

UNIVERSITY OF MISSOURI Administrative, Service & Support Staff Compensation



Leadership Administration Guidelines

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Disclaimer

These guidelines provide information to assist Human Resources and university leaders in setting and administering employee compensation. Nothing in these guidelines confers to any individual or employee any right, either express or implied, to employment with the university, to remain in the university's employment, or to any specific base pay, benefits or compensation. The procedures, practices, policies and other matters described herein may be modified or discontinued from time to time, at the discretion of the university. These guidelines do not establish an employment agreement or contract with any individual or employee. The matters set forth in these guidelines are not subject to the University Grievance Procedure (CRR 380).

Introduction

The Human Resources mission is to recruit, retain and reward an engaged and diverse workforce. The university's faculty and staff are our most important resources in attaining our mission and upholding our shared values. Human Resources shared values include:

- Excellence in performance
- Integrity
- Innovation
- Diversity
- Accountability
- Synergistic relationships

The salaries of employees represent a substantial annual investment. They also offer an opportunity to provide a competitive pay package, communicate and reinforce desired performance, and recruit and retain the best people. Thus, effective leadership of the compensation program is critical to organizational success and is an important responsibility.

The University of Missouri has prepared this Leadership Administration Guidelines for use by the Human Resources Department and supervisors/managers (leaders) who have responsibility for people – that is, those who have a part in setting and administering the pay of employees. Its purpose is to provide a detailed source of information that will help the organization manage non-academic and non-union staff compensation in a consistent manner. In this guide, the base compensation program for employees is described: program objectives, how position information is obtained, how to utilize market information, how to use the salary structure and who is responsible for the various pieces of the compensation practice.

Every member of leadership has the responsibility to understand the contents of this guide so that they will be able to answer employees' questions and apply the appropriate procedures. Managers are also responsible for ensuring that their employees are informed of these procedures, understand them, and abide by them. This guide does not apply to academic or union positions.

Circumstances may, from time to time, cause variations in the practice of compensation administration. Consult with Human Resources at your location when clarification is needed concerning these guidelines.



This guide has been prepared to serve as a practical resource and should not be read to create any promise by the university that the guidelines set forth will be followed in every case.

Compensation Philosophy

The University of Missouri strives to offer a competitive and internally equitable total rewards package comprised of two core elements: compensation and benefits. The primary objective is to maintain a compensation program that best enables the university to recruit, retain and reward a high-quality talent base. To comply with this overall philosophy, the compensation program at the University of Missouri strives to be:

- Aligned with the university's mission, vision and values;
- Fairly and consistently administered;
- Internally equitable;
- Externally competitive within the appropriate market for talent and/or the higher education industry;
- Performance-based; and
- Structured system-wide but flexible to fit campus/hospital strategic priorities.

Compensation Objectives and Program

Approach to Compensation

The approach to Compensation at the university is to provide salary opportunities that are competitive with those of comparable organizations for jobs of similar responsibility and for which we compete for talent. The program is intended to assist leadership in administering non-academic salaries within the university on a consistent basis.

Compensation Objectives

In support of the university's overall objective to attract, retain and reward employees who help the university achieve its mission, this program is designed to:

- Provide a framework for assigning jobs to the salary structure on an objective, consistent and fair basis;
- Maintain a salary structure that is competitive in the marketplace;
- Develop a baseline for pay for performance;
- Support the university's strategic and financial plans; and
- Ensure that salary-related decisions are consistent with CRR 320.010 regarding equal opportunity.

Compensation Program

The program has two major components, which in combination, strive to ensure the achievement of the program objectives:

1. Base salary structure and pay ranges reflecting what competitor organizations pay for similar functions and duties; and
2. Leadership Administration Guidelines to ensure consistent and equitable application of the program.

It is the overall philosophy of the university to offer compensation that is an internally equitable and externally competitive part of an employee's total rewards package. The university's goal is to construct salary structures with a market-based minimum, midpoint and maximum. The salary structure will be reviewed by Human Resources with the assistance of outside consultancies as appropriate and adjusted every two years depending upon market movement and the economic factors affecting the university's ability to pay: ability to pay being a determination within the sole discretion and judgment of the university.

Compensation Tools and Methodology

The university uses a software system, called the Global Grading System (GGS), as the infrastructure for the compensation program. GGS uses a methodology to evaluate jobs to establish an internal level (global grade) based on the analysis of several factors.

In addition to tools and methodology, GGS is a database of jobs, used by organizations of all sizes and from a broad scope of industries. This allows UM to compare our jobs to others outside of our organization.

