

**TOPIC:** Biennial Nonexempt Market Salary Survey Report - Nonexempt Salary Structure Adjustment for FY 2018-2019

**COMMITTEE:** Finance

**DATE OF COMMITTEE MEETING:** March 30, 2017

**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. Attached is a summary of the FY 2018-19 market analysis prepared by compensation specialists from the USM Office and institutions. This report indicates that, with a moderate adjustment to the nonexempt salary structure, the USM can achieve reasonable market competitiveness.

Under Board policy, the guiding principle of the Nonexempt Pay Program is to “maintain the midpoint of salary ranges...equal to the current average salary paid for comparable job classes within the appropriate job market.” This year’s report is based on labor market trends that indicate annual increases in the market of approximately 2.8% in 2016, 2017, and 2018.

The report recommends a 5.6% overall salary structure adjustment, which would meet the market increases, consistent with principles articulated in the Board Policy. It would increase the minimum, midpoint, and maximum salaries listed in the USM nonexempt pay ranges by this amount, and would require an increase to the salaries of approximately 2,507 staff members whose FY 2018 salaries fall below the new minimum salary for each pay range. The cost to implement this option in FY 2018 across the USM is estimated at \$2,116,608.

Upon review of the analysis, it was the consensus of the USM vice presidents for administration and the institution presidents to recommend adoption of the proposed structure adjustment.

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

**FISCAL IMPACT:** Implementation is estimated to cost \$2,116,608 in FY 2018.

**CHANCELLOR’S RECOMMENDATION:** That the Finance Committee recommend that the Board of Regents approve the proposed Nonexempt Salary Structure Adjustment, effective for FY 2018 and FY 2019.

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COMMITTEE RECOMMENDATION:

DATE:

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BOARD ACTION:

DATE:

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

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# **Biennial Nonexempt Market Salary Survey Report for 7/1/2017 – 6/30/2019**

**Finance Committee and Board of Regents**

# Table of Contents

Overview.....	3
Background.....	4
Major Considerations.....	5
Recommendation.....	6
Cost Impact by Institution.....	7
Recommendation Justification.....	8
Future Needs.....	8

# Overview: Biennial Nonexempt Market Salary Survey

The objective of this biennial survey is to analyze market conditions and utilize the data to formulate recommendations to adjust the Nonexempt Salary Structure for the University System of Maryland (USM) Nonexempt Staff employees.

## Guiding Principles and Considerations:

- USM Policy VII-9.10 Policy on the Pay Program for Nonexempt Staff Employees.
  - II-C: “It is the goal of the USM to maintain the midpoint of the salary ranges within the applicable salary structure equal to the current average salary paid for comparable job classes within the appropriate job market.”
- Structures lead the market at the beginning of the cycle (i.e., July 1, 2017), meet the market at the middle of the cycle (i.e., July 1, 2018), and lag the market at the end of the cycle (i.e., June 30, 2019).
- The overlap between the USM Exempt and Nonexempt Salary Structures must be considered.
- Pay Range 1 minimum is currently \$11.33/hr, which is above the new State of Maryland minimum wage, which will be increased to \$9.25/hr on July 1, 2017 and \$10.10/hr on July 1, 2018. In addition, the minimum pay should meet or exceed the minimum pay for comparable job classifications in the Maryland State Personnel Management System.
- The USM adopted the practice of adjusting the Salary Structures by COLA when approved by the Maryland General Assembly.

# Background

## Current Nonexempt Salary Structure, effective July 2015 (annualized rates)

### 2015

- The former Nonexempt Salary Structure increased 2% for COLA on January 1, 2015.
- The current Nonexempt Salary Structure, implemented July 1, 2015, included an additional 4% adjustment as a result of the biennial review.
- The overall structure increased 6%.

Pay Range	Minimum	Midpoint	Maximum
1	\$ 23,613	\$ 25,018	\$ 26,423
2	\$ 23,826	\$ 28,031	\$ 32,236
3	\$ 24,938	\$ 29,974	\$ 35,010
4	\$ 26,123	\$ 32,053	\$ 37,982
5	\$ 27,420	\$ 34,274	\$ 41,128
6	\$ 29,320	\$ 36,650	\$ 43,980
7	\$ 30,177	\$ 39,191	\$ 48,204
8	\$ 32,268	\$ 41,907	\$ 51,546
9	\$ 33,833	\$ 44,812	\$ 55,791
10	\$ 36,178	\$ 47,919	\$ 59,659
11	\$ 38,686	\$ 51,241	\$ 63,795
12	\$ 41,368	\$ 54,792	\$ 68,216
13	\$ 44,235	\$ 58,590	\$ 72,945
14	\$ 47,302	\$ 62,652	\$ 78,002
15	\$ 50,581	\$ 66,995	\$ 83,409
16	\$ 54,087	\$ 71,639	\$ 89,190

# Major Considerations for FY18-19 Structure Review

## 1) Job Market Competitiveness

- Projected structure movement is based on data published in 2016. Considering the data, the market is estimated to increase approximately 2.8% per year. The salary surveys listed below are based on nonexempt demographics.

