

Compensation Program Update

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Prepared by Aon Hewitt

Talent, Rewards & Performance | Broad-Based Compensation

Presentation to Montgomery College



Contents

- Background and Current State
- Results of 2014 Compensation Assessment
 - Observations
 - Considerations for action
- Salary Structure Framework
 - Current State
 - Design Opportunities
- Placing Jobs within the Salary Structure
 - Process
 - Appropriate considerations when placing jobs in a salary structure (internal and external)
- Validation Session
 - Set-up
 - Roles
- Next Steps

Background and Current State

- In 2014, AFS leadership reviewed compensation program changes implemented in 2012
 - More than \$2 million invested to support associate and support staff, and administrators through program changes providing equity review, new hire equity review, and classification review requests
 - In reviewing this investment and associated total compensation costs, it was determined that these expenditures were not sustainable for the long-term
- For FY 15, Dr. Wormack suspended some aspects of the classification and compensation program procedures including the above-mentioned equity and classification reviews. These program procedures remain suspended.
- In FY 15, HRSTM partnered with Aon Hewitt to conduct a comprehensive review of our classification and compensation programs in order to embrace sound compensation practices and strategically align our programs with MC 2020 in order to provide a compensation program that will be sustainable over the long term given budgetary and other resource constraints
- College budget considerations with employee compensation and the impact on sustainability. Continuing budgetary challenges with fluctuating or declining enrollment and lack of growth in County and State support.

Results of Compensation Assessment

- During 2014, Montgomery College and Aon Hewitt partnered together to complete an assessment of the current compensation programs for faculty and staff
- We gathered viewpoints from leaders, faculty, and staff at the College
- As a part of the assessment, Aon Hewitt provided observations regarding Montgomery College's current practices and offered market/best practices information and data and considerations for action planning
- Recommended considerations for action
 - **Job Classification**
 - Consider establishing compensation levels for positions based on not only the relative internal worth of a job, but also on the basis of the market or external competitiveness within the relevant labor market
 - Ensure jobs are properly placed in the salary structure with external and internal considerations
 - **Salary Structure**
 - Align the salary structure with the external market in order to effectively retain and attract talent
 - Consider changing some of the design elements of the compensation structure to align with market based pay practices
 - **Pay Delivery**
 - Align salary increase adjustments to the market to stop over-spending and retain and attract top talent
 - Create clear career paths for employees
 - Consider approaches that allow performance based increases that better align performance and rewards
 - Review current policies, and ensure there is an element of flexibility to allow for management to reward performance or critical skill development within general pay delivery guidelines.
 - Revise current compensation practices that are not financially sustainable (i.e., internal equity reviews)

Salary Structure Framework

Purpose

- A well designed salary structure will serve several purposes:
 - Gives managers the flexibility to reward performance, skill development, and critical skills needed by the organization but with some boundaries (guidelines versus rules)
 - Supports and enables the “pay for performance” philosophy
 - In contrast, poorly designed salary structures inhibit properly rewarding performance or skill development in that they can be too restrictive to meet the market demands or too inflexible to address high performing individuals
 - Helps to effectively control overall base salary costs while accurately reflecting the competitive market values of jobs in the grade
 - Reflects meaningful career progressions through movement from grade to grade
 - Communicates how much the organization values (internally and externally) each job, and establishes a standard guideline for managing pay within the organization

