



UCOP Non-Represented Staff Salary Range Review

Governance and Compensation Committee Meeting

September 26, 2018

Presented to:

UNIVERSITY
OF
CALIFORNIA

Office
of the
President

SullivanCotter 25 YEARS
AND ASSOCIATES, INC.

INTEGRITY INDEPENDENCE INSIGHT INFORMATION

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Section

1

Overview

Overview



- In 2013, the University of California Office of the President (UCOP) replaced its outdated job classification framework with a market-based system for non-represented staff positions: *Career Tracks*.
- The foundational elements of Career Tracks are:
 - Ensure **consistency** in job grading across University of California (UC).
 - Create a solid framework for **pay equity** among employees determined by the specific job functions based on skill sets and abilities.
 - Encourage **career development** and **leverage internal talent** for career mobility.
 - Provide a **competitive and defensible** set of practices based on appropriate comparators in the marketplaces where UC competes for talent (higher education and general industry).
- The non-represented jobs at UCOP are organized by overall family (occupation), function, and career level, so that they are aligned with similar positions internally and in the external marketplace.
- UCOP’s Career Tracks salary grade ranges currently overlap, meaning that a portion of the salary ranges at the higher grade will overlap a portion of the salary range of the adjacent lower grade. Overall employee pay clusters at the midpoint of the salary grade ranges, which fulfills Career Tracks intent.
- The California State Auditor (CSA) recommended that UCOP develop a plan to narrow UCOP salary ranges,¹ which is outlined in the following presentation:
 - The purpose of today’s Regents meeting is to review a proposed approach for narrowing the salary ranges.
 - By March 2019, UCOP will finalize the plan for narrowing UCOP salary ranges in relation to the CSA’s recommendation.

¹ California State Auditor Report Number: 2016-130; full PDF report page 67.



Section

2

Introduction

Introduction



PURPOSE

- The purpose of this report is to present a proposed approach to salary range adjustments for non-represented staff for the UCOP Career Tracks jobs, which was developed based on the CSA's recommendations to narrow and market align the current salary ranges (see **Appendix A** for the CSA's recommendations).¹
 - While any salary range adjustments are approved by the UCOP Chief Operating Officer (COO) and the UC's President,² this presentation seeks the endorsement of the Governance and Compensation Committee (Committee) of the UC Board of Regents, since the survey benchmarking approach is similar to the methodology approved by the Board of Regents in developing the Market Reference Zones (MRZs) for the UC Senior Management Group (SMG). The Regents' approved survey benchmarking approach will inform future salary range adjustments.³
- Once the approach for the salary range adjustments is endorsed and approved, the next phase of the project will consider the specific cost and savings impact to be delivered by April 2019.

OVERVIEW OF PROCESS

- UC requested that Sullivan, Cotter and Associates, Inc. (SullivanCotter) provide best practice policies for salary administration and prepare proposed salary ranges for UCOP's and the Office of the General Counsel's (OGC's) non-represented staff.
- In order to develop the proposed salary ranges, SullivanCotter followed the CSA's recommendations of narrowing the salary ranges and aligning them with the market by cascading the survey methodology used for the SMG positions as part of the MRZ project.

¹ California State Auditor Report Number: 2016-130; full PDF report page 67.

² Per PPSM-30, Compensation: Section III.B.1.c.: "In consultation with the Office of the President, the Executive Officer may adjust salary ranges at his/her location in accordance with existing market practices."

³ On March 15, 2018, the Regents adopted a methodology, as recommended by the Regents' Working Group on Executive Compensation, for weighing public and private sector data to create the new MRZs for SMG members. The Regents also adopted a methodology to reflect its competitive labor market and include data from the State and CSU for operational staff and academic administrative jobs at UC. The same methodology for evaluating and weighing public and private sector data has been adopted for non-SMG staff compensation (Career Tracks), including establishing a minimum weighting of 12.5% for State data and matching UC jobs to CSU jobs. This methodology will govern data collection and analyses to amend the Career Tracks salary ranges for all non-represented staff, including those at UCOP. ("*One Year Update on Recommendations to the Office of the President CSA UCOP Administrative Expenditures One Year Responses*" [<https://www.ucop.edu/ucop-audit-implementation/index.html>]).

Introduction



OVERVIEW OF PROCESS (CONTINUED)

- In order to develop proposed salary ranges for UCOP's non-represented, non SMG staff, SullivanCotter used the following approach:
 - Reviewed the established Career Tracks staff non-represented employee salary ranges for UCOP and OGC.
 - OGC has a separate systemwide structure and is included in this analysis because most of its staff are located within UCOP. Other UCOP groups, such as the SMG, the Investment Office and the bargaining units, are addressed through other processes.
 - Reviewed a sampling of the UCOP jobs and benchmarks to ensure UC's approach is consistent with the Regents' approved survey methodology for its SMG positions.
 - Compared UC's salary range structure practice to typical practices within its CPEC/AAU comparator institutions¹ and other industries based on nationally published human resources literature.
 - Developed potential adjustments to current salary ranges for non-represented, non SMG staff based on the market practice of UC's comparator universities and the updated market data.
- The remainder of this report provides:
 - An overview of salary range structures.
 - Background on UCOP's Career Tracks.
 - Market findings.
 - Recommendations for consideration.
 - Potential implications.

¹ The CPEC (California Postsecondary Education Commission) established a comparison group of 26 public and private Association of American Universities (AAU) institutions that would be used to compare to UC's executive compensation practices. AAU members include 60 distinguished public and private US research universities dedicated to improving life through education, research and discovery. 34 universities are public institutions. For the listing of universities, please see **Appendix B**.



