



AUBURN

# COMPENSATION STRATEGIES: AN OVERVIEW AND CASE STUDY

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- Welcome and introductions
- FLSA Overview
- Monitoring the external landscape
- Applying the external conditions to internal compensation strategies
- Market data analysis and application to AU jobs
- Market study Phase II impact
- A consultative approach: Earning trust and confidence
- Facilities Management Human Resources: A case study
- Q&A



## **FLSA: CAN I CHECK E-MAIL NOW OR IS THIS IMPORTANT?**

- The Wage and Hour Division of the Department of Labor was created with the enactment of the Fair Labor Standards Act (FLSA) in 1939.
- Includes minimum wage, overtime eligibility, record keeping requirements, and youth employment standards.
- Created to establish a federal statute which requires employers to maintain better working conditions for employees.
- Youngest age for non-agricultural work?
- Current federal minimum wage?
- Current minimum salary threshold to determine overtime eligibility?
- Hey, maybe this is important!



# FLSA: MINIMUM WAGE AND OVERTIME ELIGIBILITY SALARY THRESHOLD PROPOSED NEW RULE

- Current federal minimum wage is \$7.25 per hour
- AU minimum (wage) hiring rate is \$14.50 per hour
- ~30 states have a minimum wage above \$7.25
- Federal minimum wage last changed on July 24, 2009
- Current threshold is \$35,568 annually/\$684 per week (eff. 1/1/2020)
- Must still meet one of the exemption categories based on job duties
- Projections for the new threshold range from \$45,000 - \$52,000
- Any increase which is implemented will raise wages and costs of the workforce for many employers



# FLSA EXEMPTION FLOW CHART

## Step 1: Salary Basis Test

Is the employee paid at least \$684 per week (\$35,568 per year)

YES

NO

Employee is nonexempt

## Step 2: Exemption Applicability

Does the employee perform any of the following types of jobs?

Executive-leadership and/or management is the employee's primary duty

Administrative-employee performing non-manual office work at a high level

Professional/Creative-employee whose work requires highly advanced knowledge; creative and artistic profession; faculty

Computer professional-employee involved in design or application of computers & related systems (does not apply to service desk roles)

Outside sales-employee making sales or taking orders which influence sales outside of the employers premises

NO

Employee is nonexempt

## Step 3: Job Analysis

A thorough analysis of job duties must be performed to determine exemption status. An exempt position must pass both the salary and the duties test

# THE FAIR LABOR STANDARDS ACT (FLSA)

## The Law

Enacted in 1939 to protect workers

Not all jobs covered by the law

- “non-exempt” jobs are covered
- Classification is based on the actual job duties and responsibilities. The job title, reporting relationships, or qualifications of the person or not considered
- Multiple tests used to determine classification

## Requirements

Covered jobs must

- Keep daily time records
- Be paid overtime (1 ½ times regular hourly rate) for any time worked over 40 hours each week

## Penalties

Auburn University risks significant financial penalties for classifying jobs incorrectly



# HIGH LEVEL MACRO CONSIDERATIONS:

## THE ECONOMY AND THE WORKFORCE

- COVID-19 Pandemic impact on the workforce
- “The Great Resignation”
- Inflation
  - 2019=2.3%; 2020=1.9%; 2021=7%; 2022=6.5%
- Rising federal interest rates
  - from ~0% in 2021 to ~5.25% today
- Low unemployment
  - 5% in 2016; 3.5% in 2019; 14% in 2020; 3.6% in June 2023 (low of 3.4%)
  - In Alabama, at a record low of 2.2% in June 2023 (2.6% in June 2022)
- Wage growth
  - Reached 15% in 2021; now ~5%
- Labor supply and demand has an impact on wages
  - Follow the trends and think about our workforce outcomes



# AUBURN UNIVERSITY RELATED IMPACT AS A MAJOR EMPLOYER

- Talent acquisition; talent pools for posted jobs
- Engagement and retention
- Learning and professional development opportunities
- **Analyzing market-competitive wages using valid market data sources**
- **Development and presentation of strategies supported by data for informed decision making**
- **Investments in our workforce and return on those investments**





# WHAT CAN WE DO AS AUBURN HR PROFESSIONALS?

- If you are an HR team member supporting a unit or the enterprise for workforce decisions, we all have responsibilities for some elements of compensation and classification knowledge and support
- Earn a seat at the table; trust and confidence is not given
- Be a transactional expert and a consulting strategist
- It is art and science; understand the “big picture”
- Current and complete job descriptions are your best friend
- Don’t ever give away your power: We are “They”
- **One Auburn HR:** Pay solutions based in policy. Driven by data. Aligned with the culture, mission, and vision. Focused on customer requests and operational needs. War Eagle!



