

CSU The California State University



Compensation Assessment and Proposal

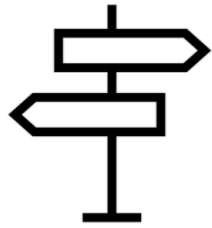


- 1. The Issues**
- 2. The Process**
- 3. Recommendations**
- 4. Request for Funding**
- 5. Next Steps**

Agenda

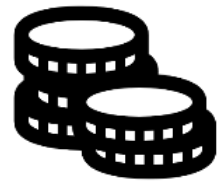
THE ISSUES

Issues to Solve



ATTRACT / RETAIN

CSU has challenges attracting new talent and retaining existing talent as pay has not kept up with the market.



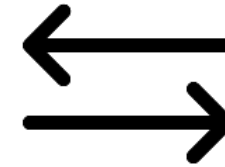
WAGE STAGNATION

Over the last 15 years, CSU salary increase budgets have been lower than those at competing organizations.



GROWTH POTENTIAL

CSU wants to reward employees for a commitment to public service, with career growth opportunities and compensation that is commensurate with job responsibilities and tenure.



FRAMEWORK

CSU lacks a solid job framework, which facilitates accurate alignment to the market, internal equity, and pathways for job growth.

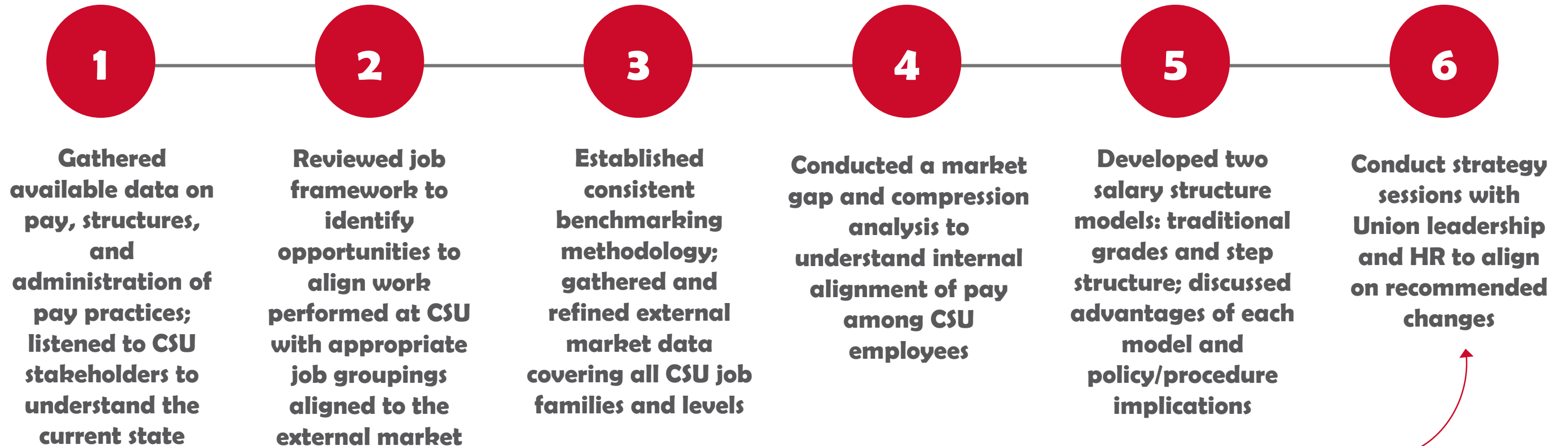


ADMINISTRATION

Transparency and trust in pay decisions needs to be improved. Greater consistency across CSU is desired.

