

**West Virginia Higher Education Policy Commission  
West Virginia Council for Community and Technical College Education**

**Executive Summary**

**Evaluation of Point Factor Methodology  
and  
Years-of-Service Step Salary Structure**

The Compensation Management Program contains a modern market based salary schedule consisting of twelve (12) pay grades with a range spread of 60% from the range minimum to the range maximum, as opposed to the 25 pay grade structure that has been in place since 2001.

As expected by Chief Human Resources Officers, the consultant identified numerous problems with the point factory methodology used since 1994 and the years-of-service step salary structure. In order to address these problems Commission and Council staff developed “Salary Administration Guidelines” that provide higher education institutions the flexibility to set pay based on credentials, expertise, performance, skill level, or market conditions, and maintain a more reasonable level of control over internal equity and salary costs.

In today’s business environment, a balance of flexibility and control over salary administration is important to an organization’s compensation strategy. Market based pay structures can remove some of the restrictions surrounding pay levels, and meeting or exceeding market levels of pay for skills can be critical to an organization’s effectiveness.

**Assessment of the Step Salary Structure:**

The existing salary structure for classified employees contains many inconsistencies. It consists of 25 pay grades (many of which are no longer utilized due to the fact that the salary levels within those grades are below the current minimum wage in West Virginia) with 16 “steps” in each grade. Each “step” correlates to years of service with any West Virginia State agency in any type of position. The differential between minimum and maximum steps of each grade varies widely ranging from 35%-55% depending on the pay grade. The midpoint differential (defined as the average difference between adjacent pay grades) is also inconsistent varying from 3%-7% between grades with no consistency between lower and higher grades. Jobs are assigned to the structure based on the total points assigned to the position after review under the current Point Factor Evaluation (PFE) system. Pay for a new hire is determined by the grade to which the job is assigned and the number of years of service with the State of West Virginia, regardless of the experience of the incumbent for the position. Once hired, employee pay increases automatically move up to the next subsequent step for every year of service until the employee’s base salary reaches step fifteen (15). The pay structure is not based on wages paid for the same jobs in the relative labor market. The inflexibility of this system created many challenges for Commission and Council institutions and resulted in overpayment for labor for most positions where the incumbent had 8 or more years of West Virginia service.

The grade assignment of jobs using the PFE methodology does not align with the market for jobs in our region. Because Point Factor systems are essentially internal ranking systems, they do not take into account the realities of the marketplace. This means that jobs that are paid similarly in the job market may be placed in different pay grades within the current structure or jobs that are paid differently in the job market may be placed in the same pay grade in the structure. This makes it very difficult to offer competitive salaries. In other words, the pay grade assignments that result from using the current point factor methodology do not align with the value of the job in the market. The point system is not a reliable indicator of how jobs are valued in the market.

It is also virtually impossible to find a set of compensable factors that are consistently important across the wide spectrum of jobs that exist within a college and university system. Consider for example, a Fundraiser position and an IT developer position. The factors that are relevant to establishing a “value” for these jobs are very different and once again make it very difficult to offer competitive salaries.

Another challenge associated with the current structure is that the automatic step salary increase based on years of service can foster a sense of entitlement and discourage high levels of performance, since performance cannot be rewarded in these types of systems. This makes it extremely difficult to create a culture of constant improvement and makes it difficult to enhance employee engagement.

Yet another problem with the current pay structure is the way starting salaries are determined. The policy for determining starting salaries is likely to overpay some job candidates and underpay others since experience earned in the private sector outside of employment with the State of West Virginia cannot be considered in the salary offer regardless of how relevant that experience is to the job. For example:

- Assume Mary has 15 years of experience as an Accountant with a large private accounting firm. She applies for a job with Concord University for the identical position and is offered a salary at the “0” step because she has not worked within the public sector in West Virginia. This would be the same salary offered to an applicant with no experience and is considerably below the market salary for the job.

Yet, service with any entity or any job with the State of West Virginia is credited in the pay system even if that experience is irrelevant to the job.

- Assume that Bill worked as a Transportation Worker with the Division of Highways for 10 years before going back to Marshall and obtaining a degree in Accounting. He then applies for an Account at Concord and is offered a salary at the “10 years of service” step because of his previous employment with DOH - even though this experience had nothing to do with accounting. This offer would be considerably more than the market salary for the job.

## **Assessment of the Point Factor Evaluation (PFE) Classification Methodology:**

As mentioned previously, “Point Factor” is a method for assigning jobs to salary grades. In these systems, factors relating to various aspects of work are developed and points are assigned to each factor or degree within a factor. Jobs are reviewed in comparison to these factors and assigned a total point value, which is used to place the job in a pay grade.