Objectives of a Salary Structure

There are several objectives to consider when creating a salary structure:

- External Competitiveness
 - To align internal salaries to the competitive marketplace
 - Define competitive pay for positions of comparable value or grade
- Internal Equity
 - To group positions of common value together
 - Ensure consistency
- The hierarchy of positions in the organization including:
 - Responsibilities
 - Skills required
 - Impact of position
 - Reporting relationship
- A basis for communicating with employees that UM has:
 - An equitable and market driven compensation program
 - Clear paths for career progression
 - A process for salary increases and promotions, managed on a fair and consistent basis
- A way to manage employee growth, development and mobility

Job Banding and Grading

Each job in the organization is evaluated and then is allocated to a band by applying a series of questions in a decision tree, which assesses the nature of the contribution of the job as either a management job or an individual contributor job. Once this is determined, the job is evaluated and graded as determined by the following seven factors:

- **Functional knowledge** – the knowledge required to perform the work.
- **Business expertise** – the expertise required by the position, the related areas affecting the position, and the areas that the position affects.
- **Leadership** – the breadth and complexity of providing leadership and guidance to others.
- **Problem solving** – the complexity of problems typically present in the position and the amount of analysis and judgment in the decision-making.
- **Nature of impact** – the direct contribution and the overall responsibility associated with the position.
- **Area of impact** – the overall responsibility associated with the job and how broadly it affects the areas of the organization.
- **Interpersonal skills** – the type and complexity of interaction with others.

After a job is determined to be either a **management** or **individual contributor** position, and then evaluated based on the seven factors, the GGS system assigns it to a grade. Pay ranges and salary structure are discussed on pages 7 and 8 of this document.

Roles and Responsibilities of Leadership and Human Resources

Leaders within the university play a key role in administering the compensation program for employees. For that reason, the performance and salary decisions are the cornerstone of an effective compensation program. This guide is designed to provide the information and appropriate tools needed to perform this important role.

Communicating With Employees

An expectation of leadership is to meet regularly with employees to ensure the mutual understanding of individual goals, performance standards, particular strengths and developmental areas. Leaders can help employees in understanding their rate of pay and pay range, when their performance and salary will next be reviewed and their performance goals. Outlined below are the responsibilities of leaders that ensure an effectively administered compensation program.

The Role of Leadership

- Help employees understand and answer related questions;
- Monitor changes in duties and responsibilities to ensure that positions are accurately described;
- Update position documentation and forward new information to Human Resources when

- positions change significantly and as new positions are proposed;
- Establish, communicate and regularly assess performance requirements to employees;
 - Reward employees for their accomplishments and encourage them to continue to develop their skills;
 - Identify possible pay inequities and consult with Human Resources on an appropriate course of action;
 - Inform Human Resources of unique compensation issues and/or other situations that require attention; and,
 - Ensure that salary-related decisions are consistent with CRR 320.010 regarding equal opportunity.

The Role of Human Resources

- Develop and administer compensation programs;
- Coordinate the implementation of the compensation program
- Monitor the marketplace to ensure that the program remains competitive by recommending appropriate, market-based adjustments to the structures and pay ranges every two years and by assessing the overall program every four to five years;
- Audit a representative sample of the approved job documentation each year to ensure that the job descriptions remain up-to-date;
- Assist leaders in monitoring employee career growth and rewarding the same;
- Assist leaders in understanding and communicating the university's compensation programs;
- Provide information, training and related tools that help leaders make sound performance and salary decisions; and
- Partner with leaders to overcome compensation obstacles.

It is essential that Human Resources and leadership work together in administering the compensation program as both have important and interrelated responsibilities.

Pay Ranges and Salary Structure

(Separate salary structures apply to academic, union-eligible and some healthcare positions.)

GGS Pay Ranges

http://www.umsystem.edu/totalrewards/compensation/pay_matrices/

Ranges are reviewed approximately every two years against market data and therefore may be adjusted. Salary structure adjustments may or may not impact an employee's salary.

Salary Structure

A salary structure consists of grades with pay ranges:

- All positions within the same grade are considered of equal value to the university and therefore eliminate the need to identify minor differences between similar positions that require similar skill, effort, and responsibility.
- Pay ranges give leadership the opportunity to relate an employee's pay to the market, to provide

opportunity for employees to grow appropriately within their job and opportunities to understand how their pay will be affected by sustained performance career growth. The ranges represent the “market value” for comparable responsibility level. Generally, the market can be defined as the areas from which the university competes for employees.