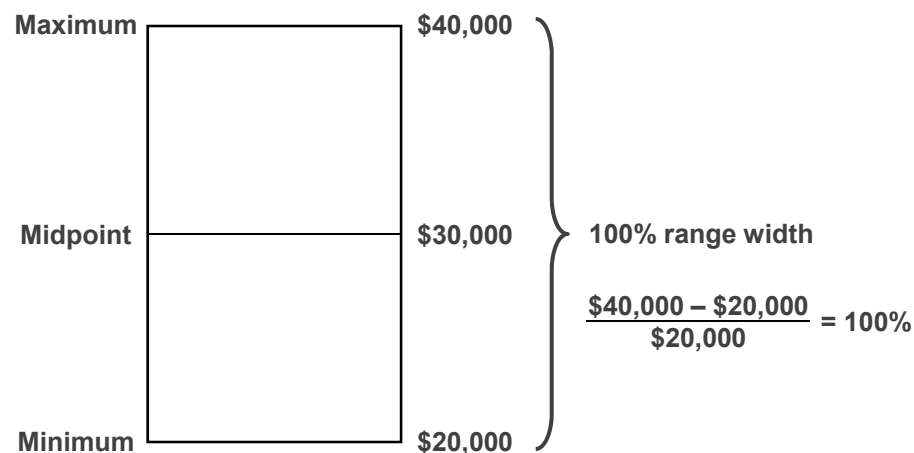
Section

3 Overview of Salary Range Structures

Overview of Salary Range Structures



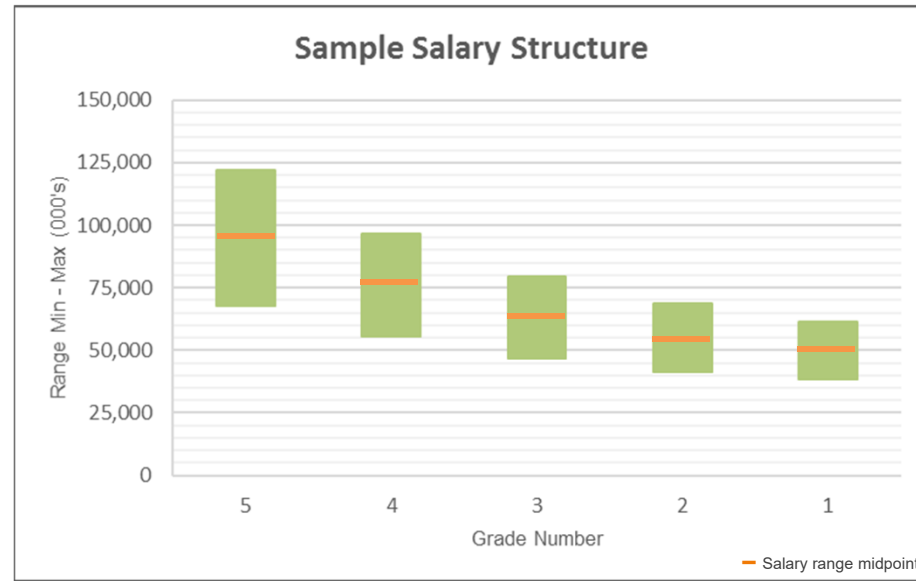
- Salary range structures are tools for managing compensation. As such, they should support an organization's compensation strategy while being reflective of market competitive compensation for positions within defined labor markets.
- Typical salary range structures include a number of **salary grades** – pay levels assigned to a group of jobs of similar value. Salary grades differentiate job hierarchy based on factors such as job status, experience, span and type of supervision, reporting position and overall job responsibilities.
- Each salary grade has a range of pay. The **salary range midpoint** is typically aligned to market values; it falls midway between the minimum and maximum pay of the salary range and typically aligns with the organization's targeted market position (e.g., median of the competitive market).
- The **salary range minimum and maximum** (lowest and highest paid rate for a job in a specific grade, respectively) are usually established based on the desired **salary range width** (i.e., salary range spread).
 - Salary ranges allow for differences among positions within the same grade and for various levels of skills, experience, responsibilities and performance within the same job.
 - Ranges are typically narrower at the bottom of the salary range structure, to allow for faster career development, and wider at the top of the salary range structure, to allow for greater differentiation of knowledge, skills, experience and performance.



Overview of Salary Range Structures



- It is typical practice to increase **midpoint differentials** (midpoint progression) from one salary grade to the next either at a fixed or variable rate, with smaller increases in lower-level grades and larger increases for higher-level grades.





Section

4 Background on UCOP Career Tracks

Background on UCOP Career Tracks

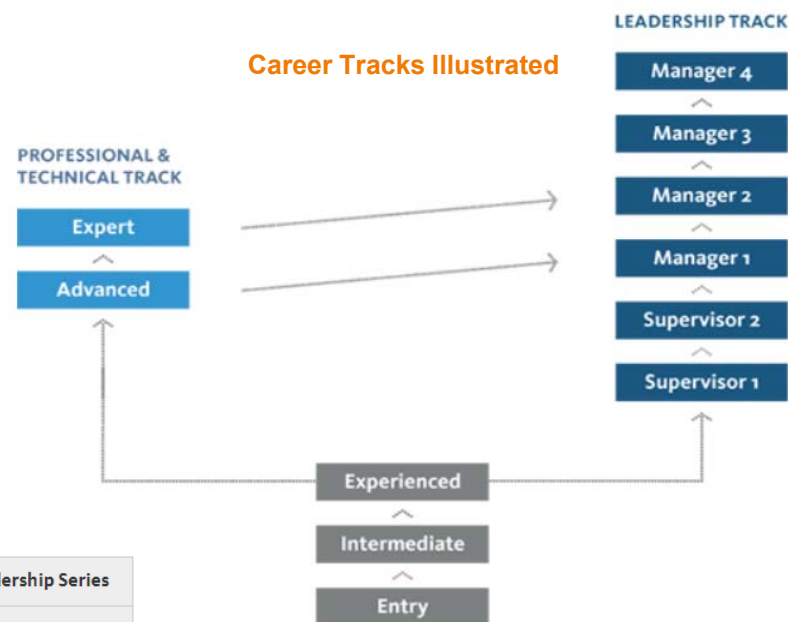


- In 2013, UCOP replaced its outdated job classification framework with a market-based system for all non-represented staff. Since its inception for UCOP jobs, the Career Tracks classification framework has supported career development by clearly communicating skills and knowledge requirements for each career level so that employees can plan for their next career move, seek out development opportunities through exposure to higher-level, more complex work, education or training, or gain more experience in their core functions.

- Non-represented jobs at UCOP are organized by overall family (occupation), function, category of work and career level, so that they may be aligned with similar positions internally and in the external marketplace.

- **Job Family:** A group of jobs in the same general occupation (e.g., Finance). These jobs have related knowledge requirements, skill sets and abilities.
- **Job Function:** A more specific area within a family (e.g., General Accounting). In a function, the same or relatively similar work is performed, a similar skill set is required, and it is possible to move within the function with minimal training.
- Job standards within families fall into one of the following three categories:

Job Category	Individual Contributor Series			Leadership Series
	Operational & Technical	Professional		Supervisory & Management
Career Level	Level 1	Entry	Level 1	Supervisor 1
	Level 2	Intermediate	Level 2	Supervisor 2
	Level 3	Experienced	Level 3	Manager 1
		Advanced	Level 4	Manager 2
		Expert	Level 5	Manager 3
				Manager 4



See Appendix C for additional information on UCOP's Career Tracks.

Background on UCOP Career Tracks



- Current UCOP non-represented, non SMG staff salary ranges are part of the UC Career Tracks program,¹ which is designed to define job titles consistently within each location and across the University for non-represented staff to encourage consistency, fairness, market alignment and development of talent.
- UCOP's Career Tracks salary structure is comprised of 16 grades and the OGC's salary structure has six grades.
 - **Salary grade assignments for jobs are based on the median market salary** for a given job.
 - A job is placed in the appropriate Career Tracks salary grade by comparing the median pay for the job, as identified in the labor market, to the midpoint of the Career Tracks salary grade.
 - Since the median market salary reflects the median experience level of incumbents in that job, the salary grade midpoint represents the competitive median market value for a fully qualified incumbent in that job.
 - A salary grade will have multiple jobs assigned to it based on the median market salaries for those jobs, which means that disparate jobs might share the same salary grade because their market median salaries were very close to their grade's midpoint.
 - The midpoints for each salary grade are structured in a way that the midpoint of the next higher grade is higher than the lower grade's midpoint (**midpoint progression**).
 - All of UCOP's Career Tracks salary grade ranges currently overlap, meaning that a portion of the salary range at a higher grade will overlap a portion of the salary range of an adjacent lower grade.
- UCOP's salary ranges are periodically evaluated using salary survey data from a variety of comparable industry-specific surveys of companies and universities with similar pay programs and practices.
 - UCOP and OGC salary ranges were effective July 1, 2016.²
- **Consistent with the CSA's request, UCOP revised its historical benchmark approach for this year's salary range evaluation using the same methodology as for the SMG positions (see Appendix D for the benchmarking methodology).**

¹ As of May 2018, Career Tracks has been implemented at UCB, UCM, UCOP, ANR, UCR, UCSF, UCSC, UCSD and UCSB. UCLA and UCI are in the process of implementation. All locations are on track to being fully implemented by end of 2020.

