



Fox Lawson & Associates
a Division of Gallagher Benefit Services, Inc.

OREGON UNIVERSITY SYSTEM

Classified Employee Classification and Compensation Philosophy & Strategies

RECOMMENDATIONS

**Final Report
November 2012**



Fox Lawson & Associates
a Division of Gallagher Benefit Services, Inc.
Compensation and Human Resources Specialists

P.O. Box 32985
Phoenix, AZ 85064-2985
Phone 602-840-1070
Fax 602-840-1071
www.foxlawson.com

October 15, 2012

Mr. Jay Kenton
Vice-Chancellor
Oregon University System
Jay_Kenton@ous.edu

Re: Final Report – Classification and Compensation Philosophy

Dear Jay:

Attached is the final report outlining our recommended classification and compensation philosophy and related goals, objectives and strategies covering classified positions within the Oregon University System (OUS).

These recommendations reflect the culmination of an extensive process that included:

- Conducting interviews and focus groups with managers and affected employees at each of the seven universities;
- Research regarding best practices related to job classification and compensation at other major universities across the nation;
- An on-line survey available to all classified employees and managers within the OUS to assess their perceptions of issues related to the classification and compensation system; and
- Ongoing work with the Classification and Compensation Advisory Committee (CCAC) to review findings and preliminary recommendations.

All of these activities have resulted in the recommendations outlined in this report.

As noted throughout the document, we recognize that some of the recommendations may be subject to the collective bargaining process. However, we believe that this document will effectively serve as the basis for those negotiations at the appropriate time.

We wish to express our appreciation for your assistance, as well as that of Terrill Barte, the designated project manager for the OUS and the members of the CCAC for their commitment and support throughout this phase of the project. We look forward to presenting this report to the OUS leadership on November 15, 2015, as



well as having the continuing opportunity to assist OUS in developing its new classification and compensation program for classified employees.

Very truly yours,

A handwritten signature in black ink, appearing to read "Bruce Lawson". The signature is written in a cursive style and is positioned above a horizontal dashed line.

Bruce G. Lawson, MPA, CCP, IPMA-CP
Managing Director

Enclosure: Final Report

OREGON UNIVERSITY SYSTEM

November 2012

Recommended Classified Employee Classification and Compensation Philosophy & Strategies

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OREGON UNIVERSITY SYSTEM CLASSIFIED EMPLOYEE CLASSIFICATION AND COMPENSATION PHILOSOPHY

Recommendations - November 2012

CLASSIFICATION AND COMPENSATION SYSTEM ISSUES

[Note: This document contains the recommendations of Fox Lawson & Associates and is designed to serve as a conceptual design for a new classification and compensation system covering classified employees within the OUS. Some of the recommendations may be subject to the collective bargaining process.]

- | | |
|--|---|
| <ul style="list-style-type: none">▪ Job Definition – Narrow or Broad▪ Job Evaluation – System (Tool) or Market-Pricing▪ Pay Target:<ul style="list-style-type: none">- Level of Competitiveness- Job Rate or Market Guide- Pay Ranges or Actual Salaries | <ul style="list-style-type: none">▪ Market Definition▪ Pay Progression Criteria<ul style="list-style-type: none">- Longevity- Performance- Skill and Competency Growth- Combination▪ Pay Update Components▪ Pay for Performance |
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PURPOSE

The Oregon University (OUS) values its classified employees as the key to providing efficient, effective, responsive and creative higher education and related services.

The purpose of a classification and compensation system is to support the recruitment, motivation and retention of a well-qualified workforce. In order to obtain and maintain taxpayer and state support, the classification and compensation system covering classified employees should be fiscally sound and cost effective while supporting the employees of the OUS by encouraging them to be responsive to its customers/stakeholders (students, faculty, classified staff and administration), and taxpayers.

The Classification and Compensation System shall be administered in an efficient, cost effective, responsive, fair and equitable manner to meet the needs of all stakeholders including, elected officials, managers, employees and students of the Oregon University System.

CLASSIFICATION SYSTEM RECOMMENDATION - Consistent with best practices, national trends, and the need to minimize compression focusing on type and level of work within the class system and pay within the comp system, a broad class approach is recommended. To implement this recommendation, the following goals and strategies are suggested.