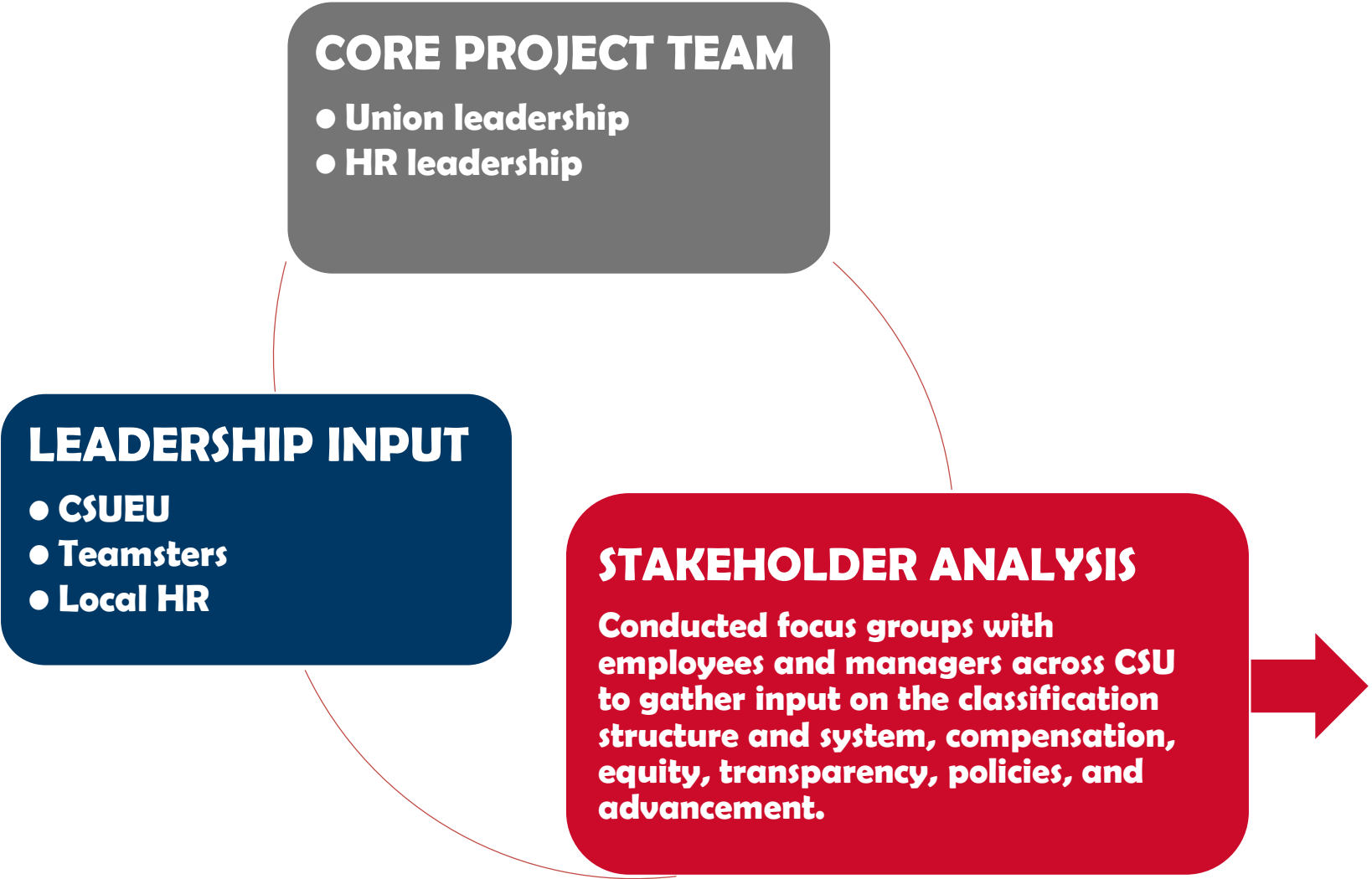
THE PROCESS

Our Journey: A Review of the Process



We are here

A Collaborative Process



4,582 Focus Group Participants

Unit	Participants (% of unit population)
1: UAPD (Union of American Physicians and Dentists)	15 (17%)
2: CSUEU (Medical Employees)	182 (26%)
4: APC (Academic Professionals of California)	1,007 (31%)
5: CSUEU (Labor and service employees)	126 (6%)
6: Teamsters Local 2010	201 (20%)
7: CSUEU (Clerical employees)	1,065 (26%)
8: SUPA (Statewide University Police Association)	11 (3%)
9: CSUEU (Technical Employees)	1,734 (21%)
11: UAW (United Auto Workers)	6 (<1%)
14: CSUEU (ALCP Instructors)	13 (more than population)

