

Utah System of Technical Colleges

# UTech Market Competitive Compensation Request

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# Mission Statement

*The mission of the Utah System of Technical Colleges is to meet the needs of **Utah's employers** for technically-skilled workers and to promote **economic development** by providing **market-driven** technical education to secondary and adult students.*



# Background of the Issue

- Qualified, dedicated, caring and engaged instructors are critical to UTech mission
- Market-competitive compensation identified as an issue in the technical colleges' ability to meet their mission
- Recruiting and retention is difficult when colleges cannot compete with industry salaries
- Tech college instructors are often paid less than similarly qualified industry practitioners
- Tech college instructors are often paid less than district counterparts
- Funded cost of living adjustments have not kept up with industry



The technical colleges engaged Personnel Systems & Services (PS&S) to address core compensation needs of each college



# Compensation Study Process



Employee Job Value  
Survey and Update  
Job Descriptions



Rating all Job  
Descriptions



Market Analysis and  
Regression Analysis



Range  
Development



Placement on  
Ranges



Develop Salary  
Structure/Pay Plan

# Key Elements Addressed in the Compensation Studies

- Updated job description documents based upon job audit results
- Recommended new college-wide salary structures based upon worth-of-work values model
- Provided implementation strategies identifying impact upon individual employees and budget



# Our Solution



- **Three-year plan** to close compensation gaps and get all employees to market rate
- The Tech Colleges scrutinized operations and applied \$422,300 in **internal efficiencies** to minimize legislative requests
- Remaining gap to be included in college budget requests over the next three years, approximately 1/3 each year

# Funding Requests Included in College Priorities

<b>2. Employer-Driven Program Expansion/Student Support</b>	<b>\$</b>	<b>10,827,000</b>
Bridgerland Technical College	868,000	
Davis Technical College	1,669,200	
Dixie Technical College	1,064,200	
Mountainland Technical College	2,678,400	
Ogden-Weber Technical College	2,000,000	
Southwest Technical College	449,600	
Tooele Technical College	628,400	
Uintah Basin Technical College	1,179,200	
System Student Information/Data	290,000	
<i>\$1,791,800 Industry Competitiveness - Faculty/Staff Compensation Included in Totals</i>		



# Total Compensation and Market-Competitive Needs

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Total Target Compensation	\$	90,631,200
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Total Current Compensation	\$	(85,248,300)
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Market-Competitive Compensation Gap	\$	5,382,900
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Internal Efficiencies	\$	(422,300)
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Total Funding Need (3-year plan)	\$	4,960,600
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<b>FY 2021 (Year 1) Request:</b>	<b>\$</b>	<b>1,791,800</b>
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# Utah System of Technical Colleges

## Executive Summary Job Valuation & Compensation Study

### Introduction

Pursuant to the approval given by administration and as the result of a competitive bidding process, Personnel Systems & Services was engaged to address specific core needs relative to compensation administration for job classifications, including executive, administrative, operations, administrative support and faculty for colleges within the Utah System of Technical Colleges. The accepted proposal included these elements: 1) the application of the results of a previous comprehensive job values surveys identifying worth of work priorities; 2) create a pay plan alternative to address "Internal Equity" through the development of a job valuation instrument based upon the job value survey results; 3) conduct a labor market survey to determine the competitive position of the college's pay practices, 4) recommend new wide pay plans based upon worth-of-work values within a "no pay grade" model, and 5) provide an implementation strategy identifying impact upon individual employees and budget.

Preliminary to the project the management team orchestrated the distribution, review and updating of all job descriptions at the technical colleges. Job descriptions being the control or support document for the assessment of job value.

### Job Evaluation & Internal Equity

The job valuation instrument captures worth of work values established by public policy, the Equal Pay Act, provisions of the Fair Labor Standards Act (FLSA), as the legal basis for "discriminating" or differentiating in pay. These criteria include job knowledge, responsibility, difficulty and work environment. Using the instrument developed based upon the results of the work values survey, described above; each position was evaluated and assigned "value points". It is the point system that ultimately establishes the job's price tag.

