



SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Biennial Nonexempt Market Salary Survey Report - Nonexempt Salary Structure Adjustment for FY 2014-2015

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: June 18, 2013

SUMMARY: Pursuant to Board Policy VII-9.10, the USM is committed to conduct a biennial nonexempt market salary survey to maintain salary competitiveness with the market. When the Board last considered nonexempt salary structures in 2009 and 2011, budget constraints did not allow the USM to make adjustments in order to keep pace with the labor market. Now nearly six years since the last adjustment, the current market analysis indicates that the USM Nonexempt Salary Structure has fallen behind the market substantially. The attached *Biennial Nonexempt Market Salary Survey Report and Proposed 2014 Nonexempt Salary Structure* provides a summary of the 2013 market analysis and the recommendation of USM Office and institution officials for improving the nonexempt salary structure.

The challenge to the USM in adjusting the nonexempt salary structure at this time is to balance the desire to achieve a market-based structure with the need to exercise fiscal responsibility. The institutions agreed that the cost of adjusting the structure to be fully competitive with the market was cost-prohibitive, but that it was critically important to develop a significant adjustment proposal that makes major progress toward that goal. Upon review of the market analysis, it was the consensus of the USM vice presidents for administration and the institution presidents to recommend adoption of recommendation in this Report.

The recommendation, as outlined in the attached Report on pp. 9 through 11, would accomplish the following:

- Increase minimum salaries in each of the USM nonexempt pay ranges by an average of 9%, thus decreasing the deficit between USM and market minimum salaries from 12% to 3%;
- Set pay range midpoints consistent with the market and restore other compensation best practices to the structure; and
- By implementing the adjustment in the first full pay period of January 2014 rather than at the beginning of FY 2014, allow for such substantial structural adjustments at fiscally manageable FY 2014 cost estimated at \$1,584,701.

If the Board approves the recommended salary structure adjustment, the new salary structure will be implemented in the first full pay period in January 2014 at each institution. The current salary structure would remain in place until that time.

ALTERNATIVE(S): The Board could modify the recommendation or retain the current Nonexempt Salary Structure.

FISCAL IMPACT: Implementation of the proposed adjustment is estimated to cost \$1,584,701 in FY 2014.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve recommendation to adjust the USM Nonexempt Staff Salary Structure, effective in the first full pay period of January 2014.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923



**Biennial Nonexempt Market Salary Survey Report
and
Proposed 2014 Nonexempt Salary Structure**

**USM Board of Regents
Committee on Finance**

June 18, 2013

Principles and Policies Governing USM Nonexempt Staff Employees Salary Structures

USM salary administration, including the establishment of salary structures is governed by Board of Regents policy - Policy VII-9.10 *Policy on Adjustment of Salary Structures*. The policy's fundamental elements include:

- The goal of “maintain[ing] the midpoint of salary ranges within the applicable salary structure equal to the current average salary paid for comparable job classes within the appropriate job market”.
- USM administration of “a process to determine the competitive market position of the salary structures”, with appropriate revisions and adjustments to the salary structure authorized by the Board upon recommendation of the Chancellor.
- Upon periodic adjustment of a salary structure, the movement of the salaries of employees who are below the minimum of the new range to the minimum salary for their respective job class.

2013 USM Biennial Nonexempt Market Salary Survey

During the second half of 2012, the USM conducted a comprehensive Nonexempt Market Salary Survey. Consistent with the methodology used for such surveys in past years, USM Office and institution compensation and classification specialists worked with Keating Advisors, an expert compensation consultant, to complete the survey as follows:

- Utilized key regional, general industry and specialized (e.g. Comp-Data MD, Economic Research Institute Salary Assessor, WPTF, IT, CUPA) 2011 and 2012 survey sources
- Analyzed 59 benchmark jobs, representing all 15 active USM Nonexempt pay ranges
- Using market data for each benchmark job, aggregated the market data by pay range and ran a regression analysis to develop a market payline
- Based upon accepted Nonexempt compensation/salary structure best principles, created the salary structure options presented in this report.

Detailed information regarding the market survey methodology and market data regarding the selected benchmark jobs is provided in the Appendix to this report.

USM's Competitive Market Position

Recession-Era Erosion in the USM's Position in the Nonexempt Labor Market

The long national and state economic downturn, with its resulting State employee salary freezes has prevented the USM from making the systematic Nonexempt salary structure adjustments from 2008 through 2011:

- 2007—Last systematic, market-based salary structure adjustment
- 2009—Salary Survey Indicated USM was below the market; minimum salaries increased at bottom of lowest 3 pay ranges only to meet State employees' minimum salary
- 2011—No adjustment to salary structure
- 2012—Exempt salary structure increased by 15%
 - Annual cost of the Exempt structure adjustment was estimated at \$657,175 for Regular and Contingent Staff
 - Board directed the USM to review Nonexempt structures this year, “with the expectation that it will prompt recommendations to adjust the Nonexempt Pay Program in FY 2014.”