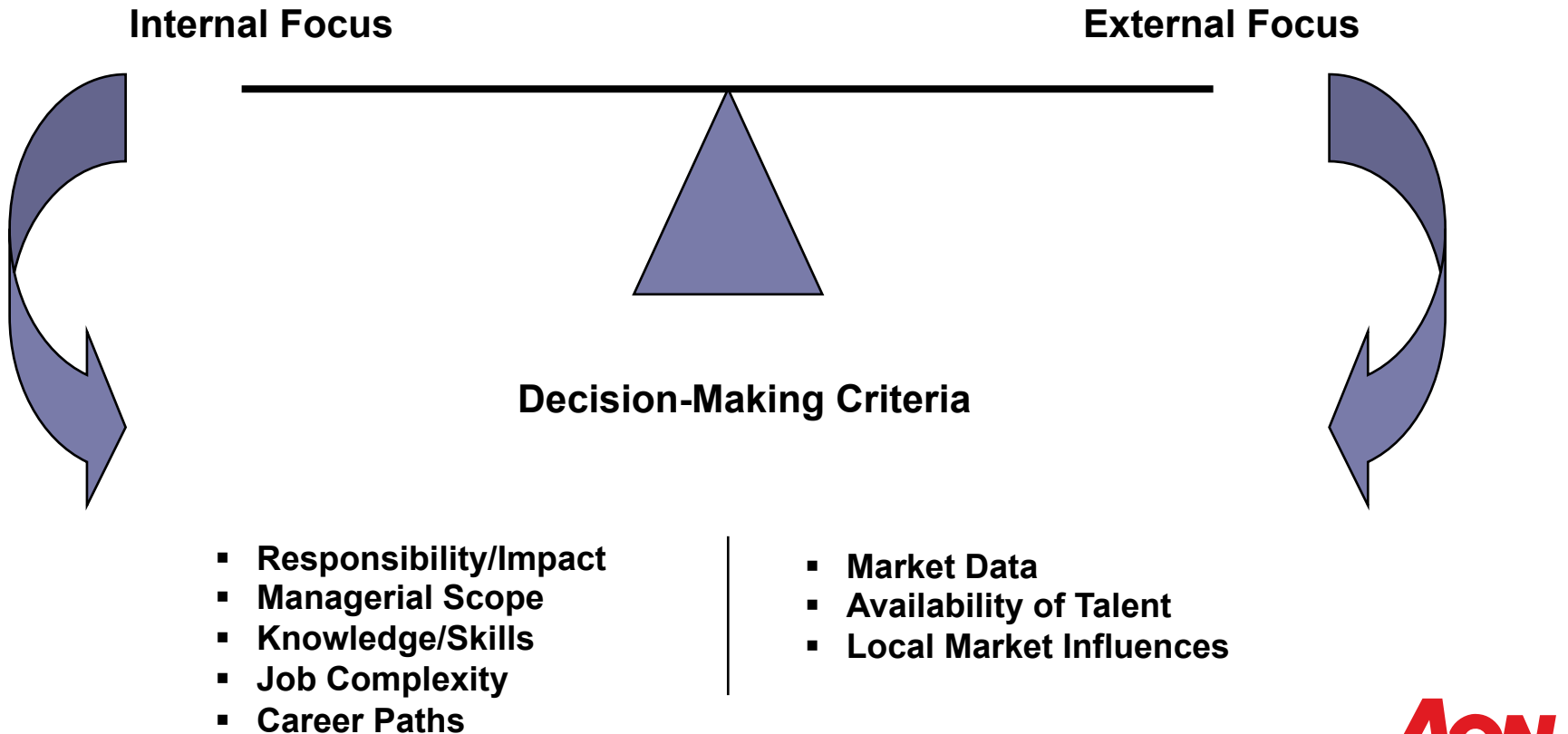
Salary Structure Framework

Current State and Design Opportunities

- Currently have one salary schedule for Administrative, Associate, and Support Staff
- Structure characteristics
 - Includes 19 grades
 - Has inconsistencies in terms of the structure design
 - Does not align with typical pay practices (i.e., progression from grade to grade is inconsistent)
- Job evaluation approach is primarily internally focused versus market based
 - Risk of jobs being misaligned to the market with the current approach
 - Impacts retention and attraction
- Going forward Montgomery College's salary structure framework will include:
 - A balance between external competitiveness and internal equity considerations
 - Jobs being placed in the newly designed salary structure with both external and internal considerations
 - Effective retention and attraction of top talent with a market competitive approach
 - A more flexible approach that gives administrators a moderate level of autonomy to reward current employees' performance and to respond to market demands within general pay delivery guidelines
 - Supporting the college's ability to evolve and to be more aligned with the external marketplace and to be more fiscally responsible

Getting Started: Placing Jobs within the Salary Structure Framework

- In our initial compensation review in 2014, over 100 jobs were market priced. In our recent updated market study, over 180 jobs were market priced. This represents approximately 50% of College jobs and is best practice. We will refer to these jobs as benchmark jobs or “anchor” jobs
- Benchmark jobs have been initially slotted into the salary structure based on their market values
- The remaining jobs were placed in the salary structure based on current grade assignment



Appropriate Internal Considerations When Aligning Jobs to the Structure

- Responsibility/impact of the job on a department
 - What are specific duties and responsibilities of the job?
 - What operating/customer service/financial results does the job directly or indirectly impact?
 - Which standards of operation/work practices, if any, are determined by the job?
 - When do staff in the job seek guidance from higher level workers or supervision?
- Supervisory scope of the job
 - What are the supervisory elements of the job, if any?
 - Are the direct reports supervisory or non-supervisory?
 - Does the job have sole responsibility for supervising a department or work group?
 - Is the job a “working supervisor,” that is, doing the same or similar work to those being supervised?
- Knowledge and skills required and level of complexity
 - How are the skills for the job typically attained and how long does it take (i.e., prescribed course work, on the job training, specific degree?)
 - How does the required skill/complexity level compare to other jobs in its family?
 - Does the job require specialized or technical knowledge or expertise?
 - What is the nature of interactions required by the job?