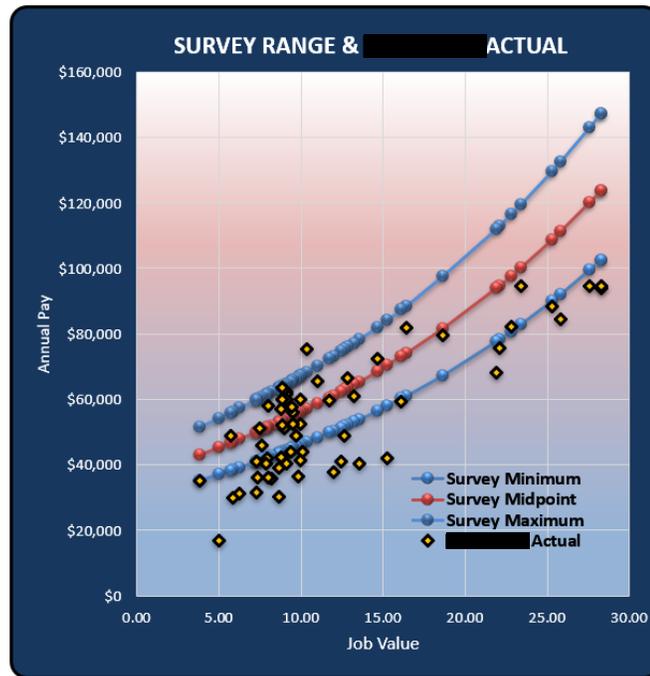
### Salary Information & Market Comparability

The salary data utilized in this market analysis was obtained from Technology Net, Inc., Economic Research Institute, Inc., Jobs EQ and the Department of Workforce Services.

### Market Analysis Outcome

This sample graph illustrates the analysis of the "growth" or trended pay rates for one college's survey group for entry or minimum pay rates, pay plan midpoint and pay plan formal range maximum pay rates. Plotted in the graph is the current pay of employees occupying the surveyed jobs. As illustrated, most jobs are currently being paid within the pay ranges in use by the survey participants. There are several outliers that can be addressed in the final implementation strategy and pay plan design and during the internal equity verification exercise.

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## Pay Range Management

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The establishment of the pay range, the spread or distance between the minimum and the maximum is very arbitrary. Some organizations create standardized ranges which are the same from the lowest valued job to the highest. Another approach is to “staircase” the ranges so that as jobs increase in level of responsibility and difficulty and take on more of a “career” oriented status, the ranges increase. From the survey data we discovered that the average pay range is between 46% and 51% for the tech colleges. The proposed pay plan design allows the colleges to explore pay range options that reflect current or established philosophy or pay objectives.

An issue in most organizations, but not necessarily true for the technical colleges, relates to the number of employees that are “topped out” on the pay ranges. While this represents a frustration for those individuals, especially for those that have been there for a long period of time; the fiscally responsible question needing to be asked is, “When does the college’s pay plan reach the level of marginal utility?” That point in time when it makes no sense to pay any more money for defined job functions. That point in time when it becomes difficult to identify that the return on the investment is consistent with public needs and expectations. There are two facets to the question. One addresses the worth of the work and the other the worth of the worker. If a college’s pay plan is to be market competitive, the worth of the work objectives should be addressed. If pay progression and advancement through the pay range is keeping pace with the speed of learning and the quality of contribution, then the worth of the worker is being addressed.

## **Pay Progression**

In terms of pay progression management, many organizations target a certain pay rate on their pay plan as a control rate and attempt to manage performance to allow employees to achieve between 90% to 105% of that value within some time frame (four to five years for example), called a Compa-ratio. Compa-ratio refers to the percentage which employee actual pay represents the target or control rate (often the midpoint of the pay range). Pay increases beyond the control rate/midpoint then become contingent upon exemplary performance, longevity and other specific criteria. The midpoint is generally considered market competitive. When considering implementation options, colleges may want to consider employee compa-ratios when making placement on a new pay plan. Employees, who have been performing within the same job classification for four to five years, or longer, should possess job competencies sufficient to justify pay which is 90%-105% of midpoint, assuming performance is at least standard.