RECOMMENDATIONS

Recommendations

There are four key recommendations to address CSU's issues:

1. Competitive Market

SOLUTION

- Apply and refine consistent benchmarking methodology to create greater trust in the process:
 - Consistent application of industry weighting
 - Data aging (lead/lag)
 - Local cost of labor
 - Job framework alignment for accuracy
- Create regular cycle of in-depth review by job family over 5 year period

2. Salary Structure

SOLUTION

- Develop step structures designed to recognize tenure, functional expertise, and sustained performance
- Design step structures to reach market median in 5 years
- Utilize multiple structures which more closely align with functions/job families across CSU

3. Job Framework

SOLUTION

- Implement complete job framework with updated functional groupings (and associated job classifications), aligned with work performed
- Establish system-wide job leveling criteria that align work at CSU with market comparable levels to increase transparency and market pricing accuracy

4. Predictable/Equitable Pay

SOLUTION

- Provide annual increases (informed by the market) in order to stay competitive (consider cost of steps and structure movement)
- Implement job framework and step structure to provide defined guidelines for pay determination

Note: These are proposed recommendations — approval from the state legislature, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Recommendation #1

COMPETITIVE MARKET

Stakeholder Feedback

- **CSU pay is well below peers in other organizations.**
- **Managers are concerned about the ability to attract critical talent.**
- **Employees are concerned about the ability to live comfortably or close to office location (limited funds beyond basic needs).**

Research Results

- **Benchmark roles covered 12,222 employees.**
- **Overall, CSU average pay for benchmark role is 12%* below market median; some job families are more than 20%* below market.**
- **There is a wide spread of pay for roles in the same career level and job family.**

**will be updated when all changes final*

RECOMMENDATIONS

1. **Create new pay ranges targeting the midpoint of the pay range to the median of the market.**
2. **Create a pay placement system to align individual pay appropriately in new step salary structures.**
3. **Adjust pay ranges by location based on cost of salaries by geography**
4. **Regularly update pay ranges to align with market data.**
5. **Update employee placement criteria**

Note: These are proposed recommendations — approval from the state legislature, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Benchmarking Methodology

SALARY STRUCTURES ALIGNED WITH LOCAL COST OF LABOR

- Use local cost of labor to adjust from national data to local data
- Adjustments represent the cost of labor versus cost-of-living and are applied to salary ranges

COST OF LABOR



Reflects what a particular geographic location/city offers as compensation for a specific type of work or role, which is influenced by supply and demand of talent, as well as cost of living.

COST OF LIVING



Reflects the cost of goods and services for a consumer, including items such as housing, groceries, clothing, transportation, etc.

There can be wide differences between “cost of living” and “cost of labor” in a given location. Cost of living calculations determine the additional amount needed for an individual to have the same purchasing power and standard of living in two different locations. However, in reality, individuals tend to change their purchasing patterns and standard of living expectations based on their location.

A	B	C	D	E
Bakersfield	Channel Islands	Dominguez Hills	Northridge	East Bay
Chico	Sacramento	Fullerton	Pomona	San Jose
Fresno	San Bernardino	Long Beach	San Diego	
Humboldt	San Luis Obispo	Los Angeles	San Marcos	
Stanislaus		Maritime	Sonoma	
		Monterey		

Competitive Market

GAP ANALYSIS BY JOB FAMILY BASED ON BENCHMARK JOBS

Job Family Group	# Jobs	Average Gap to Market		
		25th	50th	75th
Academic Services and Student Experience	110	-2%	-13%	-24%
Analysis, Planning, and Administrative Services	46	1%	-15%	-27%
Arts	16	3%	-13%	-23%
Athletics and Sports	15	6%	-9%	-23%
Communications, Marketing, and Public Affairs	26	-9%	-20%	-31%
Compliance, Risk Management, and Safety	10	-17%	-28%	-36%
Facilities and Grounds	45	14%	0%	-13%
Facilities Design and Planning	17	-3%	-15%	-27%
Finance	34	-5%	-17%	-26%
Healthcare	54	7%	-6%	-18%
Hospitality, Events, Guest Services, and Sales	16	-6%	-21%	-32%
Human Resources	13	-4%	-15%	-25%
Inclusivity and Equity	6	21%	9%	-3%
Information Technology	64	3%	-9%	-21%
Institutional Advancement	15	0%	-13%	-26%
Libraries and Museums	15	5%	-8%	-18%
Physicians	11	-10%	-23%	-31%
Police	10	25%	-4%	-9%
Police and Public Safety Services	13	12%	-5%	-22%
Research	17	-8%	-19%	-28%
Skilled Trades and Specialized Crafts	90	15%	-1%	-16%
Supply and Logistics	14	3%	-7%	-17%
Total	657	1%	-12%	-24%