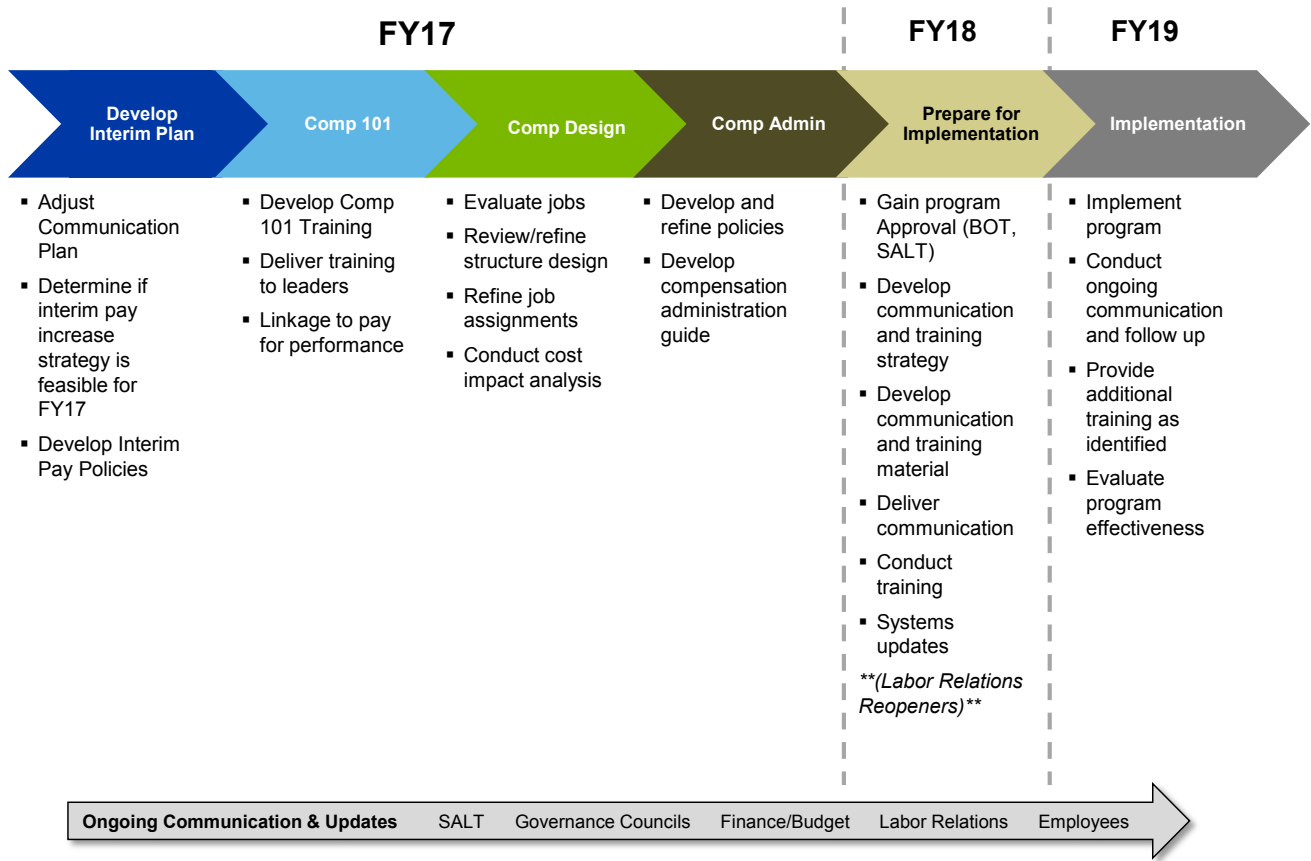
Appropriate Internal Considerations When Aligning Jobs to the Structure

- Career path progression (reporting relationships)
 - Does the job have significantly more independence and/or supervision than other jobs in the same family which require the same types of skill sets?
 - What are the reporting relationships?
 - What are potential next jobs into which this job might progress?
- May Also Consider Recruiting and Retention Challenges
 - For particularly market-sensitive jobs, some additional factors may need to be considered:
 - Are there issues around recruiting and retaining qualified candidates with this unique skill set?
 - Have you recently experienced voluntary turnover attributed to the current pay level for this job?
- Consider the job, not the employee in the job

Validation Session – Set-up and Roles

- Role of Montgomery College Leaders
 - Review relationships of jobs across the organization
 - Consider the job’s responsibility, supervisory scope, skills/knowledge, career paths, etc. and the internal relative value of jobs
 - Provide input and guidance regarding job alignment
- Role of Compensation Team
 - Facilitate the discussion
 - Ask probing questions
 - Challenge some of your assumptions

Next Steps



Ongoing Communication:

- Regular updates and consultation with leadership, governance councils, and other key stakeholders
- FAQs are posted on the Classification and Compensation website and will be updated regularly
- The email address (CompProgramQuestions@montgomerycollege.edu) continues to be available to receive questions and comments

FY 2017 Project Activities

- Review/refine structure design
- Refine job assignments within the structure
- Conduct cost impact analysis
- Develop and refine policies