Point Factor was the job evaluation method most common in the past, primarily because of the absence of market data. Employers needed a way to establish salary structures and a job worth hierarchy. In the absence of market data, Point Factor programs were used to fill the void. However, these programs have fallen out of favor and higher education systems across the country have are moving away from these programs in favor of market based systems for several reasons:

- Point Factor Evaluation methods are internal ranking systems and do not take into account the realities of the marketplace. The current point factor evaluation tool does not recognize changes in workforce and does not accurately value the contributions of various employees resulting in and creating misalignment in the pay structure.
- The rigidity of these programs creates artificial barriers to attracting and retaining qualified staff in key job functions or in jobs that are experiencing considerable market pressure.
- The programs are complex and time consuming to administer. Maintaining such systems properly requires regular review and modification of the factors and point values to reflect ongoing changes in the modern workplace. Without constant attention and validation, they become quickly outdated.
- The focus on granular, specific factors encourages the viewpoint that any small change to a position warrants a review of the position and a reclassification. This is not a best practice and is no longer a reality in the modern workplace.
- *The rigidity of the compensation program promotes manipulation of the classification program.* With no other way to reward employees, attempts to justify assignment to higher pay grades become the norm, resulting to too many titles, poor title assignment to jobs and “classification creep” of jobs to higher and higher grades. The result is internal equity problems, compensation compression and overpaying for labor.

Many of the factors used in the point factor methodology are no longer relevant to the modern workplace due to changes in the way work is completed, technology and changes to organizational structures. For example:

- Jobs in higher education are more likely in today’s workplace to have both internal and external contacts due to technology and changes in processes. Therefore, differentiating jobs by internal or external contacts is probably not a good indicator of job value.
- Physical coordination is not relevant to many office based jobs in the modern workplace and thus not a good indicator of job value.
- Scope and Effect, Complexity and Problem Solving, and Freedom of Action are very likely to overlap considerably. Although these aspects of a job are important and helpful in differentiating one job from another, they are not specifically indicative of the market value of a job.

## **Advantages of a Market Based Approach to Compensation**

Mercer used the results of the market pricing study to develop the new market based salary structure for classified staff. The new structure consists of 12 pay grades with a 60% range spread from range minimum to range maximum. The midpoints of the new structure are based on the market rates for benchmark jobs priced in our relative labor market. The new structure removes the “steps” based on years of service, thus opening 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 pay ranges associated with the grades are wide enough to accommodate a variety of experience and performance levels, from novice to expert, as well as any market shifts over a period of time. An important principle of the new program is “managing pay within the grade.” A positions placement or starting salary will be positioned in the range based on factors such as: skills, competency, job knowledge, experience, performance and/or institutionally established market position based on available budget. In order to meet these needs, the employee compensation plan has the following objectives:

- Establish and maintain a competitive compensation structure based on comparisons to appropriate external labor markets while also considering internal job worth.
- Articulate the relationship between institutional strategy and employee performance, recognition and rewards.
- Ensure that the compensation plan is administered strategically, consistently, effectively, efficiently, fairly and equitably.
- Deliver transparent and practical communication of compensation components to all employees.
- Ensure that all policies and practices are legally compliant with all relevant federal and state statutes, and designed to ensure sound stewardship over available compensation funding.
- Establish the principles and process for regular review of market position and effectiveness of policies.

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 cut 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 program is applicable to all employees except executive management (Presidents, Vice Presidents, etc.) at all Commission and Council institutions, the WV HEPC/CTCS central office and WVNET.

- Job Classification Guidelines assist human resources officers with determining the appropriate classification. Pay grades are assigned using “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.
- Advancement to a job in a higher career level is not automatic and requires taking on the more complex responsibilities associated with the higher-level job as well as a demonstration of performance and competence in the current level and preparedness for the next level.

The salary administration guidelines provide front line supervisors as well as Human Resources Officers guidance on many different types 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 compare and measure internal equity

Benefits of the new market based pay structure and associated salary administration guidelines reflect a number of positive advancements for management of employee compensation including:

- A move away from automatic salary increase requirements included in a “years of service” step structure
- Greater flexibility for institutions to use salary dollars to recruit the best talent and pay for performance, thus rewarding high performers
- Ability to offer competitive salary levels based on prior directly related job experience rather than the artificially low entry rates previously required if the candidate does not have prior service with the State of West Virginia
- Fair pay based on job responsibilities and market rates, not years of service
- Fair market pay for individual contributors who may be undercompensated in the current point factor system
- More strategic use of limited salary dollars

### **Institutional Advantages:**

- The flexibility in compensation management will provide each institution the ability to quickly respond to changing workforce dynamics.
- Managing and rewarding critical talent will be a top priority to prevent the outflow of talent.
- The ability to pay for performance will be readily available.
- With limited salary budgets, institutions will no longer be required to dole out one-size fits all increases. Instead, they have the option to invest money where they will get the most return - on high performers who have the specific skills and competencies the institution cannot afford to lose.
- Institutions will have the flexibility to establish their own compensation market position using the tools and structure provided.
- Institutions will be empowered to make strategic decisions that promote a high caliber of work while improving employee morale and satisfaction, thus keeping high performers motivated, driving business results and better controlling compensation costs.

### **Next Steps**

Much work remains to ensure appropriate title and grade 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 being performed. Additionally, it will help identify jobs titles that should be collapsed, jobs that may need assigned to a more appropriate title or areas where career ladders can 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.

### **Recommendation:**

Although the most desirable implementation method would include funding at least the minimum in grade immediately upon implementation, the Compensation Management Program can 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

institution's that do not implement this fiscal year develop an implementation plan to bring salary levels to at least the minimum in the pay grade.

Commission staff recommend the Compensation Management Program be approved for implementation effective September 1, 2017.