Deviation	
> 20%	
10% to 20%	
-10% to 10%	
-20% to 10%	
< -20%	

Job Level	# Jobs	Average Gap to Market		
		25th	50th	75th
P5	4	-7%	-21%	-29%
P4	53	0%	-12%	-25%
P3	88	-1%	-13%	-26%
P2	188	-1%	-14%	-25%
P1	20	-12%	-21%	-30%
S5	37	16%	-4%	-16%
S4	60	4%	-9%	-21%
S3	121	9%	-5%	-18%
S2	52	10%	-4%	-17%
S1	34	8%	-5%	-17%
Total	657	1%	-12%	-24%

Recommendation #2

SALARY STRUCTURES

Stakeholder Feedback

- “Salary structures should reflect the market reality.”
- “Step increases should be implemented again!!”
- “STEPS. COLA. CAMPUS LOCATION BASED SALARY.”
- “Reward years of service and performance.”

Research Results

- Current salary structure midpoints are not aligned to market.
- Step structures are common across higher education and public sector firms in California.
- Step structure designs vary
 - Most common approach is 5-7 steps with a shorter duration to reach market; then longer steps to reach the top.

RECOMMENDATIONS

1. Develop 15 structures based on bargaining and/or job family unit-specific ranges.
2. Develop grades based on CSU job levels and corresponding market data.
3. Apply geographic adjustments to the salary structures (5%,10%,15%, 20%, 30%) based on CSU locations.

Note: These are proposed recommendations — approval from the state legislature, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Preliminary Salary Structure Review

ILLUSTRATIVE EXAMPLE

STEP RATE STRUCTURE TABLE AND IMPLEMENTATION ANALYSIS

Grade	Step	1	2	3	4	5	6	7	8	9
	Year	0	1	2	3	5	7	9	12	15
7	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 9
6	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
5	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
4	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
3	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
2	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 8	Step 9
Increase	-	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.4%

Accelerated increases to reach midpoint in 5 years

Step structure mechanics

- Fixed pay rate increases based on a pre-set schedule.
- Steps are focused on length of service.
- 15 step structures aligned with the market for specific job families.
- Geographic differentials allow for alignment with local cost of labor.
- Increases in early steps are accelerated so employees reach midpoint faster.

Salary Structure List

BY JOB FAMILY GROUPS AND BARGAINING UNITS

Structure Code	Bargaining Unit(s)	Job Family Group(s)
01	R02; R09	Athletics & Sports
02	R07; R09	Supply & Logistics
03	R07; R09	Hospitality, Events, Guest Services, and Sales
04	R07; R09	Libraries and Museums; Police and Public Safety Services
05	R09	Institutional Advancement; Research; Instructional Services
06	R07; R09	Finance; Human Resources; Inclusivity & Equity; Communications, Marketing, and Public Affairs; Compliance, Risk Management, and Safety
07	R02, R07, R09	Healthcare
08	R07; R09	Analysis, Planning, and Administrative Services
09	R07; R09	Information Technology; Facilities Design & Planning
10	R09	Arts

Structure Code	Bargaining Unit(s)	Job Family Group(s)
R01	R01	Physicians
R04	R04	Academic Services and Student Experience
R05	R05	Facilities and Grounds
R06	R06	Skilled Trades and Specialized Crafts
R08	R08	Police
R10 Pending	R10	Crafts, Maintenance & Stationary Engineers (Maritime)
R11 Pending	R11	Academic Students
R14 Pending	R14	American Language and Culture Program Instructors