GOAL 1 – CLASSIFY THE WORK

To provide for a simplified job classification system that defines the general scope and complexity of the work required. The classification system should also facilitate internal equity in job classification across all positions within all departments and among all campuses of the OUS.

OBJECTIVE 1 – DEVELOP BROAD CLASSES

To have a classification structure that reflects meaningful and measurable differences in the level of work within each occupational group. [An example of the creation of classes is included in the Glossary of Terms section under “Class Series”.]

STRATEGIES

- a) The classification system should consist of broadly defined classes that reflect the essential duties and responsibilities performed by incumbents in each class. This approach should facilitate flexibility in the assignment of duties to individual employees within the job classification.
- b) Where practical and feasible within each occupational group, there should be opportunity for career advancement. The differences in job levels within each occupational group or class series should be clearly defined and defensible.
- c) Determine FLSA status of broad classifications based on applicable state and federal law including position-specific determination where necessary.

OBJECTIVE 2 – DEVELOP AND MAINTAIN A CLASSIFICATION STRUCTURE WITH ACCURATE CLASS DESCRIPTIONS

The classification plan should meet the current needs of the OUS and each of its universities while providing flexibility to manage and organize the work in a changing environment.

STRATEGIES

- a) The classification system should be consistent with the OUS’s goals and objectives and should position the OUS to be responsive to changes in organizational structure, staffing and work requirements. Selective certification as necessary and appropriate should be integrated into the classification structure to address staffing concerns.

b) The class descriptions, including the statements of essential duties, minimum qualifications, and physical requirements, should be written to reflect the current needs of the OUS. The goal is to ensure that new hires are qualified and capable of performing the work required and that the work being performed is reflected by an appropriate job title. Incumbents who currently do not meet the minimum qualifications may be grandfathered into their current classes. However, any incumbent not meeting the new minimum requirements or reasonable equivalencies should be encouraged to acquire the required knowledge and/or skills within a reasonable time period so that they would be qualified for their current and/or other positions within the OUS as opportunities arise.

OBJECTIVE 3 – PROCESS FOR CREATING NEW JOB CLASSES

Once the new classification system is implemented, the system should be responsive to continuing organizational and environmental change through the creation of new classes and redefinition of job responsibilities as defined by the OUS and its respective universities.

STRATEGIES

- a) The class descriptions covering the classified service should be reviewed at least every two years to ensure that they meet current system-wide and individual university needs. The OUS should facilitate the review process.
- b) Each university should respond to campus requests for individual reclassification, and should assist the OUS with revision of class specifications and development of new class specifications within the broad class concept, as necessary, to meet the on-going operational requirements of the OUS and the respective universities.

OBJECTIVE 4 – PROVIDE A PROCESS FOR ALLOCATION OF POSITIONS TO A NEW CLASSIFICATION STRUCTURE

Criteria for initial assignment of employees to the new broad class structure should include a review of updated employee job documentation and include a structured process for appeal of classification allocation decisions within a prescribed timeframe.

OBJECTIVE 5 – PROVIDE A PROCESS FOR REQUESTING RECLASSIFICATION OF JOBS

After an initial new class structure has been implemented, the ongoing maintenance of the class system should provide for a reclassification process for individual positions on each campus administered in an efficient, standard, cost effective, responsive, fair, and equitable manner to meet the needs of the OUS, each university within the system, and its employees. The number of reclassifications should be minimal since the differences between classifications should be more clearly defined than they are today.

STRATEGIES

- a) Timetables should be established which would set the time that reclassifications should be reviewed and acted upon.
- b) Responsibilities for each step of the reclassification process should be established to include the employee, employee representatives, and the supervisor and human resource office on each campus.
- c) Employees should be notified in writing of the results of the reclassification process and the reasons for approval or denial.
- d) Employees who are reclassified should not receive any adjustment in their base compensation unless the salary range for the class into which they are reclassified has a minimum salary that exceeds the employee's current salary. Reclassification should not be used to circumvent promotions into a higher job classification. Positions that are reclassified to a classification in a lower salary grade should have their compensation adjusted so that it does not exceed the maximum of the salary grade for the new classification. If the current compensation falls within the new salary grade, no adjustment in compensation would be required.