Survey Source	Calendar Year 2016 % Increase (Actual)	Calendar Year 2017 % Increase (Estimated)	Calendar Year 2018 % Increase (Estimated same as 2017)
	Mean/Median	Mean/Median	Mean/Median
CUPA Non-Exempt Staff (Median Salary Increases for all Institutions) - Published March 2016	2.0		
CUPA Non-Exempt Staff (Median Salary Increases for PUBLIC Institutions)	2.0		
Compdata (Pay Increase Budget) National Published late June 2016	2.5	2.5	2.5
Compdata Colleges & Universities (Pay Increase Budget) National Doctoral	2.4	2.6	2.6
Compdata Colleges & Universities (Pay Increase Budget by Geographic Area) East Region All Areas	2.6	2.5	2.5
Economic Research Institute (ERI) - Published October 2016	3.0	2.7	2.7
World at Work - Published October 2016	3.0	3.0	3.0
Willis Towers Watson - Published October 2016	3.0	3.0	3.0
Aon Hewitt - Published October 2016		3.0	3.0
PRM Consulting Management Compensation Report for Not-for-Profit Organizations - Published October 2016	3.2	3.2	3.2
HRA-NCA (Total Survey) - Published October 2016	2.9	3.1	3.1
AVERAGE	2.8	2.8	2.8

## 2) Relationship with USM Exempt Salary Structure

- To maintain a reasonable differential between Nonexempt and Exempt Salary Structures.

# Recommended USM Salary Structure Adjustment

## Propose to adjust all Pay Ranges by 5.6% on July 1, 2017

Projected salary increases in relevant markets are estimated at 2.8% annually over years 2018 and 2019. Using a lead/meet/lag philosophy, as of FY2018 (July 1, 2017), our salary structure will lead market movement with an adjustment of 5.6%.

### Considerations:

- This proposal maintains market competitiveness and follows the lead/meet/lag philosophy
- A 5.6% increase maintains a differential between the Nonexempt and Exempt salary structures
- Continues to provide an hourly wage above an increasing state minimum wage

Pay Range	Minimum	Midpoint	Maximum
1	\$24,935	\$26,419	\$27,903
2	\$25,160	\$29,601	\$34,041
3	\$26,335	\$31,653	\$36,971
4	\$27,586	\$33,848	\$40,109
5	\$28,956	\$36,193	\$43,431
6	\$30,962	\$38,702	\$46,443
7	\$31,867	\$41,386	\$50,903
8	\$34,075	\$44,254	\$54,433
9	\$35,728	\$47,321	\$58,915
10	\$38,204	\$50,602	\$63,000
11	\$40,852	\$54,110	\$67,368
12	\$43,685	\$57,860	\$72,036
13	\$46,712	\$61,871	\$77,030
14	\$49,951	\$66,161	\$82,370
15	\$53,414	\$70,747	\$88,080
16	\$57,116	\$75,651	\$94,185

# Cost Impact by Institution

**Adjust all Pay Ranges by 5.6% effective July 1, 2017**

**Total Cost: \$2,116,608 (2,507 affected employees)**

Institution	Regular		Contingent II		Contingent I		Total		Percentage of Total Cost
	Count	Cost	Count	Cost	Count	Cost	Count	Cost	
BSU	19	\$18,110	0	\$0	5	\$13,773	24	\$31,883	1.51%
CSU	15	\$22,415	13	\$14,040	10	\$12,430	38	\$48,885	2.31%
FSU	78	\$73,018	1	\$1,397	27	\$7,385	106	\$81,800	3.86%
SU	112	\$104,872	10	\$15,861	50	\$98,821	172	\$219,554	10.37%
TU	201	\$123,181	22	\$24,757	22	\$21,400	245	\$169,338	8.00%
UB	30	\$24,223	15	\$19,805	7	\$5,993	52	\$50,021	2.36%
UMB	114	\$44,595	22	\$26,171	114	\$79,457	250	\$150,223	7.10%
UMBC	78	\$67,618	5	\$7,424	19	\$34,402	102	\$109,444	5.17%
UMCES	1	\$366	2	\$1,477	1	\$657	4	\$2,500	0.12%
UMES	58	\$51,100	30	\$42,029	73	\$116,237	161	\$209,366	9.89%
UMCP	348	\$301,931	87	\$114,201	886	\$601,921	1,321	\$1,018,053	48.10%
UMUC	13	\$8,608	19	\$16,933	0	\$0	32	\$25,541	1.21%
USMO	0	0	0	0	0	0	0	\$0	0.00%
<b>Total</b>	<b>1,067</b>	<b>\$840,037</b>	<b>226</b>	<b>\$284,095</b>	<b>1,214</b>	<b>\$992,476</b>	<b>2,507</b>	<b>\$2,116,608</b>	<b>100.00%</b>
<b>% Total</b>	<b>42.56%</b>	<b>39.69%</b>	<b>9.01%</b>	<b>13.42%</b>	<b>48.42%</b>	<b>46.89%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Institution Data as of December 14, 2016



## Recommendation Justification

- Nonexempt market has steady 2.8% growth anticipated for 3 years
- National landscape and degree of uncertainty/instability (ACA/FLSA)
- Impact of local minimum wage legislation

## Future Needs

- The current compensation program was established in 1996 and presents challenges to efficiency and effectiveness.
- While the biennial market reviews address salary competitiveness, the job specifications and policies warrant reconstruction to align with compensation best practices.
- The Classification/Compensation Committee will need USM commitment to conduct a comprehensive program redesign using external resources to maintain full program integrity.