Bargaining Units 1, 4, 5, 6, and 8 have salary structure encompassing all jobs in the BU Unit

Recommendation #3

JOB FRAMEWORK

Stakeholder Feedback

- **Classifications are outdated and need to reflect differences in work being done at CSU.**
- **Some classifications series do not include all levels.**
- **Classification reviews need to happen regularly.**

Research Results

- **Classification/titles are inconsistent.**
- **Levels are inconsistent across job functions/families.**
- **Some job classification/title series require more levels.**

RECOMMENDATIONS

1. **Revise job framework to better align with work performed and marketplace.**
2. **Develop a CSU-wide leveling guide that accurately aligns CSU to the external market.**
3. **Update select job classifications to reflect current work and skills.**
4. **Place employees in appropriate job classification/titles and levels.**

Note: These are proposed recommendations — approval from the state legislature, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Job Framework

OBJECTIVES

A future oriented, harmonized job architecture supports the organization's strategy and matches both market trends and internal needs:

Structure

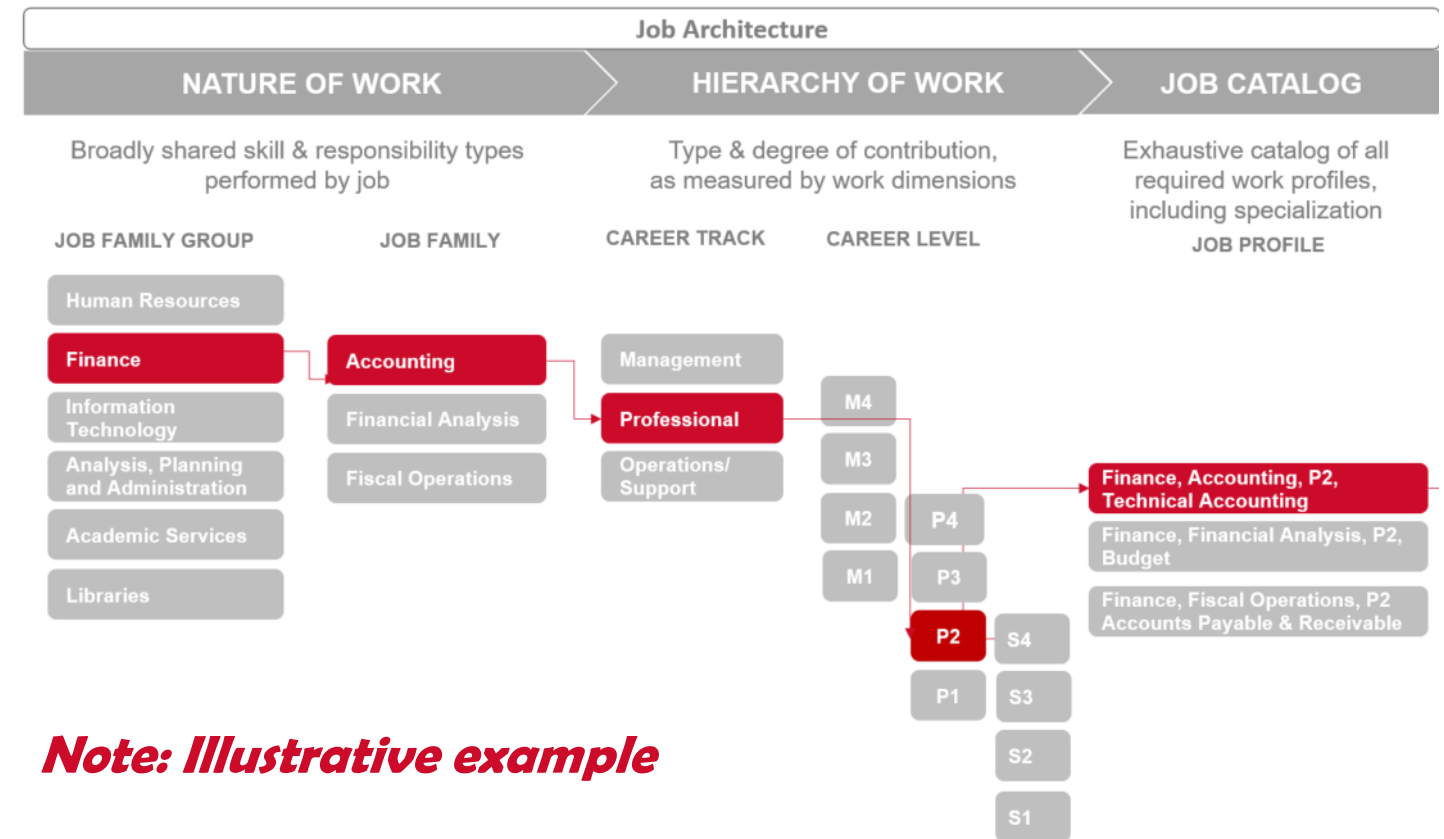
- Develop/align job families, competencies, and accountabilities across the organization
- Define critical experiences, knowledge, and skills necessary for career progression