## **Pay Compression**

There are two common pay compression concerns that impact organizations when, for whatever reason, the pay practices become “stalled” or when other pay anomalies wiggle themselves into the structure. **Type 1** is the compression that occurs when subordinate pay rates creep up near the pay of their immediate supervisor or manager. It is not necessarily a debilitating issue unless the organization is striving to develop in-house talent or engage in succession planning.

If we were to spot check supervisor/subordinate compression within the college pay structure the expectation is that most relationships would be close to a “rule of thumb”, a 15% margin. However, if there are some where only a single digit percentage separates the supervisor and subordinate, this would be worthy of some examination. These are potential red flags. The “compression test” exercise is recommended to be an ongoing monitoring effort in HR. A rule of thumb I have used over the years is 15%. If the managers pay is not at least 15% greater than the next highest paid subordinate, there is not going to be much motivation for the subordinate to groom themselves for all the extra grief in a succession planning model. To further expand on the compression issue, a look at what I will consider **“Type 2”** compression, the following has been written by Beverly N. Dance, found as an HR web article.

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### **Pay Compression: What Is It?**

Compression is when you have small differences in pay regardless of experience, skills, level, or seniority. You see this when the starting salaries for your new employees in a particular job title are too close to the wages of your existing workers. In really awful circumstances, the starting salaries might even exceed what your current employees are earning.

### **Pay Compression: What Causes It?**

There are two main causes of compression. The first is when supply and demand is out of sync, when the need for a particular skill set exceeds the availability. Nurses and software engineers come to mind as recent examples. The second cause can be when your internal compensation structure becomes stale and out of alignment with the external market data.

### **Pay Compression: Consequences of Not Dealing with It**

The obvious problem with compression is the negative impact it has on the morale of your work force. Who wants to welcome a new hire to the team when you learn that that person is already earning more than you? Who wants to fully share company knowledge and have that co-worker successful if resentment over pay is an issue?

Too many companies in this economy are relying on the current high unemployment rates as their de facto retention strategy. Once the economy picks up, if you have not addressed compression issues, it will be your best performers, not your mediocre or troublesome ones, who race to join your competitors.

Even prior to starting their search for an employer who will pay the current market rate for their skill sets, employees who are on the negative side of the compression issue may utilize a passive flight by giving you the bare minimum of effort to get by with absolutely minimal engagement.

### **Pay Compression: How Do You Deal With It?**

Telling employees not to talk about their pay is not a policy option. By doing so you would put your organization in violation of the National Labor Relations Act (NLRA). The National Labor Relations Board enforces the NLRA even when there is no union presence.

So, the answer is to open the corporate pocket book and pay your current employees more money. “But we can’t afford that!” is your response? What would you have to pay for their replacements if they walk? How would you come up with that money?

If you are in the situation of compression because the funds have just not been available, honest talk about what individuals are paid and a plan on how to make adjustments over time can help. Create a schedule and then keep your word and implement it.

Another option is to ask what can help with an individual’s loyalty other than pay? Sometimes this could be a mentoring or developmental opportunity or a more flexible work schedule to coach a little league team each Tuesday and Thursday at 4:00 p.m. Explore your options with extreme creativity.

One more approach is to re-think your job design. Do you have 10 employees spending half their time on that critical hard to find skill? Could you change the essential responsibilities and instead get by with five or six employees using that skill all of the time?

**Pay Compression: How Do You Avoid It?**

Forecast ahead and anticipate what your future hiring needs will be. Keep a regular eye on market changes by reviewing market surveys for your key positions and steadily adjust your pay ranges as needed. Usually annual is often enough, but your recruiters can give you early feedback on positions that are moving more quickly in the marketplace. Using job design as a tool may help reduce the number of positions that are influenced by compression, which won’t avoid it, but can limit its impact.

