

UNIVERSITY *of* HOUSTON

HUMAN **RESOURCES**

Implementation of New Compensation Program

Overview:

Executive administration approved the implementation of new pay range structures effective March 1, 2009. This is the next step in our new compensation program designed to align UH to the Houston metro market. A market-based job classification methodology was recommended because of its simplicity and straightforward approach. The new structure will make the midpoint of the pay range the “going rate” for jobs and will allow for clear controls on salary levels.

History:

UH's current pay structure (built in 1995) has been distorted and stretched over the past few years. Due to budget constraints, the grade maximums were increased without moving the minimums or midpoints. This stretching essentially froze the hiring range while continuing to allow merit increases for employees above or near the maximum. The ranges did not control equity within a grade or a career ladder. For example, a Financial Assistant 2 salary may be higher than a Financial Coordinator 1 salary.

In 2006, UH partnered with Deloitte Consulting to conduct a market study of all UH staff jobs. For every staff job, we identified a job match or a comparable job in the local or regional market.

Method and Results:

- Each job was assigned to a grade on the new structure based upon the market value of that job and the relationship to other jobs in that job family. Note that there is not a one-to-one map from old to new grades. The relationship between job families may fluctuate in the new system due to market values for each family.
- New pay ranges were created to guide future planning and administration of staff salaries including new hires, reclassifications, merit increases, and promotions.
- During the study, we found that the average salaries for jobs at UH are in line with the current market.

The new pay plan includes a total compensation philosophy which will assist the university in achieving its goal to attract, retain, motivate and reward a highly competent workforce. The total compensation philosophy was developed in coordination with the Compensation Committee representing UH staff from all areas of campus.

How this affects you as employees:

Each staff employee now has a new pay grade. Job descriptions and titles stay the same. Less than 1% of UH employees required an equity increase because their current salary was below the new pay range minimum. We have provided assistance to managers in communicating these changes to the affected employees. Please note that no salary will be decreased as a result of this pay grade restructuring.

Salaries currently above maximum of the pay range are red-circled. Employees with red-circled salaries will not be eligible for further merit increases until pay structure movements place their salary within the range. Pay structures will be re-evaluated on an annual basis, so this situation is not permanent. Furthermore, these employees will remain eligible for across-the-board or cost of living increases, as well as promotions and reclasses.

How this affects you as leaders:

Your hiring and promotion decisions will be affected by the new ranges.

- Market value is the going rate for an employee in that job at that level for approximately five years. Since Midpoint is close to market, candidates hired above Midpoint will need at least five years above the required minimum qualifications. All candidates should have at least the minimum qualifications listed on the job description.
- Most qualified candidates should be hired between Minimum and 1st Quartile of the new ranges.
- Candidates with less than average documented experience/education or candidates that require significant training should be hired closer to the Minimum.
- Candidates that have above average experience/education can be hired between 1st Quartile and Midpoint.
- Hires above Midpoint require Human Resources and Vice Presidential prior approval through the Request for Offer (RFO) process.

Compensation Philosophy:

The University of Houston Total Compensation Package consists of salary and many monetary and non-monetary benefits. The actual value of UH benefits varies from 20% to 35% above salary depending on the options an employee chooses. UHHR Compensation is committed to providing a total compensation program to attract and retain talented employees. Accordingly, jobs are assigned to the pay ranges using the midpoint that is closest to 90% of the market value.