Transparency

- Identify flexible career paths not only within functions but across the organization
- Empower managers to support employees through effective conversations

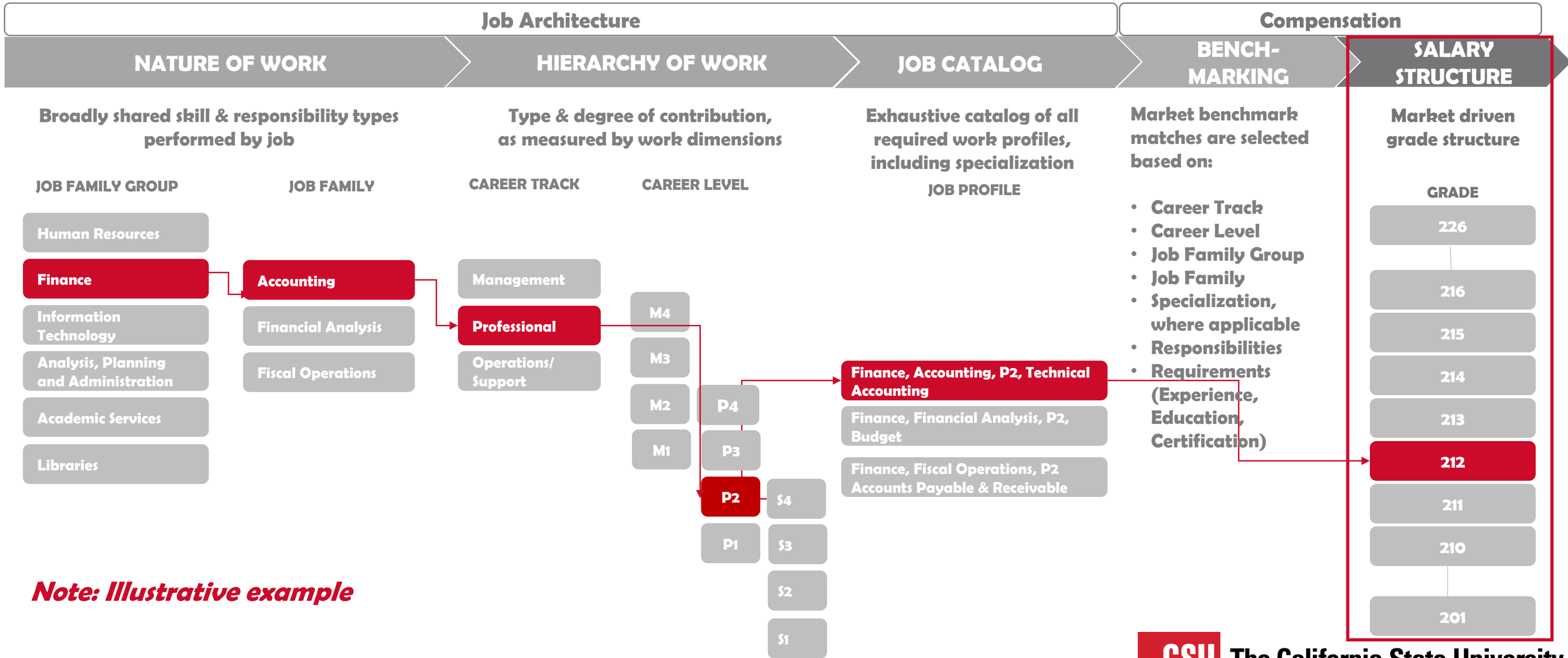
Efficiency

- Empower employees to actively manage their career choices
- Use your job architecture to anchor other HR processes