(Beverly N. Dance, MBA, SPHR-CA, CCP, CEBS)

While considering the Beverly Dance perspective on compression, consider these observations:

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**Observation #1:** If all aspects of the employment relationship and compensation are to be acknowledged, the college utilizes a common practice to recognize the worth of the worker, their loyalty, which is the annual vacation accrual or “paid time off” program. The bottom-line is that there is some natural compression mitigation resulting from the college’s leave accrual policy and practice. The acquisition of seniority results in an increase in the rate of annual and sick leave accrual. Every 12 days of accrued annual leave, non-worked paid time, equates to a 4.6% pay increase. If employees on average use six paid sick leave days per year, this use translates into an additional increase of 2.3%. This non-worked paid time drives up the hourly cost of the senior employees and creates some “reality separation” in the value of their pay. The new hires do not enjoy the same level of benefits.

**Observation #2:** How long does it take for compression to evaporate? The compression perception occurs when the newly hired junior workers performing the same job as senior workers are being compensated near, the same, and perhaps better, than the senior workers. At that point not only is there a significant difference in their time on the job but also a significant difference in their position on the “learning curve” and their ability to make a more meaningful contribution through job performance. Eventually, the learning curve flattens out. The senior worker’s knowledge, skills and abilities level off. Also, eventually the junior worker completes the same learning curve and now the job knowledge gap is closed. Both the senior worker and junior worker will eventually be performing the job equally well. Now, theoretically, based upon the worth of the work, both can be paid the same. The claim on base pay compression has evaporated if their pay has been equalized based upon their competencies. For a period of time the senior employee will enjoy the better total compensation, referring to observation #1, but eventually the junior employee will end up in the same leave accrual bracket and then all things are equal in the workplace.

**Observation #3:** Quality performance management promotes compression.

**Implementation**

As colleges consider a strategy for implementation it will come down to three primary factors; 1- willingness to pay, 2- the ability to pay, and 3- the need to pay. These three issues will be defined in relation to the market information of this study. There are four basic postures to consider when establishing the organizations pay objectives: 1- trendsetter, 2- competitive, 3-parity, and 4- comparable. To be competitive suggests a pay objective above average or parity. Comparability can still be argued when paying below parity if other aspects of the employment and compensation program (college paid benefits) strengthen the employee and management perception of "fairness".

As a cost for implementation is calculated, the least cost implementation strategy is accomplished by placing each employee at a rate on the recommended pay range that is at least equal to his or her current rate of pay. Only employees whose current rate falls below the recommended starting rate are identified for increases. At this point it becomes a management option to factor back into the implementation strategy a method for recognizing performance, time in service, previous job-related experience, job knowledge and other pertinent aspects of the employee's work history. If the college desires to initiate a program that targets a specific compa-ratio, this would be a good time to begin. Administration may want to consider additional adjustments for employees who are considered full performance or fully competent workers but fall below the midpoint of the pay range.

**Summary Conclusions/Recommendations**

- Adopt a "no pay grade", worth of work compensation system with pay ranges as illustrated here (subject to modification as needed to address a specific "position" or marketplace posture):

**Sample Job Valuation and Pay Ranges**

**Annual Pay Rates**

JOB TITLE	Job Value	Pay Range			Range
		0.0%	Midpoint	45.0%	
Redacted	28.29	\$102,540	\$125,611	\$148,683	45%
	28.29	\$102,540	\$125,611	\$148,683	45%
	27.59	\$99,468	\$121,849	\$144,229	45%
	25.83	\$92,085	\$112,805	\$133,524	45%
	25.30	\$89,992	\$110,240	\$130,488	45%
	23.43	\$82,929	\$101,588	\$120,247	45%
	22.79	\$80,646	\$98,791	\$116,936	45%
	22.11	\$78,283	\$95,896	\$113,510	45%
	21.89	\$77,517	\$94,958	\$112,399	45%
	18.66	\$67,319	\$82,465	\$97,612	45%
	16.39	\$60,969	\$74,687	\$88,405	45%
	16.10	\$60,179	\$73,720	\$87,260	45%
	15.23	\$57,948	\$70,986	\$84,024	45%
	14.64	\$56,472	\$69,178	\$81,884	45%
	13.52	\$53,776	\$65,876	\$77,976	45%
	13.21	\$53,051	\$64,988	\$76,924	45%

