Compensation Philosophy

A compensation philosophy is a written statement that lays out an organization’s guiding principles for its compensation program.

01 Ensures the compensation programs work in harmony
02 Creates a framework for compensation policy
03 Structures organizational approach to different total rewards elements
04 Ensures consistency in the pay practices used throughout the organization
Goals and Objectives

Salary Administration

Market Target

Scope

Labor Market Definition

Program Elements
UW-Madison Compensation Philosophy

Provide competitive and equitable salaries to attract, retain and engage highly qualified individuals into a wide range of occupations.

- Clear and accessible
- Flexibility
- Competitive compensation opportunities
- Recognize and reward
- Support career growth
- Continuous monitoring and review

Employees will not lose jobs or have a reduction in pay as a result of this project.
Job Framework

A job framework is the overall organization of jobs for administering compensation and managing career progressions.
Overarching structure and guiding principles for organizing jobs more consistently

Benchmarking, job classification, and workforce planning and analysis

Information that may be useful to coach/advise employees as to their next career steps or advancement opportunities

Indicates possible career steps or advancement opportunities and jobs that have similar competencies
Steps to create UW-Madison’s Job Framework

01
Stakeholders assembled to create job groups and sub-groups based on current jobs

02
Listening sessions with SMEs for input on sub-group placement

03
Forums for team and employee input in fall of 2017
Standard Job Description (SJD)

A standard job description is a statement of facts about:

- Scope of the work
- Accountabilities (outcomes) of the work that are essential to a job’s existence

01 Communicate an overall picture of the nature of work performed

02 Communicate the position’s role in the organization

03 Determine the kind of work, level of difficulty, accountabilities and working conditions required of the job

04 Focus on the requirements of the job and not any specific incumbent who might fill the position.
Current State

01
Written per employee

02
Inconsistent

03
Inaccurate

04
Obsolete

05
Job titles inconsistently applied
Employee Level/Position Descriptions (Current State)

- Employee A
- Position Description A

- Employee B
- Position Description B

- Employee C
- Position Description C

- Employee D
- Position Description D
Job Level/ Job Descriptions (Future State)

Employee A

Employee B

Employee C

Employee D

Standard Job Description D

Standard Job Description
**Current State**

01. Written per employee

02. Inconsistent

03. Inaccurate

04. Obsolete

05. Job titles inconsistently applied

**Future State**

01. Written at job level

02. Consistent

03. Accurate

04. Job titles consistently applied

Employees will not lose jobs or have a reduction in pay as a result of this project.
Activity (15 minutes)

Individually:

1. Read through table 1. This is an example of the future state of standardized job titles with the standardized job description.

2. Read through table 2. These are current position description summaries (these are actual descriptions pulled from PVL/CHRIS, just abridged). Each row represents a current employee’s position description.

3. In table 2, fill in the column, “Standardized Job Title,” with the standardized title from table 1 that best represents the summary in the second table.

4. Group Discussion
SJD Overview and Example

01. Summary

02. Typical Responsibilities

03. Career Path and Level

04. Qualifications

05. Physical Demands and Working Conditions
Current State

01 Inconsistent

02 Employees performing similar work may be paid differently

Future State

01 Consistent

02 Employees performing similar work will be paid consistent with the market
Leveling Guidelines

- 01 Organizational Impact
- 02 Complexity of Work
- 03 Level of Supervision
- 04 Level of Leadership
- 05 Level of Knowledge, Experience, and Abilities

Based on the work and not the incumbent.
Types of Levels

Denote overall complexity of the job in relation to other jobs within UW-Madison.

Based on the work and not the incumbent.
## Example

<table>
<thead>
<tr>
<th>Converged Career Paths and Levels</th>
<th>Title Series Levels (Examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OC 8</td>
<td></td>
</tr>
<tr>
<td>OC 7</td>
<td></td>
</tr>
<tr>
<td>OC 6</td>
<td>Accountant IV</td>
</tr>
<tr>
<td>OC 5</td>
<td>Accountant III</td>
</tr>
<tr>
<td>OC 4</td>
<td>Accountant II</td>
</tr>
<tr>
<td>OC 3</td>
<td>Accountant I</td>
</tr>
<tr>
<td>OC 2</td>
<td></td>
</tr>
<tr>
<td>OC 1</td>
<td></td>
</tr>
</tbody>
</table>
Activity (15 minutes)
Individually:
1. Review table 1. These are current standard job descriptions (taken from the previous activity)

2. In table 1, circle or underline any differences in complexity. For example, in the first one we see “assisting end-users” and “assist with escalation of issues.” Refer to the second bullet on page 14

3. Read table 2. These are examples of future state standard job descriptions for IT Help Desk Analyst I and IT Help Desk Analyst II. These examples demonstrate how leveling will be written in standard job descriptions in future state.

4. In table 1, write whether the position would be either Analyst I or Analyst II based on the descriptions in table 2.

5. Group Discussion
Market Analysis

01. Pay rate data that is collected through compensation surveys.

02. Provides an overview of pay rates paid for specific jobs throughout different regions and types of organizations.

03. Used to place a job into a pay range centered around a compensation target such as the 50th percentile to ensure that employees are paid competitively.
**Current State**

01. Market salary analysis is decentralized

02. Employees performing similar work may be paid differently

**Future State**

01. Jobs are linked to the market

02. Title will be associated with pay range

03. Employees with the same job duties will be linked to the same pay range

Employees will not lose jobs or have a reduction in pay as a result of this project
Salary Survey

Compensation pay data are collected from employers and is analyzed to develop an understanding of the amount of compensation paid.