# ***Utilizing Valid Market Data to Analyze Auburn University Jobs***

Bailey Ward

Manager, Comp and Class Administration

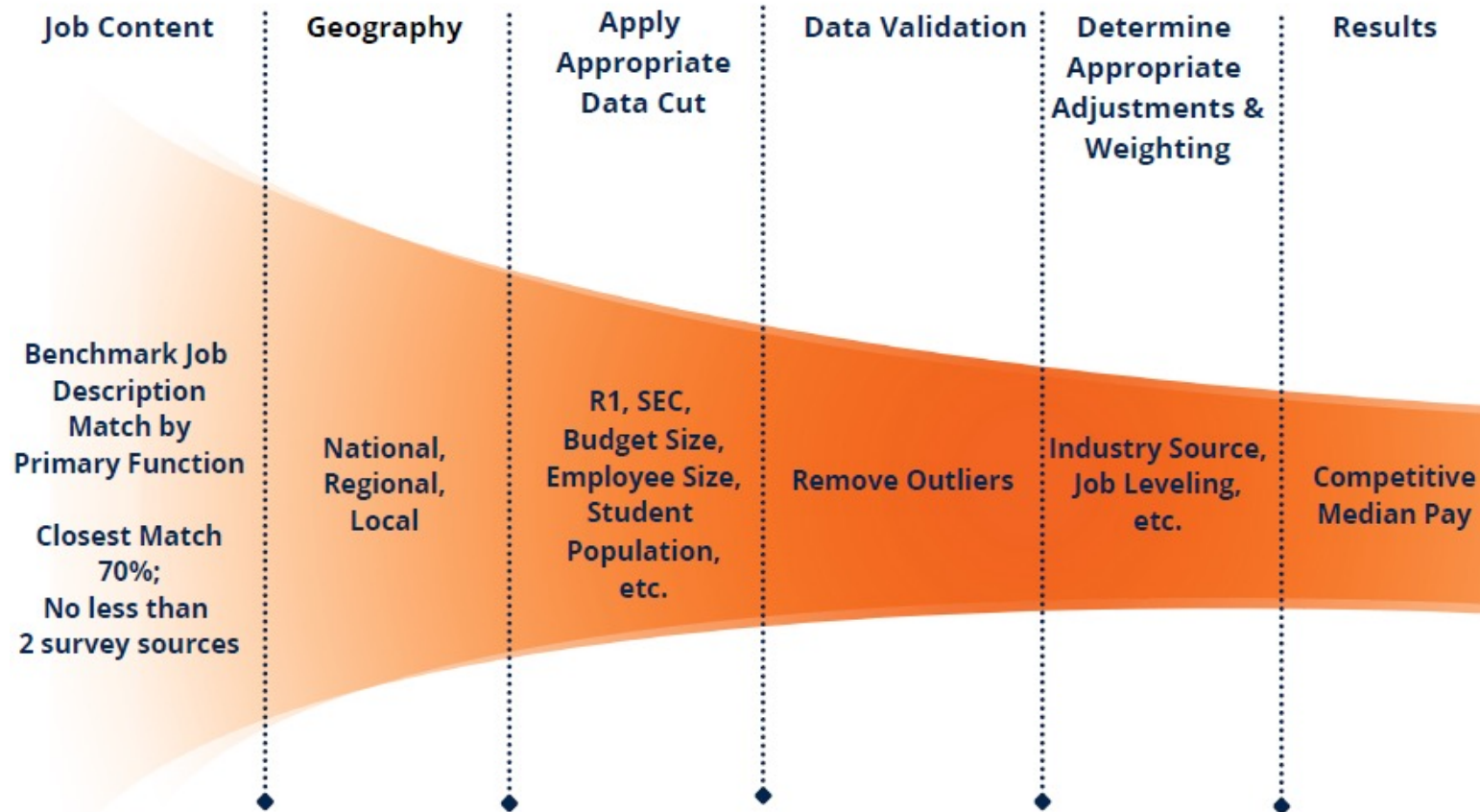


# USING MARKET DATA TO INFORM PAY DECISIONS

- Compensation purchases salary surveys from reliable third-party vendors which are experts in collecting, analyzing, and disseminating salary data from a broad range of employers
- Type of Surveys:
  - Higher Education
  - General Industry
  - Industry Specific (Athletics, Advancement, Research, Museum, etc.)
- Survey data is ONE data point at a specific point in time as part of the decision-making process
- Survey data is utilized for
  - Market pricing jobs
  - Pay structure development and maintenance
  - Collaboration on individual pay decisions

# USING MARKET DATA TO INFORM PAY DECISIONS

## Market Pricing Methodology\*



\*Compensation reserves the right to make adjustments within generally accepted compensation practices to best reflect the University's unique situation being addressed.