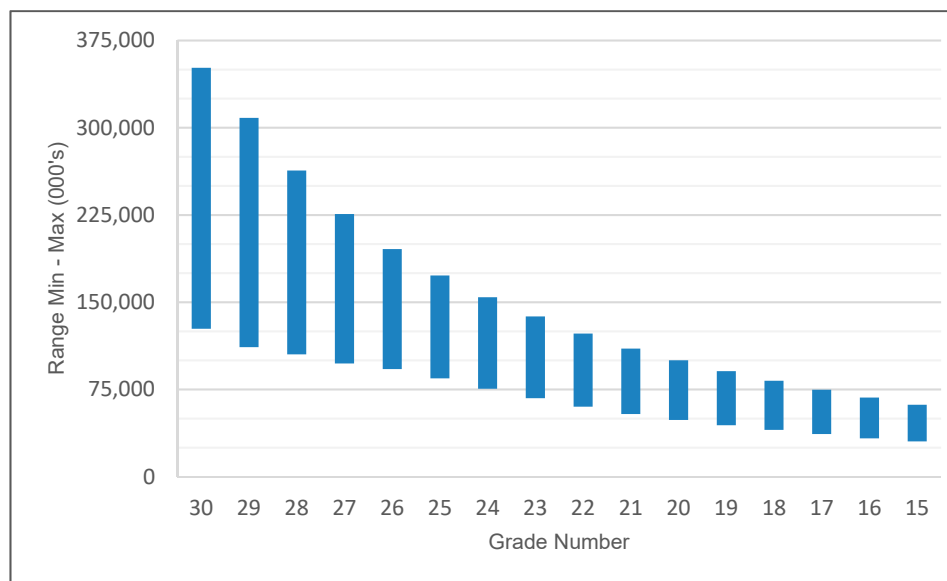
² UCOP and OGC salary range midpoints have not been adjusted since 2016. It should be noted that market-based salary range midpoint increases were deferred by UC due to the pending actions related to the CSA's recommended restructuring process.

Background on UCOP Career Tracks



- The salary ranges in the table below reflect UCOP's current salary structures:¹
 - UCOP's salary structure has 16 grades and the OGC's salary structure has six grades. UCOP's number of grades is directly correlated with its Career Tracks progression.
 - UCOP's midpoint differentials range from 10% (at the bottom of the range structure) to 14% (at top of the range structure).
 - UCOP's range width is 103% (at the low end) to 177% (at the high end). The salary range widths were initially established to accommodate talent on either side of the salary range based on skills and experience and to encourage career development.

UCOP EFFECTIVE 7-1-2016				RANGE WIDTH	MIDPT DIFF
GRADE	MIN	MID	MAX		
30	127,100	239,300	351,500	177%	14%
29	111,400	209,900	308,400	177%	14%
28	105,100	184,100	263,200	150%	14%
27	97,300	161,600	225,800	132%	12%
26	92,500	144,100	195,700	112%	12%
25	84,500	128,700	173,000	105%	12%
24	75,600	115,000	154,300	104%	12%
23	67,500	102,600	137,700	104%	12%
22	60,200	91,600	123,000	104%	12%
21	53,800	81,900	110,100	105%	10%
20	48,700	74,400	100,100	106%	10%
19	44,200	67,400	90,700	105%	10%
18	40,200	61,300	82,400	105%	10%
17	36,600	55,700	74,800	104%	10%
16	32,900	50,500	68,000	107%	10%
15	30,400	46,100	61,800	103%	---



OGC's salary range has six grades (23, 25, 27 to 30).

¹ UCOP and OGC salary range midpoints have not been adjusted since 2016. It should be noted that market-based salary range midpoint increases were deferred by UC due to the pending actions related to the CSA's recommended restructuring process.

Background on UCOP Career Tracks



- UCOP's current salary structures (continued):
 - 96% of UCOP's employees are in grades 19 to 28, and 82% are in the second (Q2) and third (Q3) quartiles (near the midpoint).¹
 - 87% of OGC's employees are in grade 28, and 87% are near the midpoint.¹

GRADE	MIN	MID	MAX	Current Employee Distribution (UCOP)								Employee Distribution (OGC)							
				# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5	# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5
30	127,100	239,300	351,500	11	0.9%	0	0	2	6	3	0	4	7.7%	0	0	0	4	0	0
29	111,400	209,900	308,400	12	0.9%	0	1	3	6	2	0	0	0.0%	0	0	0	0	0	0
28	105,100	184,100	263,200	39	3.1%	0	0	6	26	5	2	45	86.5%	0	0	1	37	5	2
27	97,300	161,600	225,800	69	5.4%	0	4	21	36	8	0	2	3.8%	0	0	1	1	0	0
26	92,500	144,100	195,700	111	8.8%	0	1	39	51	18	2	0	0.0%	0	0	0	0	0	0
25	84,500	128,700	173,000	158	12.5%	0	11	44	80	20	3	1	1.9%	0	0	1	0	0	0
24	75,600	115,000	154,300	200	15.8%	0	7	61	99	29	4	0	0.0%	0	0	0	0	0	0
23	67,500	102,600	137,700	180	14.2%	0	7	94	59	19	1	0	0.0%	0	0	0	0	0	0
22	60,200	91,600	123,000	167	13.2%	0	13	49	86	18	1	52	100%	0	0	3	42	5	2
21	53,800	81,900	110,100	148	11.7%	0	8	70	60	9	1			0.0%	0.0%	5.8%	80.8%	9.6%	3.8%
20	48,700	74,400	100,100	57	4.5%	0	1	28	23	4	1								
19	44,200	67,400	90,700	83	6.5%	0	1	31	36	11	4								
18	40,200	61,300	82,400	18	1.4%	0	2	4	11	1	0								
17	36,600	55,700	74,800	13	1.0%	0	5	4	4	0	0								
16	32,900	50,500	68,000	2	0.2%	0	0	0	1	1	0								
15	30,400	46,100	61,800	0	0.0%	0	0	0	0	0	0								
				1,268	100%	0	61	456	584	148	19								
						0.0%	4.8%	36.0%	46.1%	11.7%	1.5%								

¹ Employee distribution statistics references employee census updated July 13, 2018, and excludes investment, executive, floater, limited and rehired retiree employees. UC recently approved systemwide merit increases for non-represented staff effective July 1, 2018; however, the new salary data are not yet available. For the purpose of this analysis, SullivanCotter updated the incumbent data by three percent.