COMPENSATION SYSTEM RECOMMENDATION – A compensation system that recognizes the competitive nature of the occupational labor market, the internal equity of positions within OUS, and rewards employees who exceed the expectations of their job is recommended.

GOAL 2 – DELIVER PAY

The compensation system should reflect economic conditions of the various occupational labor markets in which the OUS must compete. The system should also reward employees who perform at above-standard levels within their respective job class.

OBJECTIVE 1

Compensation levels (including employee benefits) should reflect the multiple labor markets in which the OUS must compete.

OBJECTIVE 2

Pay grade midpoints should approximate the median of average salaries paid to positions in the relevant labor market(s) as reported in periodic salary survey results. Midpoints should reflect the value of full proficiency for the job. Pay range minimums and maximums should be established from survey results. [An example is included in the Glossary of Terms section under “Job Rate”.]

OBJECTIVE 3

An appropriate job evaluation tool will be applied to all jobs in order to establish internal equity. Classifications for which there is no available market data or are not used in development of the salary structure (e.g., specialized jobs without peers in the marketplace) should be placed in the salary structure based upon their internal relationship with other classes within the occupational group as determined through a standardized job evaluation process that is appropriate for use with the OUS’s job classification structure and system. An appropriate job evaluation tool should be used consistent with a broad class approach to slot jobs as necessary when conducting compensation analyses. [Example: At a university, there was no market data for opticians who grind telescope lenses but the job was deemed equal within the internal equity system to an HVAC mechanic. As a result, it is compensated at the same level.]

OBJECTIVE 4

Salary advancement rate should be based on competent performance and acquisition of relevant evolving skill within the job class.

	<p><u>OBJECTIVE 5</u></p> <p>Because compensation includes base pay, employee benefits, and variable compensation, employees should be fully informed regarding their compensation and benefits.</p>
	<p><u>GOAL 3 – PERFORMANCE MANAGEMENT</u></p> <p>A performance evaluation system should be used to review performance, communicate performance expectations and support the employee in helping the organization achieve a superior level of performance.</p>
	<p><u>OBJECTIVE 1</u></p> <p>The performance management system shall be used constructively to promote achievement of organizational goals.</p>
<p>Note: The goals, objectives and strategies set forth in this plan are subject to budgetary limitations and may be subject to the collective bargaining process. Nothing contained herein is to be construed as a binding contract.</p>	

GLOSSARY OF TERMS

ADVANCEMENT OPPORTUNITY

An opportunity for an employee to earn additional compensation beyond the level of his/her current position. Advancement can result either from a change in job classification or an increase in salary within an established salary range.

CAREER LADDER

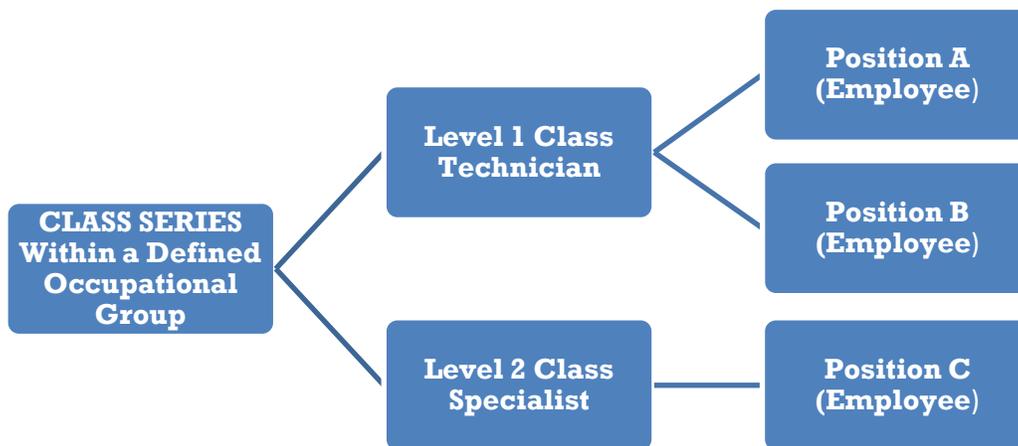
The classes to which an employee may progress based on promotion taking into account increasing knowledge, experience, skill and/or competencies. Pay progression may be either vertical (promoting from one classification to a higher classification) or horizontal (moving along the salary ranges/levels within a given classification). [See example of a class series following.]