# USING MARKET DATA TO INFORM PAY DECISIONS

| Market Price a Job                                                                                                                                                                                                                                                                                                                                                                                           |             |        |        |        |            |        |        |        |              |     |      |     |                                     |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|--------|--------|------------|--------|--------|--------|--------------|-----|------|-----|-------------------------------------|----------|
| Select Job(s)                                                                                                                                                                                                                                                                                                                                                                                                |             |        |        |        |            |        |        |        |              |     |      |     |                                     |          |
| <div> <div>employees</div> <div>Year Over Year</div> <div>Differentials</div> <div>Marketplace Matches</div> <div>Job Description</div> </div> <div> <div>Benchmark: 2022 (Bailey Ward 2023-07-19)</div> <div>Priced</div> <div>Delete Selected</div> <div>Propagate</div> <div>Add</div> <div>Copy</div> <div>Age to 2023-04-01 using 2021</div> <div>Standard view</div> <div>Generate Report</div> </div> |             |        |        |        |            |        |        |        |              |     |      |     |                                     |          |
| Match                                                                                                                                                                                                                                                                                                                                                                                                        | Base Salary |        |        |        | Total Cash |        |        |        | Aging Factor | Adj | Geo  | Wgt | Participati... Match                | Comments |
|                                                                                                                                                                                                                                                                                                                                                                                                              | 25th        | 50th   | Avg    | 75th   | 25th       | 50th   | Avg    | 75th   |              |     |      |     |                                     |          |
| (10100)<br>CompData Colleges & Universities - October, 2022<br>South Central                                                                                                                                                                                                                                                                                                                                 | 44,762      | 49,431 | 50,345 | 55,014 | 44,762     | 49,533 | 50,345 | 55,014 | 1.015        | 1   | 1    | 1   | <input checked="" type="checkbox"/> |          |
| (OP05-05-600)<br>Culpepper Operations - September, 2022<br>Geographic Pay Zone: U.S. Pay Zone 4                                                                                                                                                                                                                                                                                                              | 53,704      | 58,507 | 59,751 | 65,805 | 55,492     | 61,173 | 61,715 | 68,865 | 1.017        | 1   | 1    | 1   | <input checked="" type="checkbox"/> |          |
| 430120)<br>CUPA Professionals in Higher Education (Auburn), 2022-2023<br>Public R1 Doctoral Institutions in South; Institutional Average Salaries                                                                                                                                                                                                                                                            | 45,026      | 49,675 | 51,386 | 56,211 |            |        |        |        | 1.012        | 0.9 | 1    | 1   | <input checked="" type="checkbox"/> |          |
| (FIN.06.001.P10)<br>Mercer Benchmark Finance, Accounting & Legal, 2022<br>Employee Location (Workplace) - Region (in-country): Southeast: Org Watd                                                                                                                                                                                                                                                           | 53,963      | 58,380 | 59,304 | 64,020 | 54,411     | 59,660 | 60,610 | 65,641 | 1.030        | 1   | 1    | 1   | <input checked="" type="checkbox"/> |          |
| 1 (18346)<br>Western Management Group EduComp Basic, 2022<br>Institution: Public - Doctoral                                                                                                                                                                                                                                                                                                                  | 42,088      | 46,479 | 47,354 | 51,624 | 42,088     | 46,521 | 47,372 | 51,624 | 1.045        | 1   | 0.94 | 1   | <input checked="" type="checkbox"/> |          |
| <b>Overall Composite</b>                                                                                                                                                                                                                                                                                                                                                                                     | 47,909      | 52,494 | 53,628 | 58,535 | 49,188     | 54,222 | 55,010 | 60,286 |              |     |      |     |                                     |          |
| <div> <div>Minimum</div> <div>Lower Third</div> <div>Midpoint</div> <div>Upper Third</div> <div>Maximum</div> </div> <div> <div>\$40,000</div> <div>\$48,000</div> <div>\$52,000</div> <div>\$56,000</div> <div>\$64,000</div> </div>                                                                                                                                                                        |             |        |        |        |            |        |        |        |              |     |      |     |                                     |          |



# ***Auburn's Response to Market Conditions***

Shelly Murray  
Manager, Compensation Programs





# AU'S RESPONSE TO CHANGING MARKET CONDITIONS

- **Competitive Compensation Analysis & Infrastructure Development Project (2019-2021)**
  - Implementation - Phase I (Oct 2022) - 1,300 preliminary market adjustments
  - Implementation - Phase II (Oct 2023, if approved) - Comprehensive data collection; Usage of Pay Evaluator; 1,330 additional market adjustments
- **Provisional Procedures to “Level the Playing Field”**
  - Pay adjustment restrictions on lateral transfers removed; Now, use Pay Evaluator
  - Ability to extend internal and external retention offers
  - Consideration for provisional procedures to continue past FY23 - Feedback desired
- **Competitive Pay Structures**
  - Pay range movements for each pay structure reviewed and considered for adjustments on annual basis; Next potential adjustment - October 2024
- **Continued monitoring of AU's minimum hiring rate (MHR)**



# BEST PRACTICES FOR POSITION MANAGEMENT

- **Regular Monitoring** – HRLs should partner with managers/directors to ensure all employees are accurately classified, which affects:
  - FLSA Exemption Status
  - Pay Grade
  - Pay level (and potentially benefits tier)
  - Performance management
  - Recruiting and selection (if position becomes vacant)
- **Position Reclassifications**
  - Primary purpose is key; not just a promotional vehicle
  - Understand the purpose of any reclassifications (changes in responsibilities, increased scope, change in organizational needs, etc)
  - Organizational impact
  - Employee communication (before vs after)

- Reorganization Planning
  - Contact UHR Compensation (partnership with Employee Relations)
  - Business case (Why / Who / When)
  - Org charts
  - Reclassification vs posting
  - Ripple effect
  - Budget implications
  - Managing employee expectations through communication