Section

5

Market Findings

Market Findings

Salary Ranges



CPEC/AAU COMPARATOR UNIVERSITIES

- A review of publicly available salary structure and salary policy information was conducted on 32 public and 26 private comparator universities (CPEC and AAU institutions). Salary structure details were publicly available for 28 universities.¹ The following chart summarizes common salary range practices among this group.

KEY FINDINGS

- Range width is similar across private and public universities. Salary structures of universities with **10 to 20 grades typically provide range widths between 60% at the lower and 105% at the higher grades.**
- UCOP's current salary structure is wider than the salary structures of the comparator universities.**

	27 out of 58 All	18 out of 32 Public	9 out of 26 Private	UCOP
Overall Avg	90%	94%	83%	119%
< 10 Grades (18%)				
Low Grade Average	86%	89%	75%	
Mid Grade Average	116%	118%	108%	
High Grade Average	147%	145%	156%	
10 - 20 Grades (64%)				
Low Grade Average	57%	58%	54%	103%
Mid Grade Average	83%	84%	82%	104%
High Grade Average	103%	105%	100%	177%
21+ Grades (18%)				
Low Grade Average	57%	59%	53%	
Mid Grade Average	89%	94%	70%	
High Grade Average	130%	140%	87%	

The average range width of the lowest grade is around **60%** for comparator universities with 10-20 grades.

The average range width of the highest grade is **105%** for comparator universities with 10-20 grades.

¹ For the listing of data sources, please see Appendix E.

Market Findings

Salary Ranges



GENERAL INDUSTRY LITERATURE RESEARCH

- A review of salary structure literature was conducted in an effort to inform pay program design considerations and common practices. The information and white papers were collected from a variety of professional websites and were written by compensation professionals or individuals with experience in compensation design principles. Common salary range practices within the general industry are summarized below.

KEY FINDINGS

- The findings in the literature reflect general industry practices and are **not specific to universities**.
- General industry appears to use more narrow salary range widths than universities. According to the CSA's report, which references a best practice finding from the SHRM,¹ "traditional salary ranges commonly span between 15 to 20 percent on either side of the identified midpoint,"² which equates to a 35% to 50% range width. These findings are consistent with the 2016 WorldatWork survey.^{3,4}

% of Organizations	5%	7%	7%	32%	22%	20%	9%
Range Width	Less than 25%	25% to less than 35%	35% to less than 45%	45% to less than 55%	55% to less than 65%	65% to less than 75%	75% or more

Survey question: "For salaried (except executive) positions, what is the typical spread [(maximum/minimum) - 1] of ranges in your structure(s)?"

- WorldatWork's published study includes significantly smaller organizations (only 4% have 100,000 or more employees, while UC employs over 200,000 employees) and only 2% of the participating organizations represent educational services. **The market reflected in the study does not represent UC's talent market and is not appropriate for UC's compensation program design purposes.**
- Organizations with broadbanding systems often report four to 10 or more salary ranges and a range width of 70 percent to 200 percent or more.⁵

• **UC's salary ranges are designed to reflect the competitive labor market value. In order to establish a competitive salary range structure, we recommend that UC consider aligning its salary range widths to the market practice of the comparator universities.**

¹ Source: CSA's Report #2016-130, page 128.

² Source: "How to Establish Salary Ranges" by Society for Human Resources Management (SHRM), May 2018.

³ Source: "Compensation Programs and Practices Survey" by WorldatWork and Aon Hewitt, August 2016.

⁴ Note that the SHRM article and the WorldatWork survey do not specify if the findings include non-represented staff and the number of grades for the referenced range structure.

⁵ Source: "You Want Me To Talk About What? Broadbanding?" by Elizabeth Dougherty, Towers Watson, 2010 WorldatWork.

Market Findings

Salary Ranges



BENCHMARK RESULTS

- In order to determine the market competitiveness of the salary range midpoints, UC conducted a market assessment based on the newly adopted methodology for over 722 staff jobs at UCOP and OGC. SullivanCotter reviewed a sampling of the UCOP jobs and found the survey benchmarking to be consistent with the Regents' approved survey benchmarking methodology.
 - Given the time constraints, UC provided preliminary market data for this analysis that will serve as a proxy for gauging market movement. UC will finalize the market data prior to establishing the 2019 salary ranges.
 - The following summarizes the UCOP's non-represented, non SMG staff jobs for potential salary range midpoint adjustments.

KEY FINDINGS

- Based on the preliminary market data, **UCOP's and OGC's salary ranges are lagging the market median by 5.5% and 5.2%, respectively.**
- **UCOP's and OGC's salary range midpoints have not been adjusted since 2016. Therefore, we recommend that UCOP and OGC update the salary ranges to market competitive levels.**



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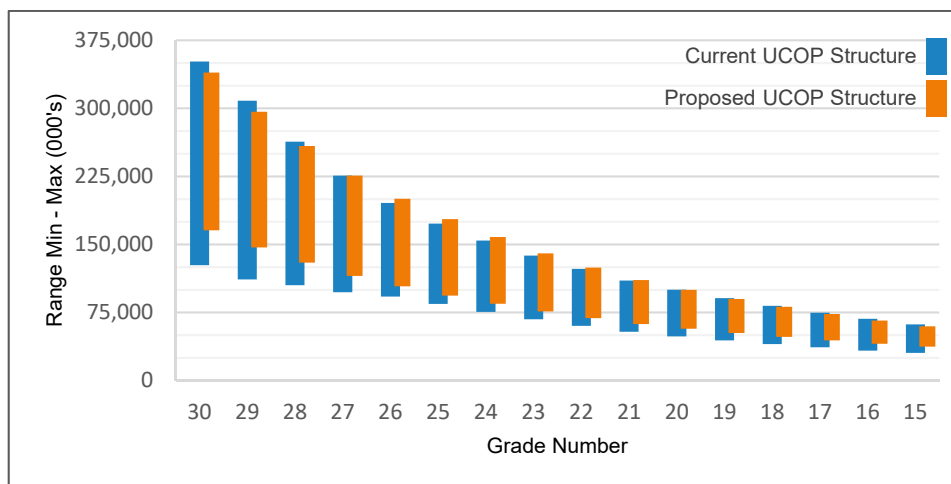
6 Recommendations for Consideration

Recommendations for Consideration – UCOP



- Based on the market findings and the CSA’s recommendation to narrow the salary ranges, we recommend the following for consideration:
 - UCOP’s salary range structure has 16 grades, which is typical for the higher education sector, as the majority of the comparator universities (64%) have 10 to 20 grades. Therefore, we recommend that UCOP’s current **number of grades remain the same**.
 - We propose that the **range width be narrowed from 103% to 60% at the low end (Grade 15) and from 177% to 105% at the high end (Grade 30)**.
 - We propose that the **range midpoints be increased by 5.5% based on the estimated market alignment factors¹ from the initial benchmark results**.