USM Position in Nonexempt Labor Market

As a result of the frozen salaries of the recent years, the USM has lost substantial ground in its efforts to maintain a competitive, market-based Nonexempt salary structure.

To estimate the USM's current position, by individual pay range and on average, the USM analyzed the current Nonexempt structure against market standard according to the following measures:

- Payline Midpoints: Reveals the extent to which USM midpoint salaries lag the market midpoint
- Minimum Salaries: The percentage increase in minimum salaries needed to meet structure minimums —this also dictates the increase in cost of matching USM salaries with the market consistent with USM policy.

Salary Structure Review – Market-Based Structure vs. Current USM Structure

<u>Pay Range</u>	<u>min</u>	<u>Payline midpoint</u>	<u>max</u>
1	5%	8%	19%
2	5%	7%	11%
3	6%	8%	8%
4	11%	10%	9%
5	12%	9%	6%
6	10%	7%	5%
7	10%	6%	3%
8	9%	5%	3%
9	12%	5%	1%
10	12%	6%	2%
11	13%	6%	3%
12	14%	8%	4%
13	16%	9%	5%
14	18%	11%	7%
15	20%	13%	9%
16	23%	16%	11%
Avg.	12%	8%	7%

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Conclusions---As of July 1, 2013, the best estimate is that the current USM Nonexempt Salary Structure:

- Lags the labor market by an overall average of 8%, with variations in individual ranges from 5% to 16%.
- Would require an overall average 12% increase in the minimums across salary ranges, with increases in individual ranges from 5% to 23%.

Meeting the Current Market

- Bringing the USM structure up to current market standards would require an overall increase of 12% on average in minimum pay ranges (5% to 23%, depending on the individual pay range).
- The first year cost to bring minimum regular Nonexempt salaries up to the market rate is estimated at **\$3,978,239**.

Market-Based Structure -

Number of Impacted Employees & Cost to Raise to Minimum - Summary

	Total # of EEs below Min	Total Cost to bring to Min	Regular		Contingent II		Contingent I	
			Number	Cost	Number	Cost	Number	Cost
BSU	11	\$21,947	7	\$11,427	2	\$2,416	2	\$8,104
CSU	38	\$60,723	19	\$33,035	9	\$13,025	10	\$14,663
FSU	151	\$251,997	124	\$240,367	0	\$0	27	\$11,630
SU	404	\$378,509	121	\$173,807	3	\$3,723	280	\$200,979
TU	272	\$625,640	229	\$543,658	39	\$66,659	4	\$15,323
UB	40	\$38,254	25	\$23,772	12	\$10,063	3	\$4,419
UMB	358	\$299,499	179	\$201,329	26	\$47,716	153	\$50,454
UMBC	103	\$172,217	87	\$154,892	1	\$554	15	\$16,771
UMCES	16	\$19,484	8	\$12,122	1	\$1,074	7	\$6,288
UMCP	1227	\$1,402,739	480	\$683,942	163	\$207,939	584	\$510,859
UMES	285	\$543,758	89	\$163,489	48	\$63,855	148	\$316,414
UMUC	86	\$163,471	48	\$79,956	32	\$66,141	6	\$17,374
USMO	0	\$0	0	\$0	0	\$0	0	\$0
Total	2,991	\$3,978,239	1416	\$2,321,796	336	\$483,165	1239	\$1,173,278

Progress toward Meeting the Market

In recognition of the extreme cost of pay structure adjustment that will meet the labor market, the Committee developed a plan that embodies market-based compensation structure principles, consistent with the USM Policy, and makes significant progress toward the policy's goals at more affordable costs. This plan:

- Adjusts the structure according to a range of best practices in salary administration.
- Maintains focus on the USM Policy goal of creating a structure in which salary midpoints in each range meet salary midpoints for the market as a whole.
- Aligns minimum salaries in each range as closely as is feasible to minimum rates in the labor market.

Current USM Nonexempt Salary Structure (July 1, 2011-Present)

<u>Pay</u>		<u>Payline</u>	
<u>Range</u>	<u>min</u>	<u>midpoint</u>	<u>max</u>
1	\$21,188	\$22,886	\$25,000
2	\$21,280	\$24,701	\$28,538
3	\$21,385	\$26,211	\$31,454
4	\$21,702	\$27,460	\$33,217
5	\$23,058	\$29,733	\$36,408
6	\$25,079	\$32,339	\$39,599
7	\$26,931	\$34,950	\$42,968
8	\$28,939	\$37,556	\$46,172
9	\$30,305	\$40,179	\$50,052
10	\$32,271	\$42,786	\$53,300
11	\$34,238	\$45,393	\$56,548
12	\$36,204	\$48,000	\$59,796
13	\$38,171	\$50,607	\$63,043
14	\$40,137	\$53,214	\$66,291
15	\$42,104	\$55,822	\$69,539
16	\$44,070	\$58,429	\$72,787

Proposed USM Nonexempt Salary Structure for Implementation on 1st Full Pay Period of January 2014*