Each pay range has a minimum, midpoint, and a maximum; for each range there is a “spread” and a certain amount of “overlap” with adjacent ranges.

- Typically, the minimum of the pay range is the rate paid to an employee who is assigned to a position for which he or she possesses the minimum qualifications and who is expected to be able to perform basic duties and responsibilities after normal training.
- The midpoint of the range is the middle point between the minimum and maximum of the grade.
- This part of the range is appropriate for an experienced and fully qualified employee whose performance fulfills the requirements of the position. This value typically represents the market value or “going rate” for the job.
- The maximum of the pay range is the highest salary level for an employee whose performance consistently exceeds most job requirements or for an employee with long service in the same job or grade. Once an employee reaches the maximum of the pay range, base salary is not increased until the employee’s pay falls to within the pay range. During this period of time, the employee may receive a merit increase as a lump sum payment, less applicable taxes.
- Range spread is defined as the maximum, less the minimum, divided by the minimum. For example, a grade may have a minimum of \$33,000, a maximum value of \$56,300 and has a range spread of 70 percent. This provides for employee growth and leadership flexibility for administering pay to employees based upon performance within the same grade.
- Range overlap is the set of salaries shared by two consecutive ranges. Because of range overlap, an experienced employee or an employee performing well in a lower grade may be paid more than an inexperienced employee in a higher grade.

Pay Range Review

The competitiveness of the salary structure and pay ranges at the university is assessed approximately every two years, based on salary surveys of benchmark jobs to ensure external equity is maintained. Periodic structure adjustments will be made based on the cost of labor and will assure that jobs are placed in correct salary grades. If there is evidence of a change in market position (i.e., the university has fallen behind the competitive market), ranges will be adjusted according to the program’s objectives and the university’s ability to pay within budget; ability to pay is a determination within the sole discretion and judgment of the university.

If the university increases the ranges to maintain competitiveness, the ranges are usually adjusted by applying a percentage to the midpoint of the first salary grade. The remainder of the grade structure/ pay ranges is then adjusted accordingly. These adjustments do not change the grades to which jobs are assigned and do not result in automatic changes in individual employee salaries.

It is the responsibility of managers and Human Resources to be aware of local market data in order for the university to attract and retain qualified employees. Local compensation information can be brought to the attention of Human Resources if there is a need to refine ranges in their geographic area.

Leadership Administration Guidelines

New Hire Rates

All employees should be paid within their applicable salary range, which means that the pay for a new hire is not lower than the minimum of the range. Local campus guidelines should be followed when determining placement of a new hire within the range. Areas that should be considered are listed on the Administrative Considerations and Guidelines Overview for your campus available through your campus Human Resources department.

Movement Within the Range

Employees are expected to progress through their pay range over time, provided they continue to develop job-related skills and become fully functional in their position. This period of time will vary for different levels of jobs and is based upon sustained satisfactory or better performance and the university's ability—ability to pay being a determination within the sole discretion and judgment of the university—to increase pay.

Re-evaluation

A request may be made to re-evaluate a job based on significant changes in content and may be assigned to a different title or salary grade. Please review the Re-evaluation Review Process at <https://uminfopoint.umsystem.edu/sites/hr/Compensation/Reevaluation%20Process.pdf>.

Salary Adjustments

In addition to performance-based salary increases, certain other circumstances may warrant salary adjustments. This section outlines the guidelines to be followed in the event of: (1) lateral transfer (2) promotion (3) merit increase.

Lateral Transfer

A lateral transfer occurs when an employee accepts a similar but different position. An employee may accept a lateral move, which occurs when that individual assumes a different position with a comparable level of responsibility within the same grade. A lateral move provides an opportunity for employees to broaden their skills and experience to further career development. Employees who transfer from one position to another in the same title should not receive an increase in base pay. Employees who transfer from one position to another position with a different title may receive a different pay rate based on qualifications, market and internal equity considerations.

Promotion

A promotion occurs when an individual moves to a new job with a higher grade. Salary offers will be based on qualifications, market and internal equity considerations. The increase should not result in pay above the maximum of the new range and typically is below the midpoint of the range. Human Resources should be consulted about potential promotional salary increases prior to any action or communication with affected employees. Please see the Administrative Considerations and guidelines available through your campus Human Resources department.