Job Framework

NECESSARY TO INFORM SALARY STRUCTURE



Note: Illustrative example

Recommendation #4

PREDICTABLE/EQUITABLE PAY

Stakeholder Feedback

- **Pay increases are infrequent — wages are not livable and competitive.**
- **There is favoritism regarding increases.**
- **Merit increases should also be offered.**
- **Managers don't know when there will be pay increases.**

Research Results

- **CSU compression analysis showed wage stagnation (1% per year distinction between new and tenured employees in similar roles)**
- **Multiple years of no increases has put CSU behind peers in general industry as well as higher education.**

RECOMMENDATIONS

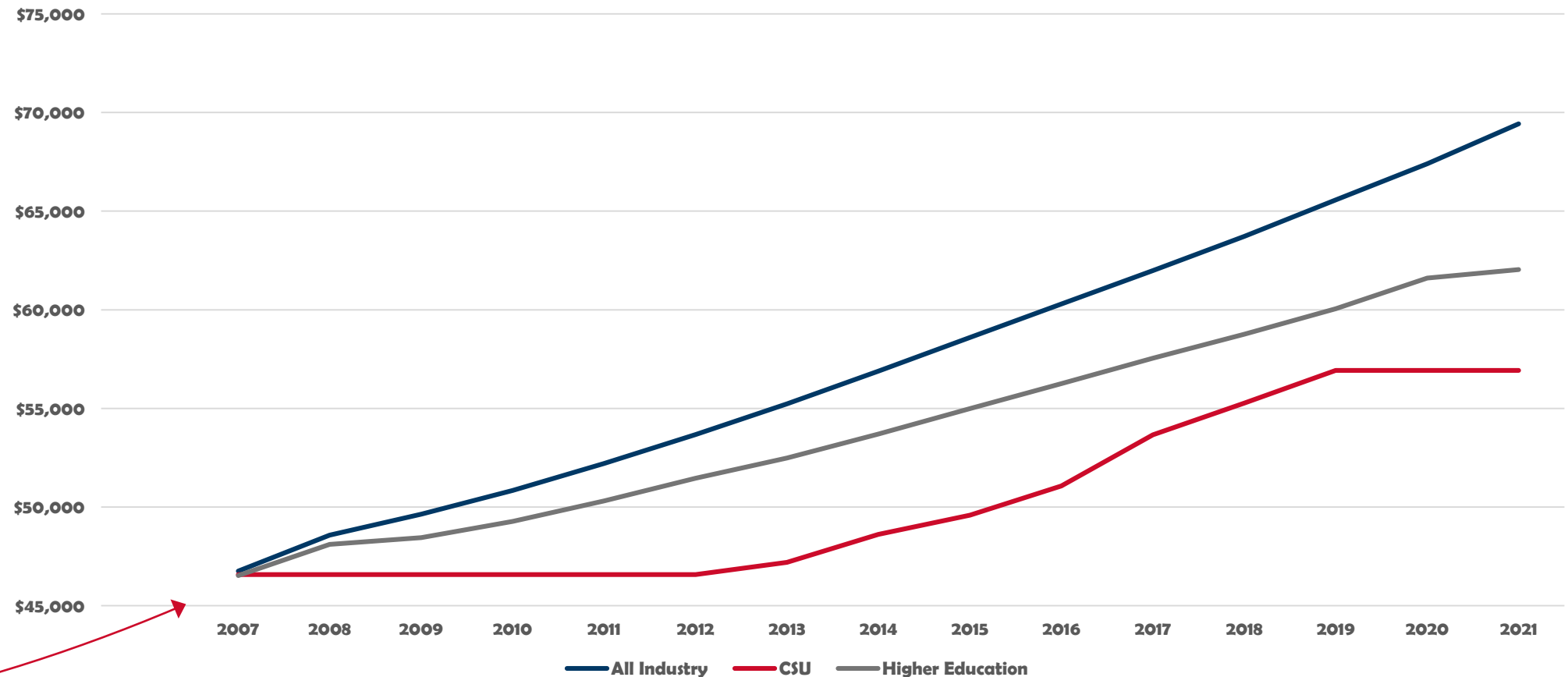
1. **Commit to annual salary budget increases and structure movements.**
2. **Designate separate funding for meritorious performance and promotional opportunities.**
3. **Utilize step structure to purposefully and consistently move employee pay through competitive ranges.**