PROPOSED SALARY STRUCTURE (UCOP)				RANGE WIDTH	MIDPT DIFF	MARKET ADJ
GRADE	MIN	MID	MAX			
30	165,574	252,500	339,426	105%	14%	5.5%
29	146,623	221,400	296,177	102%	14%	5.5%
28	129,900	194,200	258,500	99%	14%	5.5%
27	115,203	170,500	225,797	96%	12%	5.5%
26	103,754	152,000	200,246	93%	12%	5.5%
25	93,655	135,800	177,945	90%	12%	5.5%
24	84,530	121,300	158,070	87%	12%	5.5%
23	76,197	108,200	140,203	84%	12%	5.5%
22	68,754	96,600	124,446	81%	12%	5.5%
21	62,158	86,400	110,642	78%	10%	5.5%
20	57,091	78,500	99,909	75%	10%	5.5%
19	52,279	71,100	89,921	72%	10%	5.5%
18	48,104	64,700	81,296	69%	10%	5.5%
17	44,211	58,800	73,389	66%	10%	5.5%
16	40,532	53,300	66,068	63%	10%	5.5%
15	37,385	48,600	59,815	60%	---	5.5%



Considerations

Pros

- Addresses the CSA’s recommendation of narrower salary ranges.
- Easy to implement.
- Improved market alignment.

Cons

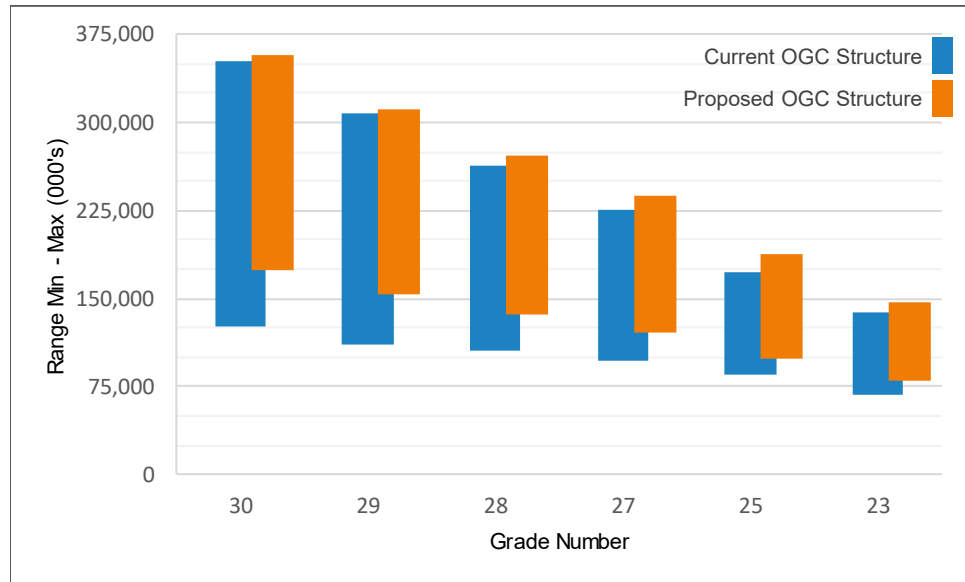
- Potentially higher costs (i.e., cost to minimum).
- Potential compression issues.
- Possible employee morale issues if salaries above the maximum are capped.

Recommendations for Consideration – OGC



- Based on the market findings and the CSA’s recommendation to narrow the salary ranges, we recommend the following for consideration:
 - OGC’s salary range structure has six grades and we recommend **no changes to the number of grades**.
 - We propose that the **range width be narrowed from 104% to 84% at the low end (Grade 23) and from 177% to 105% at the high end (Grade 30)**.
 - We propose that the **range midpoints be increased by 5.2% based on the estimated market alignment factors¹ from the initial benchmark results**.

PROPOSED SALARY STRUCTURE (OGC)				RANGE WIDTH	MIDPT DIFF	MARKET ADJ
GRADE	MIN	MID	MAX			
30	174,164	265,600	357,036	105%	14%	5.2%
29	154,238	232,900	311,562	102%	14%	5.2%
28	136,656	204,300	271,944	99%	14%	5.2%
27	121,216	179,400	237,584	96%	12%	5.2%
25	98,552	142,900	187,248	90%	12%	5.2%
23	80,141	113,800	147,459	84%	12%	5.2%



¹ This is based on the preliminary data and is subject to change.

Recommendations for Consideration



- The tables below provide the projected employee distribution for each pay structure based on the proposed salary ranges.
- The red heatmap details the number of employees within each quartile of the proposed range, Q0 identifies the employees below the minimum, and Q5 shows the number of employees over the maximum.
- Since most employees are currently in the second (Q2) and third (Q3) quartiles, **the proposed salary range adjustment impacts 32 (or 2.5%) of 1,268 UCOP employees.**

GRADE	PROPOSED SALARY STRUCTURE UCOP Employee Distribution								
	# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5	
30	11	0.9%	0	0	7	1	1	2	
29	12	0.9%	1	1	4	4	2	0	
28	39	3.1%	0	0	11	23	3	2	
27	69	5.4%	0	12	21	32	4	0	
26	111	8.8%	0	8	52	42	9	0	
25	158	12.5%	2	23	65	58	9	1	
24	200	15.8%	1	25	80	73	20	1	
23	180	14.2%	2	25	101	37	14	1	
22	167	13.2%	3	23	68	61	12	0	
21	148	11.7%	2	37	72	28	8	1	
20	57	4.5%	1	11	26	14	4	1	
19	83	6.5%	0	11	38	21	8	5	
18	18	1.4%	1	3	7	7	0	0	
17	13	1.0%	5	2	3	3	0	0	
16	2	0.2%	0	0	0	1	1	0	
15	0	0.0%	0	0	0	0	0	0	
	1,268	100%	18	181	555	405	95	14	
			1.4%	14.3%	43.8%	31.9%	7.5%	1.1%	

GRADE	PROPOSED SALARY STRUCTURE OGC Employee Distribution								
	# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5	
30	4	7.7%	0	0	2	2	0	0	
29	0	0.0%	0	0	0	0	0	0	
28	45	86.5%	0	0	17	25	3	0	
27	2	3.8%	0	0	2	0	0	0	
25	1	1.9%	0	0	1	0	0	0	
23	0	0.0%	0	0	0	0	0	0	
	52	100%	0	0	22	27	3	0	
			0.0%	0.0%	42.3%	51.9%	5.8%	0.0%	

None of the OGC employees will fall below the proposed range minimum or above the proposed maximum.

14 or 1.1% of UCOP employees will fall above the proposed range maximum.
The cumulative difference for the 14 employees who are above the proposed range maximum is \$42,384.

18 or 1.4% of UCOP employees will fall below the proposed range minimum.
The cumulative difference for the 18 employees who are below the proposed range minimum is \$82,930.