- Median or average compensation paid to employees in one or more jobs.
- Reports data by industry, field of work, geographic area, etc.
Salary Survey Process Steps

01 Survey vendors collect data
# Salary Survey
(Simplified Example)

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Region</th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firefighter I</td>
<td>East</td>
<td>$43,400</td>
<td>$47,400</td>
<td>$50,000</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>Midwest</td>
<td>$41,500</td>
<td>$46,800</td>
<td>$53,200</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>National Data</td>
<td>$43,500</td>
<td>$48,000</td>
<td>$51,800</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>Northeast</td>
<td>$42,800</td>
<td>$47,800</td>
<td>$50,700</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>Pennsylvania</td>
<td>$42,100</td>
<td>$46,400</td>
<td>$49,700</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>South</td>
<td>$43,900</td>
<td>$48,400</td>
<td>$51,500</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>South Central</td>
<td>$44,500</td>
<td>$50,500</td>
<td>$52,800</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>Southeast</td>
<td>$43,300</td>
<td>$45,200</td>
<td>$48,400</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>Texas</td>
<td>$48,800</td>
<td>$52,200</td>
<td>$53,500</td>
</tr>
<tr>
<td>Firefighter I</td>
<td>West</td>
<td>$49,500</td>
<td>$51,100</td>
<td>$53,500</td>
</tr>
</tbody>
</table>
Peer Groups

Examples:
- AAUDE Public – Assoc of Am Universities Data Exchange
- Big 10 Academic Peers
- CUPA Pub.Doc. Grant Inst
- EduComp $1-10B pub doc Grant Inst.
- Greater Madison SHRM
- Big 10 Athletics
- LEAD1
- Clinical/Medical Assoc of Am Med Colleges
- Assoc Academic Surgical Admin
Salary Survey Process Steps

02 Compare UW-Madison jobs to thumb-nail descriptions of jobs in the survey
Salary Survey Process Steps

03
Survey job titles have salary percentiles
Survey Title 1

25th %ile: $28,000
25% of employers pay at or below this number

50th %ile: $33,000
50% of employers pay at or below this number

75th %ile: $38,000
75% of employers pay at or below this number

Survey Title 2

25th %ile: $43,400
25% of employers pay at or below this number

50th %ile: $47,400
50% of employers pay at or below this number

75th %ile: $50,000
75% of employers pay at or below this number
Each UW-Madison job title will be tied to pay range.
Activity (10 minutes)

Individually:
1. Review table 1. This is a list of survey titles and survey thumbnail descriptions. These are examples from the market.

2. Review table 2. This is a list of example future state titles and SJDs.

3. Fill in table 3 with the survey job title (from table 1) that best fits the example future state title. You may want to compare the example future state standard job description in table 2 to the thumbnail description in table 1.

4. Fill in table 3 with the corresponding market percentile data from table 1 for each title.

5. Group Discussion
Pay (Salary) Ranges

A numerical range with a minimum and maximum.

Jobs will be paid at a rate that falls somewhere between the minimum and maximum of their job’s pay range.

Pay ranges will have a systematic width and progression.
Pay Range Process Steps

01 Mercer will recommend pay ranges for UW-Madison

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### Pay Range Examples
(Note: these are not the same as the market salary percentiles)

<table>
<thead>
<tr>
<th>Pay Range Number</th>
<th>Minimum</th>
<th>Midpoint</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>$40,198</td>
<td>$48,238</td>
<td>$56,278</td>
</tr>
<tr>
<td>G</td>
<td>$44,218</td>
<td>$53,062</td>
<td>$61,905</td>
</tr>
<tr>
<td>H</td>
<td>$48,640</td>
<td>$58,368</td>
<td>$68,096</td>
</tr>
</tbody>
</table>
Pay Range Process Steps

02 Pay range with the midpoint closest to the target percentile is assigned to the job
Job Market Pricing Examples

<table>
<thead>
<tr>
<th>Job Title</th>
<th>25&lt;sup&gt;th&lt;/sup&gt; Percentile</th>
<th>50&lt;sup&gt;th&lt;/sup&gt; Percentile</th>
<th>75&lt;sup&gt;th&lt;/sup&gt; Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job A</td>
<td>$51,000</td>
<td>$53,500</td>
<td>$58,000</td>
</tr>
<tr>
<td>Job B</td>
<td>$48,000</td>
<td>$49,000</td>
<td>$56,000</td>
</tr>
<tr>
<td>Job C</td>
<td>$43,000</td>
<td>$47,000</td>
<td>$53,000</td>
</tr>
</tbody>
</table>

Pay Range Assignment Examples

<table>
<thead>
<tr>
<th>Job Title</th>
<th>50&lt;sup&gt;th&lt;/sup&gt; Percentile</th>
<th>Closest Pay Range Midpoint</th>
<th>Associated Pay Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job A</td>
<td>$53,500</td>
<td>$53,062</td>
<td>G</td>
</tr>
<tr>
<td>Job B</td>
<td>$49,000</td>
<td>$48,238</td>
<td>F</td>
</tr>
<tr>
<td>Job C</td>
<td>$47,000</td>
<td>$48,238</td>
<td>F</td>
</tr>
</tbody>
</table>

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Pay Range Process Steps

03 Calculate market alignment costs
Employees will not lose jobs or have a reduction in pay as a result of this project.
Activity (15 minutes)

Individually

1. Review table 1. This is a list of a sample pay range, along with their minima, midpoints, and maxima

2. In table 2, assign pay ranges to the job title using the pay range (table 1) with the midpoint closest to the market 50th percentile (table 2).

3. Group Discussion
Recap

1. Compensation Philosophy
2. Job Framework
3. Standard Job Description
4. Leveling
5. Market Analysis
6. Pay (Salary) Ranges
Additional Questions?

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https://hr.wisc.edu/title-and-total-compensation-study/faq/