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Wage Stagnation

CSU PAY LAGGING THE MARKET OVER TIME

CSU Salary Budget Increases Compared to Market
Cumulative Increase Over Time (\$45,000 Salary Example)



Lack of consistent annual salary increase budget resulted in wage stagnation over time

REQUEST FOR FUNDING

Request for Funding

SALARY STRUCTURE AND COMPETITIVE MARKET (ADDITIONAL FUNDS BEYOND GENERAL COMPENSATION INCREASE*)

- **Create salary step structures aligned with market data**
- **Provide adjustments for location to appropriately account for differences in cost-of-salary by location.**
- **Update placement of current employees within a pay range for tenure, performance, and competencies.**

JOB FRAMEWORK REVIEW/INSTRUCTIONAL SERVICES (UNIT 11) SALARY STRUCTURE UPDATES

- **Identify and place positions into newly created job classifications.**
- **Update analysis due to reclassifications and other data corrections following detailed review by managers and human resources.**
- **Update Academic Students (Unit 11) salary structures.**
- **Develop a university-wide leveling guide and schema.**

TOTAL BASE SALARY ADDITIONAL INVESTMENT

ADDITIONAL INVESTMENT FOR SALARY-BASED BENEFITS

PREDICTABLE/EQUITABLE PAY

- **Commit to annual salary budget increases and salary structure movements aligned with market movements. Option 1 consists of costs associated with steps based on current tenure. Option 2 assumes 1% structure movement and steps based on current tenure.**

INVESTMENT IN CSU AND EMPLOYEES*

\$153,383,846

\$56,000,000

\$209,383,846

\$77,472,023

Year Two Costs

Option 1: 2.03%

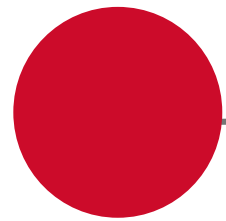
Option 2: 3.05%

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** These numbers reflect additional costs beyond 2021 and 2022 anticipated increases of 4% and 3% .*

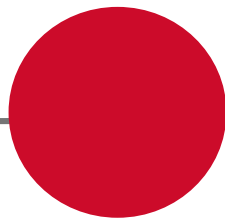
NEXT STEPS

Next Steps



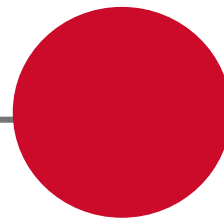
Mid- April

Recommendations presented to CSU and Union leadership for input.



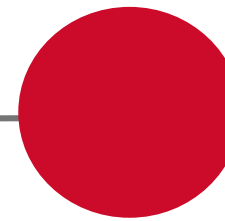
Mid-April

Gather input and feedback from legislative and executive branch.



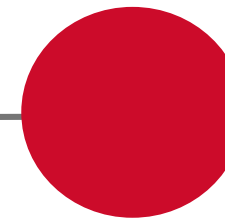
Late April

Recommendations presented to the state legislature.



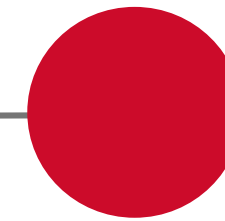
May 10

Approval received from the state legislature.



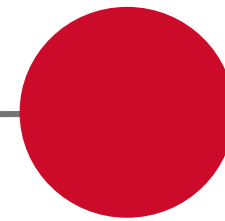
June

Develop implementation plan, including refinement of job framework, classifications, and associated market data.



Q3/Q4 2022

Implementation begins, dependent upon funding and collective bargaining.



Ongoing

Review of system and structures occurs annually with a comprehensive review every 5 years.