Section

7

Potential Implications

Potential Implications



- Narrowing UCOP's and OGC's salary ranges and adjusting the salary range midpoints may cause employees' pay to fall outside the pay range (i.e., pay below the minimum or above the maximum of the salary range for a grade).
 - UC's current policy states that “an employee's salary must be within the salary range that is assigned to the job title based on the associated job's duties and responsibilities; any exception must be approved in accordance with Section 4.C. of this policy” (Policy PPSM-30: Compensation; Section III.B.1.c.). For employees who remain below the minimum of the salary range or exceed the salary range maximum, UCOP has the authority, under PPSM-30: Compensation; Section 4.C., to approve these exceptions.
 - **UCOP's policy is consistent with practices of the comparator universities.**
 - Potential implications for the narrower and market-adjusted salary ranges include:
 - **Salary increases** for employees who fall below the proposed salary range.
 - **Pay compression**, which may occur when increasing an employee's pay to the proposed (higher) salary range minimum. As a result, employees with less skill and experience may be clustered with more experienced and higher-performing staff. To maintain appropriate pay relationships and to avoid pay inequity issues, additional salary adjustments for the higher-level staff may be necessary and result in additional costs.
 - **Cost of promotional salary adjustments, which may increase** in order to bring an employee to the minimum of the higher salary range. Due to narrower grades, employees may also reach the top of the salary range more quickly, potentially leading to more frequent promotions.
- In addition to this initial analysis, further study in the next phase of work is required to review the impact of potential revisions for employees within the ranges, especially for employees affected by any salary compression issues.
 - **In phase two, SullivanCotter will develop a cost/saving impact strategy once the new salary ranges are approved by the COO and the President.**
 - UC may conduct a cost/benefit analysis, as the effect of narrowing salary ranges may not result in the desired overall savings.
 - As such, UC will need to consider many factors before implementing salary structure changes, such as recruitment and retention of talent in a tight labor market with a low unemployment rate or the cost of employee turnover.



Section

8

Next Steps

Next Steps



- Endorsement by the Committee of UC's plan for narrowing UCOP's salary ranges.
- Determine the cost to implement the new salary ranges in the next phase of work.
- By March 2019, UCOP will finalize the plan for narrowing UCOP salary ranges in relation to the CSA's recommendations.
- Approval of the salary range adjustments by the COO and the President.
- Implement the narrowed and market adjusted UCOP salary ranges on April 1, 2019.



Appendix A

CSA Recommendations



CSA Recommendations

- The UCOP received the following recommendations from the CSA regarding salary levels and ranges:¹
 - **By April 2018:**
 10. Develop a method for weighing public and private sector pay data when establishing salaries for all positions.
 - 11. Determine how to restructure salary ranges to make certain the ranges encourage employee development and ensure pay equity.**
 - **By April 2019:**
 23. Set targets for any needed reductions to salary amounts using the results from its public and private sector comparison and adjust its salaries accordingly.
 24. Narrow its salary ranges.
 - **By April 2020:**
 34. Adjust its salary levels and ranges to meet its established targets.

¹ California State Auditor Report Number: 2016-130; full PDF report page 67.



Appendix B

Listing of Comparator Institutions

Listing of Comparator Institutions

AAU and CPEC Institutions



- Listing of 54 AAU and 26 CPEC Institutions:

AAU and CPEC Listing			
Comparator Institutions	Public/ Private	AAU	CPEC
Boston University (Boston, MA)	Private	✓	
Brandeis University (Waltham, MA)	Private	✓	
Brown University (Providence, RI)	Private	✓	✓
California Institute of Technology (Pasadena, CA)	Private	✓	✓
Carnegie Mellon University (Pittsburgh, PA)	Private	✓	
Case Western Reserve University (Cleveland, OH)	Private	✓	
Columbia University in the City of New York (New York, NY)	Private	✓	✓
Cornell University (Ithaca, NY)	Private	✓	✓
Duke University (Durham, NC)	Private	✓	
Emory University (Atlanta, GA)	Private	✓	
Georgia Institute of Technology (Atlanta, GA)	Public	✓	
Harvard University (Cambridge, MA)	Private	✓	✓
Indiana University Bloomington (Bloomington, IN)	Public	✓	
Iowa State University (Ames, IA)	Public	✓	
Johns Hopkins University (Baltimore, MD)	Private	✓	✓
Massachusetts Institute of Technology (Cambridge, MA)	Private	✓	✓
Michigan State University (East Lansing, MI)	Public	✓	
New York University (New York, NY)	Private	✓	
Northwestern University (Evanston, IL)	Private	✓	✓
Ohio State University Main Campus (Columbus, OH)	Public	✓	
Pennsylvania State University (University Park, PA)	Public	✓	
Princeton University (Princeton, NJ)	Private	✓	
Purdue University Main Campus (West Lafayette, IN)	Public	✓	
Rice University (Houston, TX)	Private	✓	
Rutgers the State University of New Jersey New Brunswick Campus (New Brunswick, NJ)	Public	✓	
Stanford University (Palo Alto, CA)	Private	✓	✓
State University of New York at Stony Brook University (Stony Brook, NY)	Public	✓	✓
Texas A&M University (College Station, TX)	Public	✓	
Tulane University (New Orleans, LA)	Private	✓	
University At Buffalo, State University of New York (Buffalo, NY)	Public	✓	✓
University of Arizona (Tucson, AZ)	Public	✓	
University of Chicago (Chicago, IL)	Private	✓	✓
University of Colorado – System	Public		✓
University of Colorado Boulder (Boulder, CO)	Public	✓	✓

Listing of Comparator Institutions

AAU and CPEC Institutions



- Listing of 54 AAU and 26 CPEC Institutions (continued):

AAU and CPEC Listing			
Comparator Institutions	Public/ Private	AAU	CPEC
University of Florida (Gainesville, FL)	Public	✓	
University of Illinois at Chicago (Chicago, IL)	Public		✓
University of Illinois at Urbana-Champaign (Champaign, IL)	Public	✓	✓
University of Iowa (Iowa City, IA)	Public	✓	
University of Kansas Main Campus (Lawrence, KS)	Public	✓	
University of Maryland College Park (College Park, MD)	Public	✓	
University of Michigan-Ann Arbor (Ann Arbor, MI)	Public	✓	✓
University of Minnesota – System	Public		✓
University of Minnesota (Duluth, MN)	Public		✓
University of Minnesota-Twin Cities (Minneapolis, MN)	Public	✓	✓
University of Missouri-Columbia (Columbia, MO)	Public	✓	
University of North Carolina at Chapel Hill (Chapel Hill, NC)	Public	✓	
University of Oregon (Eugene, OR)	Public	✓	
University of Pennsylvania (Philadelphia, PA)	Private	✓	✓
University of Pittsburgh (Pittsburgh, PA)	Public	✓	
University of Rochester (Rochester, NY)	Private	✓	
University of Southern California (Los Angeles, CA)	Private	✓	
University of Texas at Austin (Austin, TX)	Public	✓	✓
University of Virginia (Charlottesville, VA)	Public	✓	✓
University of Washington (Seattle, WA)	Public	✓	✓
University of Wisconsin-Madison (Madison, WI)	Public	✓	✓
Vanderbilt University (Nashville, TN)	Private	✓	
Washington University in St. Louis (Saint Louis, MO)	Private	✓	
Yale University (New Haven, CT)	Private	✓	✓



Appendix C

Additional Background on UCOP Career Tracks

Additional Background on UCOP Career Tracks



UCOP's salary ranges were developed as part of the Career Tracks program to support:

- **External and Internal Pay Equity:**

- Career Tracks uses a market-based salary structure, meaning that external labor market salaries for a job are the primary basis for establishing job value that drives assignment of salary ranges.
- Market-based salary structures tend to be fair and legally defensible because they are linked to the external marketplace rather than to individual employees or internal practices.
- Salary grade assignments for jobs are based on the median market salary for a given job.
 - A job at UC is placed in the appropriate UC salary grade by comparing the median pay for the job, as identified in the labor market, to the midpoint of the UC salary grade.
 - Since the median market salary reflects the median experience level of incumbents in that job, the salary grade midpoint represents the competitive median market value for a fully qualified incumbent in that job.
 - A salary grade has multiple jobs assigned to it based on the median market salaries for those jobs, which means that disparate jobs might share the same salary grade because their market median salaries were very close to their grade's midpoint.
- The structure is flexible and responsive to market changes. The University can measure salary movement of Career Tracks benchmark jobs year-over-year and adjust the structure or reassign jobs to new grades according to shifts in the market.
- An individual salary range is broad enough from its minimum to its maximum to allow for the ability to address unusual short-term market swings associated with high-demand skills or a tight labor market, rather than assigning jobs to higher salary grades, thereby allowing time to determine if wages stabilize. In addition, the breadth of the salary range is able to accommodate a range of skill levels for a job, with those just beginning their career being paid in the lower portion of the range, while those who have a depth of relevant knowledge and technical expertise greater than what might be found in the “average” worker could be paid higher in the salary range and above the midpoint.

Source: UCOP's "Response to CSA recommendations 10 and 11 non-represented staff below Senior Management Group (SMG) methodology for weighing public and private sector data, and explanation of Career Tracks and its support of employee development opportunities and pay equity."

Additional Background on UCOP Career Tracks



UCOP's salary ranges were developed as part of the Career Tracks program to support (continued):

- **Employees Rewarded Based on Merit/Performance:**

- Career Tracks salary structures are reviewed annually.
- Adjustments to the overall salary structure are based on data regarding movement in the labor market, wage growth and salary structure trends in the marketplace as provided by government, professional associations and third-party compensation consultants.
- Increases to salary structures do not automatically increase the salary paid to an employee since her/his movement through the salary range is based on merit, which is assessed annually and based on the individual's performance and contributions against pre-determined goals set by her/his manager. Managers can differentiate merit awards among their team to appropriately recognize the strongest contributors with a larger merit-based salary increase and the lower level performers with a smaller merit increase.
- Differences in salaries within a range can be used to distinguish between employees with different levels of skills, experience, scope of work and contribution level, even when they are in the same job title.

- **Career Development Opportunities:**

- Salary ranges support development of skills without having to promote an incumbent to the next level. This characteristic allows for retention of key talent and development of core skills and technical expertise without requiring the incumbent to take on a leadership role, for example, to make more money.
- Career Tracks provides two career paths for non-SMG staff: one for technical, individual growth and one for a managerial path. Employees can choose to pursue a very senior-level individual contributor path, becoming resident experts in their field without taking on a management role. However, for those staff who wish to pursue a management track, that path is available to employees in all functional areas of Career Tracks, as well.

Source: UCOP's "Response to CSA recommendations 10 and 11 non-represented staff below Senior Management Group (SMG) methodology for weighing public and private sector data, and explanation of Career Tracks and its support of employee development opportunities and pay equity."

Additional Background on UCOP Career Tracks



UCOP's salary ranges were developed as part of the Career Tracks program to support (continued):

- **How Salary Grade Structures Support Career Opportunities:**

- Employees can easily identify the next step (job) in a career progression within a job function: the higher-level job is assigned a higher level grade.
- Career Tracks jobs are assigned to salary grades that are organized hierarchically in a salary structure.
 - A salary grade has a range of pay (minimum, midpoint and maximum base salary rates) with the full salary range available for a manager to reward employees, as opposed to a step structure that has predetermined salaries at each step. This allows employees to be rewarded for their contributions and performance, since the Career Tracks program differentiates exemplary performance from lower levels of performance.
 - The midpoints for each salary grade are structured in a way that the midpoint of the next higher grade is approximately 10% higher than the lower grade's midpoint. This applies to jobs generally occupied by paraprofessionals, professionals and supervisors.
 - Midpoint progressions increase to approximately 14% for the upper grade levels generally occupied by senior professional and manager jobs, since there tends to be more variation in duties and skill levels at these higher levels.
 - All of UC's non-represented salary grade ranges overlap, meaning that a portion of the salary range at a higher grade will overlap a portion of the salary range of an adjacent lower grade. This is based on compensation best practices, since the overlap is a cost-effective means of managing career progression; less overlap would require a promotion to the next grade, necessitating a larger pay increase.

Source: UCOP's "Response to CSA recommendations 10 and 11 non-represented staff below Senior Management Group (SMG) methodology for weighing public and private sector data, and explanation of Career Tracks and its support of employee development opportunities and pay equity."



Appendix D

Benchmarking Methodology



Benchmarking Methodology

- In order to develop updated salary range midpoints, UC collected higher education and general industry survey compensation data for 716 UC staff jobs and six OGC staff jobs. UC used the following new approach consistent with the approved methodology for UC's SMG positions:
 - UC's staff jobs were matched to the benchmark survey jobs based on job content, reporting relationship, scope of responsibilities and other relevant factors.
 - CSU and State job benchmarks were identified based on job content by UC Systemwide Human Resources.
 - UC reviewed approximately 1,136 Career Tracks jobs, which includes UCOP and OGC titles but which is also used for campus jobs. UC has currently benchmarked 722 jobs (64% of its Career Track jobs). Of the benchmarked jobs, 231 have State and/or CSU matches.
- UC collected and tabulated competitive base salary data from the data sources for the average as well as the 25th, 50th and 75th percentiles.
- The market data were adjusted to a common effective date of July 1, 2018, by an annual adjustment factor of 2.75%.
- Appropriate geographic wage differentials, based on the cost of labor for Oakland, California, compared to the national average, were applied to the market data.
 - For the UCOP/OGC jobs, the geographic wage differential applied to the national data is 20%. A more moderate geographic differential, e.g., 10% (for manager level jobs) and 15% (for lower level jobs), is applied to the AAU/CPEC data based on an overall higher cost of labor for locations other than the national average. Similarly, a geographic wage differential of 7% is applied to the CSU and State data.
- UC then weighted the market sectors used in this analysis as follows:
 - The market data are generally comprised of an equal blend of 50% higher education (public and private universities and CSU) data and/or 50% general industry and State data.
 - Depending on the nature of the job and/or data availability, the market data may include only higher education and/or CSU matches or general industry and/or State matches. However, the State data are always weighted at a minimum of 12.5%
 - Jobs with only CSU or State data are not included for the midpoint evaluation.