CLASSIFIED EMPLOYEES

Classified jobs within the Oregon University System are those jobs currently represented by SEIU.

CLASS SERIES

A group of jobs that are related in terms of work performed but differ in terms of level of work and minimum qualifications. In a class series, an individual employee should typically have the opportunity to progress to the higher level or levels as (s) he develops increased capabilities and the organization has the need for work at the higher level. Not all jobs are part of a series. Some jobs are very narrow and the OUS does not need more than one level. Broad job classifications may span more than one salary range if necessary to reflect potential career growth when there are clearly defined criteria within a broad class as to the basis for movement from one salary range to another.

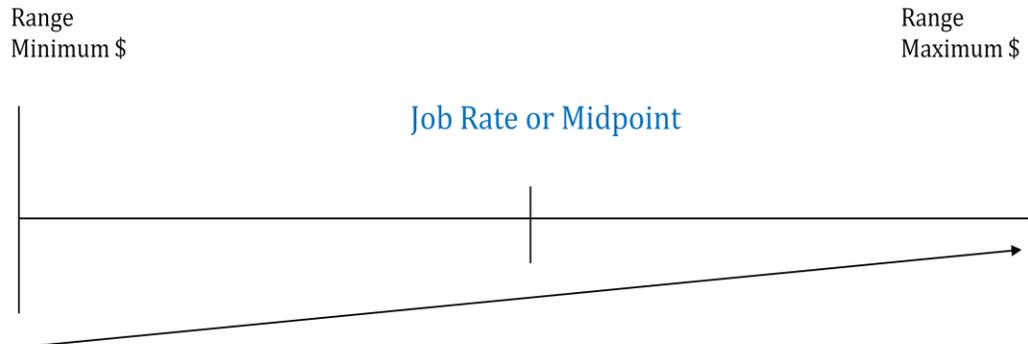


Within a broad class, it may be appropriate to utilize the concept of “selective certification” to identify and distinguish position-specific requirements that may not be applied to the entire class. For example, within a broad classification such as “Trades Specialist”, positions could be selectively certified as carpenters, plumbers, electricians, HVAC mechanics, etc.

	<p><u>JOB EVALUATION</u></p> <p>A process to determine the relative value of jobs within the organization. There are different approaches to job evaluation ranging from informal methods such as whole job ranking and market pricing to formal approaches such as point factor, factor comparison, scored questionnaires and the Decision Band Method™. The informal methods do not use any specific or structured criteria in determining job value. The formal approaches use pre-established criteria and all jobs are measured against the same set of standards resulting in a job hierarchy that is normally more understandable and defensible. [It is recommended that the OUS adopt a methodology that is consistent with the broad job classification concept.]</p>
	<p><u>MARKET PREMIUM</u></p> <p>A differential that may be paid to employees within a specific job/class if the labor market value of the job exceeds the OUS's established salary range midpoint by at least 15%.</p>
	<p><u>OCCUPATIONAL GROUP</u></p> <p>A group of jobs that fall within a single occupation. Occupational groups may include one or more class series and individual job classes that are not part of a series. The various series and jobs are normally related by the type of work performed, such as administrative, but each series or job should have unique requirements. Typically, jobs in an occupational group fall within the same employment category and would, therefore, be treated in a similar manner. [Examples of an occupational group: "Maintenance and Trades" or "Administrative Support".]</p>
	<p><u>SALARY RANGE</u></p> <p>The minimum and maximum dollar value of a job or group of jobs that have similar economic value to the OUS. Each job classification is assigned to a salary range. Each position within the job classification is paid at a rate that is no less than the minimum of the salary range and no more than the maximum of the salary range assigned to the job classification. The salary range is based on a combination of internal equity as determined through job evaluation ratings and external (market) value of the job.</p>

JOB RATE

The point within a pay range (usually the midpoint) where the expectation is that an employee is performing the requirements of the job at full competency (journey level). Below the job rate, an employee may be performing at a “developmental” level and above the job rate, the expectation is that performance should reflect acquisition of additional skill and competency beyond “journey” level.



