided by the department and approved by the planning unit head. UHR will review and forward the request with a recommendation to the Provost. Provost approval must be received before initiating an appointment letter.

E. Lateral Transfers – The movement of a person to a similar position within the same pay grade as his/her current position. Normally there is no change in compensation. (See II.Special Salary Requests for Administrative Employees.)

F. Periodic Increases – Salary increase pools are determined by the President and subject to approval of the Board of Trustees. This determination is based on recommendations from the VP for Administration and the Assistant VP for Human Resources based on market data, economic indicators, salary planning projections and the availability of funds. When provided, these increases are normally effective at the start of the fiscal year.

- General increases are distributed to all employees who display satisfactory performance.

- Merit increases are made at the discretion of the department head and vary with level of performance.

- Funds may also be provided to address equity or position-in-grade concerns, or the strategic value of a position, and are usually awarded on the basis of one’s job performance.

- Lump Sum Payments may occasionally be given to recognize performance. These payments are considered earnings to the employee, but the amount is not included in the employee’s annual base salary. (See policy 40.011.)

II. Guidelines for ‘Special’ Salary Requests for Administrative Employees

The purpose of these guidelines is to establish a university decision-making process for all administrative (salaried) base pay adjustments not addressed in pay determination policies 40.036 and 40.055. These guidelines are established to ensure that the same decision factors and priorities are consistently applied. Requests for promotional increases to salaries currently above or below market value should be reviewed
and evaluated based on internal and external equity, performance and the position’s impact on the mission and goals of the university.

A. Advancement Within a Pay Grade – There may be times when significant changes in responsibilities may appear to warrant a promotion, but upon evaluation it is determined not enough to warrant reassignment of the position to a higher pay grade. To recognize increased responsibility or the acquisition of new skills or knowledge, change in duties and scope of responsibility, change in education/experience requirements, change from individual contributor to manager, etc., a modest increase may occur.

- Examples that would not warrant a salary increase:
  - An increase in volume of work/activity/transactions
  - Supervising additional staff with similar responsibilities
  - Acquiring a degree or certificate to remain current in position

- Examples that may warrant a salary increase:
  - Major changes in programmatic responsibilities
  - Job requires significantly broader knowledge
  - More complex decisions and problem solving
  - Impact and risks of decision outcomes more significant to department/unit
  - Broader, higher level communications skills are required, i.e., influence, facilitation, negotiation
  - More complex problems encountered requiring higher level skill
  - Increased accountability
  - Acquiring a degree or certificate enhances the employee’s capability to do his/her job at a higher level or is of benefit to the department
  - Acquiring skills/knowledge that is rarely found and is critical to the department

- A modest pay increase will be considered when there has been a significant increase in either job responsibilities or the complexity of the job, but not enough to warrant an upgrade. The amount of increase would depend on the degree of change.

- In some cases, UHR may require an updated/new job description (PDQ) in order to ensure that the position’s description accurately reflects the increased responsibilities.

- A business case should be presented to the appropriate planning unit head for concurrence and submitted to UHR for review.

- Salary increases up to 4% may be made with approval from the Chief Compensation Officer. Approval from University Human Resources must be received before initiating a salary change.

- Requests for salary increases larger than 4% may require a review and recommendation from the Assistant Vice President of Human Resources and approval from the Provost.

B. Lateral Transfers – The movement of a person to a similar position within the same pay grade normally does not warrant a salary adjustment. However, lateral movement is beneficial to the university in order to develop and utilize employee talent and cross-train employees so that they may continue to add value to the university, as well as, to the individuals who broaden their base of knowledge and enhance their professional growth potential. A modest pay increase will be considered when there has been significant value added by the employee to the position.
A modest pay increase up to 4% will be considered when there has been a significant increase in either job responsibilities or the complexity of the job. The amount of increase would depend on the degree of change.

A business case should be presented to the appropriate planning unit head for concurrence and submitted to UHR for review.

Salary increases up to 4% may be made with approval from the Chief Compensation Officer. Approval from University Human Resources must be received before initiating a salary change.

Requests for salary increases larger than 4% may require a review and recommendation from the Assistant Vice President of Human Resources and approval from the Provost.

Examples that may warrant a salary increase:
- New job requires use of significantly new set of content knowledge or skills.
- Employee’s previous experience adds much to the new role.
- Combined skill set is of greater value than the single skill set.
- Employee will be expected to work with more internal/external constituents at a higher level.
- Level of communication (written and oral) is higher.
- Employee will be expected to negotiate, set own standards and goals, manage or coach at a higher level than current position.
- New job requires a higher level of analysis, innovative/creative thinking, and ability to adapt.
- The impact of decisions and level of consequences is greater.
- Increased level of independent action and autonomy.

Lateral Career Progression – When it is determined that the position the employee is transferring to requires new and/or additional skills, and is more complex than the position the employee is transferring from, an increase may be appropriate.