Benchmarking Methodology

- UC conducted a market assessment based on the newly adopted methodology, as recommended by the Regents' Working Group on Executive Compensation, for over 722 UC staff jobs.
- Given the time constraints, UC provided preliminary market data by using a weighted blend of public and private sector pay data to update the salary range midpoints using the competitive market values.
- As the final approach is being developed, the following observations may be considered:

Observations	Considerations
<ul style="list-style-type: none"> • UC collects market data for as many jobs as possible. <ul style="list-style-type: none"> – Approximately 291 UCOP and OGC job titles were aligned to 722 benchmarks and selected for inclusion in the salary range evaluation process. This covers approximately 90% of the staff population. • Job matching was based on the review of job titles, job descriptions and job levels. • Survey matches were established by using survey leveling guides to align UC jobs with survey benchmarks. State and CSU matches were made by reviewing job descriptions and internal job reporting tools. <ul style="list-style-type: none"> – There are jobs for which survey data samples, including CSU and State data, are more limited and in such cases may produce inconsistent data (e.g., the market data for a lower-level job is higher than for a higher-level job; significant year-over-year data swings). 	<ul style="list-style-type: none"> • In order to have reliable, robust and relevant market data for the salary range evaluation process, identify the “core” benchmark jobs at UCOP and OGC. Select jobs that: <ul style="list-style-type: none"> – Are the most heavily populated, to ensure a true representation of pay levels in the market. – Have strong and robust benchmark matches and provide multiple sources from higher education and general industry sectors as well as sufficient CSU and State data. • The “non-benchmark” jobs will be slotted into the structures based on the most appropriate grade level based on these existing relationships/job family.

- Undertaking this level of analysis is not possible given the current timeline. However, the recommendation will be considered for other market analyses at a future date.



Benchmarking Methodology

- **SullivanCotter reviewed a sampling of the UCOP jobs and found the benchmarking to be consistent with the Regents' approved methodology.**
 - Going forward, we understand that UC expects to use the new methodology for analyses for Career Tracks salary ranges for all non-represented staff across the UC system.
- UC recently approved systemwide merit increases for non-represented staff effective July 1, 2018; however, the new salary data are not yet available. For the purpose of this analysis, SullivanCotter updated the incumbent data as of July 13, 2018, by three percent.
- SullivanCotter relied on the salary range assignments for each job provided by UC.



Appendix E

Salary Structure and Policy Practices Data Sources

Salary Structure and Policy Practices

Data Sources



REFERENCES

- University of Michigan-Ann Arbor – <https://hr.umich.edu/working-u-m/management-administration/compensation-classification>
- University of Minnesota – <https://policy.umn.edu/hr#Hiring>
- University of Colorado – <https://www.cu.edu/regents/policy>
- University of North Carolina at Chapel Hill – <https://hr.unc.edu/files/2017/03/career-Banding-Compensation-Administration-Plan-Document.pdf>
- University of Iowa – <https://hr.uiowa.edu/>
- University of Florida – <https://hr.ufl.edu/>
- University of Texas at Austin – <https://hr.utexas.edu/current/compensation>
- Purdue University (Main Campus) – <https://www.purdue.edu/hr/pdf/wageAdminPayRatesScales.pdf>
- University of Pittsburgh – <https://www.hr.pitt.edu/current-employees/compensation>
- University of Maryland College Park – <https://president.umd.edu/sites/president.umd.edu/files/documents/policies/VII-911A.pdf>
- Texas A&M University – <http://policies.tamus.edu/31-01-01.pdf>
- Indiana University Bloomington – http://www.indiana.edu/~uhrs/salary/SM/wage_guide.html
- Georgia Institute of Technology – <https://policylibrary.gatech.edu/classified-compensation-administration>
- University of Virginia – <http://www.hr.virginia.edu/other-hr-services/hr-consulting-services/compensation/pay-practices/>
- University of Missouri Columbia – <https://hrs.missouri.edu/policies-and-procedures/pay-and-compensation>
- Iowa State University – <https://www.hr.iastate.edu/careers/compensation>

Salary Structure and Policy Practices

Data Sources



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- University of Kansas (Main Campus) – <https://humanresources.ku.edu/compensation-related-actions>
- Ohio State University (Main Campus) – <https://hr.osu.edu/wp-content/uploads/policy310.pdf>
- University of Pennsylvania – <https://www.hr.upenn.edu/policies-and-procedures/policy-manual/compensation/classification-and-salary-of-staff-positions>
- Johns Hopkins University – <https://hrnt.jhu.edu/pay/documents/paypoliciesandpractices.pdf>
- Yale University – <https://your.yale.edu/policies-procedures/policies/3503-staff-workplace-policies#3503.206>
- Harvard University – <https://hr.harvard.edu/search/site/salary%20administration?&solrsort=%20>
- Emory University – <http://www.hr.emory.edu/eu/pay/comppolicies.html>
- Vanderbilt University – <https://hr.vanderbilt.edu/compensation/vanderbiltpayguide.php>
- University of Rochester – <https://www.rochester.edu/working/hr/policies/>
- Massachusetts Institute of Technology – <http://hrweb.mit.edu/compensation/guidelines>
- Duke University – <https://hr.duke.edu/policies/pay-administration/university-pay-structure-processes>
- Tulane University – <https://hr.tulane.edu/compensation/compensation>
- Brown University – <https://www.brown.edu/about/administration/human-resources/compensation-services/determining-pay-and-evaluating-jobs>

Salary Structure and Policy Practices

Data Sources



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- Pennsylvania State University – <https://hr.psu.edu/sites/hr/files/recruitment-and-compensation/documents/SalaryBands.pdf>
- University of Washington – <https://hr.uw.edu/professional-staff-program/>
- University of Minnesota – <https://humanresources.umn.edu/pay-and-taxes/salary-plans>
- University of Iowa – <https://hr.uiowa.edu/professional-pay>
- University of Illinois at Chicago – https://www.hr.uic.edu/UserFiles/Servers/Server_2716/File/d_compensation/OpenRangeWageScaleMatrixv2.pdf
- University of Florida – <https://hr.ufl.edu/wp-content/uploads/2018/04/SalaryRanges.pdf>
- University of Wisconsin-Madison – <https://www.ohr.wisc.edu/polproced/utg/SalRng.html>
- University of Pittsburgh – <https://www.hr.pitt.edu/current-employees/compensation/job-families-staff-salary-ranges>
- University of Arizona – <https://apps.hr.arizona.edu/classified-staff-job-descriptions/>
- University of Maryland College Park – <https://president.umd.edu/sites/president.umd.edu/files/documents/policies/VII-911A.pdf>
- Texas A&M University – <https://employees.tamu.edu/media/1234177/SWPP%20Pay%20Grades%20TAMU.pdf>
- Indiana University Bloomington – <http://www.indiana.edu/~uhrs/salary/pa-ranges-201718.html>
- University of Missouri-Columbia – https://www.umsystem.edu/totalrewards/compensation/pay_matrices/
- Iowa State University – <https://www.hr.iastate.edu/careers/compensation>

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- Rutgers the State University of NJ New Brunswick Campus – <https://uhr.rutgers.edu/staff-salary-schedules>
- Johns Hopkins University – https://hrnt.jhu.edu/pay/salary_ranges.cfm
- Yale University – <https://your.yale.edu/work-yale/employment/title-and-grade-chart-salary-grade-d>
- Harvard University – <https://hr.harvard.edu/salary-ranges>
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- Massachusetts Institute of Technology – <http://hrweb.mit.edu/compensation/salary-structure/support>
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- Brown University – https://www.brown.edu/about/administration/human-resources/sites/human-resources/files/FY19%20Salary%20Ranges_0.pdf
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