Merit Increase

On a university-wide basis, employees may be considered for a merit increase once a year in accordance with the organizational guidelines established for merit increases. A merit increase occurs when an employee's base pay is increased based on the employee's performance and the department's budget. Merit increases are recommended by the manager/supervisor based on the performance evaluation for the immediately preceding performance period. The salary guidelines addressing merit increases on an annual basis for each business unit will be distributed and communicated by Human Resources prior to merit increases taking place.

A merit increase to an employee's salary will not result in a base salary that exceeds the maximum rate of the pay grade. A Lump Sum award may be considered for employees whose salary is at or over maximum of the pay range and who demonstrate sustained exceptional performance as determined by their respective management (contact Human Resources for guidance).

Demotion

A demotion occurs when an individual moves to a position in a lower salary grade. Demotions may be elected by an employee or based on performance or due to organizational changes. If an employee transfers to a position which has a lower pay range, he/she will be moved to a rate within the new range, but no lower than the range minimum. If the employee's salary is higher than the maximum of the range, the employee's pay may be reduced or frozen until it moves back into the new pay range. Human Resources must be consulted about potential demotions prior to any action or communication with the affected employee. Please see the Administrative Considerations and guidelines available through your campus Human Resources department.

Special Pay Adjustments

Market Adjustments

A market adjustment is an off-cycle increase to adjust for pay substantially below the external market in the determination and discretion of the university, management and Human Resources; and may be made to employees within a job title or pay grade when the following occurs:

- The comparative market used by UM for this position/range has changed.
- The position has become a "hot job" in the market, meaning that the demand for the job has increased and there has been a resulting shift in the ability to retain or recruit for this job.

Human Resources must be consulted when considering market increases and campus approval processes must be followed. Please see the Administrative Considerations and Guidelines available through your campus Human Resources department.

Equity Adjustments

An equity adjustment is an off-cycle adjustment to bring the incumbent's salary more in line with those of incumbents in like positions in the unit or on campus. Human Resources must be consulted about equity adjustments and campus approval processes must be followed. Please see the Administrative Considerations and Guidelines available through your campus Human Resources department.

Extra Compensation

Extra compensation may be granted in accordance with HR-214 and may be authorized when an overload assignment is necessary to carry out the responsibilities of the university, the assignment is not related to the employee's regular responsibilities, and the employee's normal workload cannot be adjusted to permit the proposed work to be done during the employee's regular work schedule. Extra compensation does not count as creditable earnings for the university retirement program.

All recommendations for additional compensation for all staff must be accompanied by documentation of the nature of the overload assignment and summary of the staff's current responsibilities and must follow the campus approval process.

Temporary Pay Increase

A temporary pay increase occurs when a critical job needs to be filled immediately on a temporary basis. In such situations, an employee may be:

Temporarily assigned to a vacant job (interim)

- Assigned some or all of the responsibilities of another job for an extended period of time
- Assigned duties clearly outside the scope of an employee's regular job responsibilities
- Assigned a significant additional work project

In order to justify a temporary pay increase, the new/expanded assignment:

- Should be clearly differentiated from the duties normally performed by the employee
- Should not be expected to be permanently assigned to the position



Reference Documents

These Human Resources policies provide additional information regarding compensation administration at the university:

Leadership Administration Guidelines for Non-Academic Compensation:

CRR 320.010: Equal Employment Opportunity Program

http://www.umsystem.edu/ums/rules/collected_rules/personnel/ch320/320.010_Equal_Employment_Opportunity_Program/

HR-200: Compensation

<http://www.umsystem.edu/ums/rules/hrm/hr200>

HR-203: Position Classifications

<http://www.umsystem.edu/ums/rules/hrm/hr200/hr203>

HR-204: Position Titles

<http://www.umsystem.edu/ums/rules/hrm/hr200/hr204>

HR-207: Office/Technical Hiring/Transfer/Reclassification

<http://www.umsystem.edu/ums/rules/hrm/hr200/hr207>

Human Resource Contacts

UM System

Total Rewards

573-882-2146

MU

Human Resources

573-882-7976

MU Health Care

Bertt Matthews

Director of Compensation
573-884-4220

UMKC

Jane Allen

Senior HR Specialist
816-235-6670

Missouri S&T

Human Resources

573-341-4186

UMSL

Human Resources

314-516-5805

Glossary

Base Pay

The fixed compensation rate paid to an employee for performing specific duties. It does not include extra pay such as shift premium, call pay and overtime.

Benchmark Job

A job that is common in the external market and used to make salary comparisons either within the organization or to similar jobs outside of the organization.