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- Based upon the recommended pay plan design, review and verify placement of all employees within the proposed pay range for the position. Implementing the plan as recommended will result in a 2.12% - 5.36% increase to budget while employees would realize an average increase of 4.06% - 8.3% to base pay. Many will not be eligible for any increase while others may realize a significant adjustment.
- Further refine the job valuation assignments to address the "revelations" brought to light while considering the least cost implementation impact.
- Explore the workbook feature, "Compression Adjustment-Organization Reset" to address and recognize employee work history with the college. The consultant is available to assist with any fine-tuning, adjusting or coaching in the use of the job study workbook and tools.

## BASIS OF SOUND PAY PROGRAMS

In connection with the results of this study and as the colleges evaluate the impact of change upon the existing or proposed budgets; their efforts to maintain effective compensation programs will be influenced by philosophies related to some or all of the following (converted to policy):

1. Size and type of business: *The ability to pay* certain rates, based upon revenues and financial resources.
2. Organizational Philosophy: *The willingness to pay* certain rates and *attitudes* about ranking among other employers within a selected labor market or among survey participants.
3. Nature and Diversity of Work: *The degree of specialization*, work variety, and technology (an element of the job classification methodology).
4. Regional Economics: *The prevailing rates* of pay and the rates of inflation.
5. Availability of Labor Supply: *The competition* for certain types of jobs resulting from an abundance or shortage of certain skills and abilities within the labor market.
6. Value of Work Contribution: *The worth of a particular job* to the organization (the overall value determined through classification methodology).
7. Organization of Labor: *The forced inflation* of certain pay rates. The degree of recognition provided to unions or associations.
8. Pay Supplements: *The total compensation comparability* afforded through various incentives and discretionary benefits.
9. Reputation of the Organization: *The competitiveness* of pay and *social recognition* as high- or low-paying.
10. Pay Progression Policy:
  - The learning curve impact associated with certain types of jobs.
  - Pay range uniformity vs. diversity (pay schedule design).
  - Length of Service.
  - Performance based increases.
  - Pay for knowledge or level of competency.
  - the use of "control rates" within the pay ranges.
11. Bonus and Incentive Plans:
  - The use of "non-scheduled" recognition.
  - The use of non-monetary rewards.
12. Contributory Value:
  - The perceived value of the individual to the organization. This perceived value is based upon a number of observable and measurable criteria normally associated with a formal performance management program consisting of individual performance plans, performance monitoring and performance evaluations. This formal approach justifies and documents the decisions which are made with regard to pay progression and job promotions.

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**Market Competitive Compensation Request to Align with Consultant's Recommendations**

	<b>Total</b>	<b>FY 2021</b>
<b>Bridgerland</b>	\$ 1,086,600	\$ 362,200
<b>Davis</b>	681,000	227,000
<b>Dixie</b>	465,000	155,000
<b>Mountainland</b>	677,700	225,900
<b>Ogden-Weber</b>	750,000	250,000
<b>Southwest</b>	615,300	205,100
<b>Tooele</b>	167,400	167,400
<b>Uintah Basin</b>	477,600	159,200
<b>College Totals</b>	<b>\$ 4,920,600</b>	<b>\$ 1,751,800</b>
<b>Admin*</b>	40,000	40,000
<b>System Totals</b>	<b>\$ 4,960,600</b>	<b>\$ 1,791,800</b>

\* To bring software engineers to market rate per Jobs EQ