Pay Range	Salary Range		
	Min	Mid	Max
1	\$22,260	\$24,712	\$24,909
2	\$22,461	\$26,425	\$30,388
3	\$23,509	\$28,256	\$33,003
4	\$24,625	\$30,215	\$35,805
5	\$25,848	\$32,310	\$38,771
6	\$27,639	\$34,549	\$41,459
7	\$28,447	\$36,944	\$45,441
8	\$30,419	\$39,505	\$48,591
9	\$31,894	\$42,244	\$52,593
10	\$34,105	\$45,172	\$56,239
11	\$36,469	\$48,303	\$60,138
12	\$38,997	\$51,652	\$64,306
13	\$41,700	\$55,232	\$68,764
14	\$44,591	\$59,061	\$73,531
15	\$47,682	\$63,155	\$78,628
16	\$50,987	\$67,533	\$84,078

*The first full Pay Period of January 2014 for former Board of Trustee institutions begins on January 8, 2014; for University of Maryland institutions on January 12, 2014.

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With implementation of the proposed Salary Structure:

- The USM’s minimum Nonexempt salaries would increase on average by 9% (5% to 16%, depending on the individual pay range),
- Midpoints would be set consistent with the market.
- The first year cost to increase minimum Regular and Contingent status Nonexempt Staff employees salaries is estimated at **\$1,584,701**

Proposed Structure - Number of Impacted Employees & Cost to Raise to Minimum - Summary

	Total # of EEs below Min	Total Cost to bring to Min	Regular		Contingent II		Contingent I	
			Number	Cost	Number	Cost	Number	Cost
BSU	1	\$110	0	\$0	1	\$110	0	\$0
CSU	21	\$11,385	7	\$821	4	\$369	10	\$10,195
FSU	81	\$34,889	56	\$34,098	0	\$0	25	\$791
SU	165	\$126,878	29	\$21,909	1	\$1,613	135	\$103,356
TU	124	\$85,874	100	\$64,452	20	\$16,545	4	\$4,877
UB	24	\$14,075	10	\$6,580	12	\$5,205	2	\$2,290
UMB	173	\$124,329	68	\$67,922	15	\$4,807	90	\$51,600
UMBC	38	\$32,616	23	\$21,483	1	\$103	14	\$11,030
UMCES	7	\$1,670	0	\$0	1	\$203	6	\$1,467
UMCP	743	\$600,959	104	\$54,400	77	\$51,627	562	\$494,932
UMES	231	\$527,815	46	\$81,493	38	\$57,164	147	\$389,158
UMUC	37	\$24,101	8	\$2,534	23	\$10,367	6	\$11,200
USMO	0	\$0	0	\$0	0	\$0	0	\$0
Total	1,645	\$1,584,701	451	\$355,692	193	\$148,113	1001	\$1,080,895

Proposed FY 2014 Nonexempt Pay Structure Adjustment

This proposal would make substantial progress toward meeting the USM policy's goals. Specifically, the plan proposes to:

- Set midpoints in each pay range at the market rate, but
- Reduce pay range spreads for pay ranges 1-6 and correct overall midpoint progressions to 7% for all pay ranges consistent with the findings for the market payline and generally accepted Nonexempt compensation/salary structures principles.
- Increase minimum salaries substantially in most pay ranges, although not fully meeting the market.
- Retain the State's salary structure minimum salary as the USM's minimum of the Nonexempt salary structure

Salary Structure Review – Proposed Structure vs. Market-Based Structure

<u>Pay Range</u>	<u>min</u>	<u>Payline midpoint</u>	<u>max</u>
1	0%	0%	-16%
2	1%	0%	-4%
3	4%	0%	-3%
4	2%	0%	-1%
5	0%	0%	0%
6	0%	0%	0%
7	-4%	0%	3%
8	-4%	0%	3%
9	-6%	0%	4%
10	-6%	0%	4%
11	-6%	0%	4%
12	-6%	0%	4%
13	-6%	0%	4%
14	-6%	0%	4%
15	-6%	0%	4%
16	-6%	0%	4%
Avg.	-3%	0%	1%

Conclusions and Recommendations

General Conclusions

- With salaries frozen for multiple years and no market revision to the salary structure for nearly six years as the necessary result of the nation's long economic downturn, the USM has been unable to maintain a fully market-based structure.
- Competitive compensation of USM employees is critical for many reasons.
- However, the cost of achieving a fully market-based structure for Nonexempt Staff employees in the coming year is prohibitive.
- Nonetheless, it is important to make significant progress, within fiscally responsible parameters, toward the USM Policy's goal of a competitive salary structure.

Proposed Nonexempt Salary Structure

- In order to balance the desire to make significant progress toward a market based Nonexempt Salary Structure with the need to exercise fiscal responsibility, it is recommended that **the Proposed Salary Structure be adopted, effective the 1st full pay period in January 2014.**
- This approach:
 - Remains consistent with market-based principles, and makes major progress toward meeting the current market.
 - Keeps pace with state minimum salaries at the minimum of the USM salary structure.
 - Results in fiscally feasible first-year increases for Nonexempt Staff employees whose current salaries are below the adjusted minimums in each range.