Compensation Philosophy

A statement developed by the university that guides compensation programs and decisions.

Compensation Policy

A reference tool for leadership to ensure the consistent administration of the compensation program with respect to salary administration practices.

Compa-Ratio

A calculation used to reference how an employees salary relates to the salary range. The calculation is: $[(\text{Salary}/\text{Midpoint}) * 100]$. A result of less than 100% indicates that the salary is less than midpoint and more than 100% indicates that the salary is greater than the midpoint. It is a useful gauge for leadership in assessing experience versus salary level, magnitude of salary adjustment, etc.

Cost of Labor

Unlike cost of living which measures the cost of goods and services, this index is an indicator of the direct cost of wages paid to workers in a geographic area. It is used as one of the external market indicators when considering external market competition and setting/moving salary ranges.

Demotion

A position change from one in a higher salary grade to a position in a lower salary range. Contact Human Resources for advice on salary considerations.

Equity Adjustment

A salary adjustment to normalize or adjust for differences in employees' pay with respect to peers with the same title, grade or reporting group. Contact Human Resources for advice on salary considerations.

Global Grading System

Global Grading System (GGS) is the tool used by the university to evaluate its jobs. GGS is used by trained evaluators within the university to evaluate positions based on predetermined criteria and factors.

Global Title Specification

Global Title Specification is the term used by the university to refer to the job description. It captures the major duties, requirements and skills/abilities required of the position.

Grade

The level of a job and associated salary range, established as a result of having gone through the job evaluation/Global Grading System process.



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Hot Job

A position determined to be a 'Hot Job' as a result of market pressures affecting pay such as particular skillsets for which competitors are paying more aggressively than normal. To retain staff in 'Hot Jobs', organizations may develop strategies to retain talent including temporary compensation practices/adjustments.

Individual Contributor Position

A job that does not provide direct leadership/management/supervision of employees. While an individual contributor may provide guidance to new or less staff, their primary value to the organization is the skills and knowledge in a particular area of expertise.

Internal Equity

The relative relationship of employee's salaries to one another within like positions, based upon experience, performance, etc.

Job Code

The identifier used by the university to establish a job, its attributes and compensation levels within our PeopleSoft database/system

Job Hierarchy

The internal value system consisting of salary ranges or grade levels that determine the pay level and relationship of a particular job to other jobs within the university. The GGS uses 21 grades with the UM system of which, 16 pertain to non-executives

Lateral Jobs Change

When an employee accepts a similar, but different, position within the same salary grade.

Leadership/Management Position

A job that directs activity through assigned staff to accomplish the goals of the organization. Leadership/management positions have accountability for hiring, performance management and corrective action decisions.

Market

The comparator group of organizations used to gauge the competitiveness of the university's salary structure and where the university competes for talent. The midpoint of the salary range is generally considered the market average salary point for an experienced individual in a position within the range.

Merit Pay

A pay program in which pay is increased based on the employee's performance and according to the university's salary guidelines.

New Hire Rate

The pay offer extended to individuals joining the organization. The offer usually varies from between minimum and midpoint, depending on experience, internal equity and campus salary guidelines.

Glossary

Pay Range

The minimum through maximum of a salary range representing the market value for a comparable responsibility level.

Position Evaluation

The process of applying evaluation criteria/factors to establish the salary range or grade within the pay hierarchy and to assign a pay level commensurate with the position level and external market.

Position Title

The name of a job based upon functional accountabilities and relative position in the organization.

Promotion

The movement of an individual to a new position at a higher grade level. Consult with Human Resources for guidelines concerning any salary treatment.

Range Overlap

The set of salaries shared by two consecutive pay ranges or grades.

Range Spread

The maximum, less the minimum, divided by the minimum of a salary range.

Re-evaluation

Re-application of position evaluation criteria/factors to re-assess the relative value of a position when there has been significant changes in position content.

Salary Range Maximum

The highest level of pay for a position within the university's pay grade for an employee whose performance consistently exceeds most position requirements.

Salary Range Midpoint

The middle point between the minimum and maximum of the salary range/grade. This value typically represents the market value or "going rate" for an experienced individual in the position.

Salary Range Minimum

The rate paid to an employee who possesses the minimum qualification of the position and who is expected to be able to perform the basic duties and responsibilities of the position.

Salary Structure

The hierarchy of job grades and pay ranges established within the organization.

Total Rewards

Programs the organization uses to recruit and retain employees, including cash compensation, health plans, retirement plans, time off, etc.