

**West Virginia Higher Education Policy Commission
Meeting of August 11, 2017**

ITEM: Approval of West Virginia Higher Education Compensation Management Program

INSTITUTIONS: All

RECOMMENDED RESOLUTION: Resolved, That the West Virginia Higher Education Policy Commission approves the West Virginia Higher Education Compensation Management Program for implementation September 1, 2017.

STAFF MEMBER: Patricia Humphries

BACKGROUND:

In 2011, legislation in the form of Senate Bill 330, “FACTS for Higher Education”, required “sweeping cultural changes” to the human resources function within public higher education in West Virginia. The law suggested two primary objectives. First, to foster a human resources environment at each institution that promotes the core values of fairness, accountability, credibility, transparency and a systematic approach to progress. Secondly, to achieve certain goals with respect to the classification and compensation system affecting all higher education employees. The legislation required evaluation of the system of job classification that had been in place since 1994 and update/replacement of the 2001 classified employee salary schedule. The Legislature expected West Virginia higher education to use modern best practices in human resources and compensation management. Senate Bill 439, passed during the 2015 Legislative Session, established January 31, 2016 as the deadline for completion of the classified compensation market study.

With the assistance of an external consulting firm, Mercer, the Commission and Council completed the classified compensation market study in compliance with the established deadline. The results of the study were presented to the Legislative Oversight Commission on Education Accountability (LOCEA) on February 5, 2016 and to the Commission in April 2016.

Additionally, as mandated by the Legislature, the consultant conducted an analysis of the existing Point Factor Methodology and Years-of-Service Step Salary Structure. An executive summary of this analysis is attached. The recommendation from Mercer was to abandon the Point Factory Methodology in favor of a best practice market based compensation management approach.

Following extensive work with Mercer and review and feedback from the various constituent groups, a comprehensive Compensation Management Program has been developed. The Compensation Management Program contains a modern market based salary structure consisting of twelve (12) pay grades with a range spread of 60% from the range minimum to the range maximum. The midpoints of the new structure are based on the market rates for benchmark jobs priced in West Virginia higher education's relative labor market. The new structure removes the "steps" based on years of service, thus opens up the pay ranges in order to provide necessary flexibility to enable institutions to attract and retain highly qualified staff at all levels of experience without artificially creating a new title or reclassifying the job. The program is applicable to all employees except executive management (Presidents, Vice Presidents, etc.) at all Commission and Council institutions, the Commission and Council central office and WVNET.

The compensation program is benchmarked against the labor markets in which each Commission and Council institution competes for talent. The appropriate labor markets are tailored to the nature of the role and the job family. The job market includes:

- Public degree granting universities by student enrollment within a custom geographic region consisting of Maryland, Virginia, Ohio, Kentucky, North Carolina, Pennsylvania, Tennessee, South Carolina and Georgia.
- National, regional, and West Virginia not-for-profit and for-profit employers.
- Bureau of Labor Statistics information on the Charleston, WV; Morgantown, WV; Huntington, WV/Ashland, KY; Wheeling, WV/OH; Beckley, WV; and Cumberland, MD/WV/PA Metropolitan Statistical Areas.

The Compensation Management Program includes various documents to guide in the implementation of the Program. These guiding documents are described below and require the Commission's endorsement.

Job Classification Guidelines assist human resources officers with determining the appropriate classification. Pay grade assignment is based on "master classification specifications" that act as general descriptions of the type of work performed by each job and articulate the distinguishing characteristics between jobs and job levels.

Salary Administration Guidelines assist human resources officers and institutional administrators in making appropriate pay decisions in a variety of employment situations such as:

- Setting starting salaries
- Managing pay within the grade
- Changes in Job Content such as how to compensate for additional duties that have permanently been added to a position or temporary assignments
- Pay changes resulting from position reclassification, promotion, demotion and lateral transfers
- Off-cycle salary adjustments such as market adjustments, internal equity adjustments, recognition adjustments and counter offers

- Pay for performance adjustments and best practices
- How to assess internal equity when making pay decisions

Although the most desirable implementation method would include funding at least the minimum in grade immediately upon implementation, the Compensation Management Program may be implemented without special funding or a large outlay of cash by Commission and Council institutions. Salary dollars once flagged for step increases can be used toward bringing salaries to the minimum the grade. As pay decisions are made, the guidelines require internal equity analysis to help identify and consider pay levels across the classifications. This will assist the institution to identify and correct compensation issues incrementally, while working toward funding goals for equitable, market competitive pay.

Given the economic conditions under which the State of West Virginia currently operates, staff does not recommend mandating immediate full funding. Instead, it is recommended that any institution not funding the minimum in grade this fiscal year develop an implementation plan to bring salary levels to at least the minimum in the pay grade. Progress on the institutional plan should be reported in October each fiscal year until the minimum salary levels are attained.

Most Commission institutions are funding the minimum salary levels this fiscal year and are moving forward with using the system to manage compensation for their non-classified category of employees as well.

Commission staff recommends approval of the Compensation Management Program for implementation effective September 1, 2017. The Compensation Management Program consists of the West Virginia Higher Education Compensation Philosophy, the West Virginia Higher Education Employee Salary Schedule, the West Virginia Higher Education Job Classification Guidelines, and the West Virginia Higher Education Salary Administration Guidelines for implementation effective September 1, 2017.

Next Steps

Much work remains to ensure appropriate alignment of master class specifications and job title assignments. Chief Human Resources Officers are starting the process of moving job descriptions to JDXperts and connecting each description to a master classification specification. This work will help ensure that master classification specifications accurately reflect the work performed across West Virginia higher education. Additionally, it will help identify jobs titles that may need eliminated or collapsed, jobs that may need assigned to a more appropriate title or series of jobs where career ladders may be identified.

The job family review process will begin immediately with work sessions of the Job Classification Committee (JCC) approximately every two weeks. During this process, the JCC will assist with writing distinguishing factors for series of specifications and help ensure the fair and equitable assignment of titles and grades across the systems.

The Vice Chancellor for Human Resources has organized a committee of the Chief Human Resources Officers who have started review of Commission Rules governing the human resources function. Rule revisions will be brought before the Commission during the next meeting on November 17, 2017.

Software as a Shared Service

Compensation and job description management software is being provided to institutions as a shared service. Work continues with software implementation for all Commission and Council institutions.

User training was conducted July 19, 2017 for JDXperts, the master classification specification and institutional job description management software. System wide use of JDXperts will ensure benchmark master classification specifications are kept current and institutional job descriptions across the systems are maintained and available for classification determinations.

The contract with Mercer included purchase of ePRISM as software as a service to maintain the compensation management program. They recently announced a strategic partnership with compensation industry leader, Payscale. Mercer is in the process of transitioning ePRISM customers to their new platform administered by Payscale called MarketPay.

The Commission and Council are required to maintain a system of classification and compensation for classified employees and to provide assistance to institutions with developing compensation management systems for faculty and non-classified employees. Not only will these products enable the Commission and Council to maintain the system for classified employee compensation, they will enable institutions to do the same for faculty and non-classified employees and meet the statutory reporting requirements of compensation compared to labor markets for all categories of employees.