- **Job Rate or Midpoint:** Target compensation for competent, “successful” employees.
- **Progression Above Job Rate:** Based on sustained top performance.
- **Job Rate Designation:** Range midpoint or other pay philosophy.
- **Job Rate Determination:** Level of competitiveness with market.
- **Minimum & Maximum:** Mathematical computation based on Job Rate.

CLASSIFICATION AND COMPENSATION SYSTEM IMPLEMENTATION – NEXT STEPS

PROJECT OBJECTIVES

- Develop a new broad classification system to simplify the structure, alleviate compression, and allow for greater flexibility.
- Update the University’s current pay structures to accommodate the revised class structure and provide a realistic basis for determining market position and staff compensation.
- Negotiate and implement new compensation plan.

PROJECT INITIATION

- Based upon the adopted compensation philosophy, confirm the degree of consolidation and the methods of progression through pay structures.
- Review the alternative job evaluation methodologies and select tool for use in providing for internal alignment within the new classification and compensation structure.
- Determine the detailed project timeline.
- Identify the intended methods of pay structure updating.

JOB CLASSIFICATION REVIEW

- Organization charts, existing job descriptions and other job documentation reviewed.
- A work group from OUS convened to identify the job families within the classified system and the number of levels minimally necessary within each group. Draft revised classification structure prepared for review and approval.

INTERNAL ALIGNMENT

- Using an appropriate job evaluation tool, internal alignment ratings determined for each classification within the revised structure.
- Ratings finalized upon review and approval.

	<p><u>CLASS SPECIFICATIONS</u></p> <ul style="list-style-type: none"> ▪ New or updated class specifications written to correspond to the approved updated classification structure. ▪ Campus allocation of current employees to classes within the new class structure.
	<p><u>COMPENSATION STRUCTURE REDESIGN</u></p> <ul style="list-style-type: none"> ▪ Current pay structures redesigned to support the approved classification and job evaluation system. ▪ A market assessment conducted to assess market currency for the revised classifications. ▪ New pay structures developed to address the new classification system and a pay for performance approach. ▪ Develop implementation cost models.
	<p><u>SYSTEM IMPLEMENTATION</u></p> <ul style="list-style-type: none"> ▪ OUS negotiation of updated contracts. ▪ Finalization of allocation of current employees to new classifications. ▪ Conduct of structured classification appeals process as necessary. ▪ Implementation of new compensation system.

SUMMARY

WHY CHANGE THE CURRENT SYSTEM?

- Classification system is outdated and not reflective of the currency of work within the university system.
- The ratio of entry-level and top-level pay has become compressed diminishing the ability to distinguish differences in work and difference in pay among narrow classes.
- The current system does not provide adequate flexibility for cross training and pay progression utilizing the compensation system rather than the classification system.
- The current system does not recognize, with limited exceptions, performance that exceeds the expectations of one's job.
- The current system is inadequate as judged in survey and focus groups with employees and managers.
- The current system is out-of-sync with best practices and trends in classification and compensation management in general and universities specifically based upon research and national experience.

RECOMMENDED COMPONENTS OF AN UPDATED SYSTEM

- **Broad Classifications** – Redefine the classification structure to provide for simplification and flexibility reflecting current work and adequately distinguishing the levels of work within each classification series.
- **Job Evaluation Tool** – Select a tool designed to address a broad classification system and provide for simplified and consistent rating of job classes.
- **Pay Structure** – Recast the pay structure to accommodate the class system and, to the extent possible, the competitive markets within which the OUS operates identifying appropriate job rates for full competency performance of job duties.
- **Performance Management** - Standardize the performance management system and ensure comprehensive use of the system to review employee performance.
- **Pay Progression** – Identify appropriate pay progression within classes based on a combination of longevity and performance/skill enhancement.