Internal Equity should also be taken into consideration when an employee makes a lateral move. The employee’s current salary should be compared to salaries of those in his/her new peer group. An increase may be warranted, depending on the circumstances.

C. Mid-Year Merit Increases – To recognize an employee that has sustained exceptional performance over an extended period of time and has clearly demonstrated the acquisition of new competencies, then a modest increase may occur.

A modest pay increase up to 4% will be considered when an employee’s contributions have been so exceptional that a mid-year pay increase is warranted.

A business case should be presented to the appropriate planning unit head for concurrence and submitted to UHR for review.

Salary increases up to 4% may be made with approval from the Chief Compensation Officer. Approval from University Human Resources must be received before initiating a salary change.

Requests for salary increases larger than 4% may require a review and recommendation from the Assistant Vice President of Human Resources and approval from the Provost.
D. Internal Equity Adjustments – To correct an internal inequity and establish equal pay for jobs of equal value; where two or more positions in different parts of the university have substantially the same duties and responsibilities and require equal skills and effort but have substantially different rates of pay.

- In order to compare pay for employees in similar jobs, the following job-related characteristics for each employee must be analyzed:
  - Job Content (to ensure that employees are, in fact, doing similar work)
  - Years of Experience (at OU or externally)
  - Education
  - Job-Related Knowledge
  - Skills (required and "premium")
  - Technical Expertise
  - Performance

- Once it has been determined that there may be a possible pay inequity, UHR will review market data (e.g., salary surveys and recent new hire salaries) to determine whether there are any market forces that have helped to create an inequity.

- Findings will be reviewed with the department and planning unit head. UHR will recommend an appropriate salary adjustment to the individual employee’s pay rate.

- Salary increases up to 10% may be made with concurrence from the planning unit head and approval of the Chief Compensation Officer. Approval from University Human Resources must be received before initiating a salary change.

- Requests for salary increases larger than 10% may require a review and recommendation from the Assistant Vice President of Human Resources and approval from the Provost.

- When an entire group of employees in the same or similar jobs is reviewed, it will be determined which individuals need adjusting in relation to either their peers or the market. (See E. External Equity or Market Adjustments)

E. External Equity or Market adjustments – To react to shifts in the competitive labor market for a specific position or category of positions that are affected by an inequity (i.e., hiring salary rate, retention)

- University Human Resources will routinely research, collect and maintain relevant market data for comparable external positions to ensure proper alignment of OU positions with the external market.

- UHR will review the market data (e.g., salary surveys and recent new hire salaries) to determine whether there are any market forces that have helped to create an inequity. A position is considered to be equal to external market rate if it is being compensated within 90 percent of the designated external market rate.

- Once it has been determined that there may be a possible pay inequity, findings will be reviewed with the department and the planning unit head.

- UHR will review the individual’s time in grade and position and make a recommendation regarding an appropriate pay adjustment to the individual employee’s pay rate. Adjustments to the individual employee’s pay rate will be determined in consultation with the department.

Note: Market and/or equity reviews involve many factors (e.g., market rates, internal parity, employee skills, experience and performance, as well as departmental budget constraints) and merely undertaking a review does not necessarily mean that adjustments will be made, nor does
it mean that all employees will receive adjustments. Affected employees should be informed only after decisions have been finalized.

- Salary increases up to 10% may be made with concurrence from the planning unit head and approval of the Chief Compensation Officer. Approval from University Human Resources must be received before initiating a salary change.

- Requests for salary increases larger than 10% may require a review and recommendation from the Assistant Vice President of Human Resources and approval from the Provost.

- When an entire group of employees in the same or similar jobs is reviewed, it will be determined which individuals need adjusting in relation to either their peers or the market.

**Performance and Equity Adjustments**

It is also important to recognize that market and/or equity adjustments can send unintended messages. For example, someone whose performance is not satisfactory but who gets a market or equity adjustment anyway could assume that performance does not need to change. In this case, it may be advisable to hold back the adjustment until performance has been brought up to an acceptable level.

**Recruitment and Retention Issues**

Internal and external equity problems can prevent departments from offering competitive pay levels and can contribute to employees leaving Ohio University for higher pay. Departments can assist in avoiding equity problems by contacting UHR if they begin to notice any of the following:

- Difficulty hiring people with needed skills and experience
- High turnover
- Employees leaving for higher pay
- Candidates turning down job offers due to low salaries

**E. Retention (Counter Offer or “Stay” Money)**

In cases where the employee has received a documented offer of higher salary for employment with another organization, the department may counter offer as follows:

i. Match the salary offer.
ii. Decline to match the salary offer.
iii. Increase salary by less than the salary offer.

- The university administration does not encourage counter offers above the salary offer, or when the offer is internal to the university.

- Consideration will be given to the impact of a salary increase on other people in the same or similar classification and working in the same unit and department.

- All such requests will require prior approval from the planning unit head, a review and recommendation from the Chief Compensation Officer to the Assistant Vice President of Human Resources and final approval from the Provost.