

# Operating Principles and Guidelines for the Compensation Program (CWA, Local 4818)

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## About This Policy

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**Responsible University Administrator:**

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## Scope

This policy applies to all Non-Exempt staff at IU Bloomington represented by CWA, Local 4818.

## Policy Statement

The university will administer a compensation program that balances the university's mission, its human resource philosophy, and the needs and objectives of its employees.

### 1. Compensation philosophy

- a. A statement of compensation philosophy and objectives will be established to guide the development and administration of all university compensation programs. All wage increases to bargaining unit employees not otherwise provided for in the policies contained in this manual--including any additional compensation for which there is a tax liability--will be negotiated with the union as provided for in the [Conditions for Cooperation](#).
- b. The university's compensation program will provide:
  - i. A comprehensive program that is consistent, equitable, flexible, understandable, and administratively feasible.
  - ii. Pay levels that are comparable to and competitive with those in the respective employment markets.
  - iii. Position classification and job evaluation programs that appropriately reflect and distinguish between different kinds and levels of work, and that result in the determination of the relative internal value of positions.
  - iv. Compliance with all applicable federal and state laws and regulations, including, but not limited to, the [Fair Labor Standards Act](#), [Title VII of the Civil Rights Act](#), the [Equal Pay Act](#), and the [Americans with Disabilities Act](#).
  - v. Salary policies and practices without regard to age, color, disability, ethnicity, gender, marital status, national origin, race, religion, sexual orientation, or veteran status.
  - vi. Integration with other University Human Resource Services programs, such as position management and analyses, performance management, employment and selection, training and development, grievance resolution, and benefits administration.
  - vii. A consistent framework for addressing salary administration issues that allows flexibility in the definition of work assignments.

### 2. Salary structures

- a. The university's objectives for its compensation program--in particular, internal equity and external competitiveness--can best be met if guidelines are established for the administration of salary levels.

- b. Salary structures consisting of a series of salary ranges, each with a salary range minimum and maximum, will be established and maintained for all jobs.
    - i. A *salary structure* is the series of grade levels and related salary ranges established for all jobs within an organization.
    - ii. A salary range *minimum* is the lowest salary that an employee in a job assigned to that grade should be paid.
    - iii. A *midpoint* is the salary midway between the minimum and maximum of the salary range.
    - iv. A range *maximum* is the highest salary that an employee in a job assigned to that grade should be paid.
3. Competitive salary data
    - a. The university is committed to providing pay levels that are comparable to those in the respective employment markets.
    - b. Salary structures are established to be reflective of the appropriate employment market for each job group. To support this, competitive salary data will be regularly collected and analyzed.
    - c. Survey data on benchmark jobs will be gathered on a regular basis by Indiana University Human Resources. This benchmark data will be updated to a common effective date, and analyzed. An estimate of market value is then developed in accordance with established methodology.
      - i. *Benchmark jobs* are those which can be closely matched to job descriptions in published salary surveys, and for which sufficient salary information is available from the surveys to create an accurate picture of the market for the job.
      - ii. Jobs will be confirmed as benchmarks and their matches to survey jobs validated as comparable on a regular basis by Indiana University Human Resources.
      - iii. Job specifications for benchmark jobs will be reviewed regularly by Indiana University Human Resources.
  4. Collection of data
    - a. Standard principles for collecting competitive salary data include:
      - i. The use of reliable published salary surveys
      - ii. Ensuring a reasonable sample size
      - iii. Matching benchmark jobs to survey jobs based on content, not job title
      - iv. Comparisons to the relevant employment market-where employees are recruited from or where they may go to-which may vary by job
      - v. Using mean weighted average salaries (weighted by number of incumbents), typically and where available, as the primary reference point
      - vi. Participating in those surveys that will be used to extract data
      - vii. Where necessary, excluding university data from the reported survey data
      - viii. Conducting independent third-party surveys when necessary
      - ix. Adjusting all survey data to a common effective date based on general trends noted for average competitive market movement
  5. Job evaluation
    - a. The university will recognize the relative internal value of jobs. This ranking will be used as the foundation to aid in the administration of a fair and equitable salary plan for all employees.
    - b. A formal methodology for determining the relative internal value of jobs will be developed and consistently applied to all jobs.
    - c. The established job evaluation methodology will be the primary determinant of the internal ranking of jobs.
      - i. A *job or role* is a collection of positions that have similar major duties and responsibilities.

- ii. A *position*, in comparison, is a specific set of duties and responsibilities assigned to and performed by an individual. For example, a *secretary* may be a job, and the *purchasing department secretary* may be a position.
  - iii. *Job evaluation* is the methodology used to consistently analyze jobs and determine the relative internal ranking of all jobs on the basis of value and contribution to the organization.
  - d. All jobs will be assigned to an appropriate level based upon the consistent application of the job evaluation process.
  - e. Indiana University Human Resources is responsible for conducting job evaluation and communicating the resulting grade level.
6. FLSA exemption status
- a. The university will comply with all laws and regulations regarding the [Fair Labor Standards Act \(FLSA\)](#). This includes reviewing all jobs throughout the university and consistently categorizing them with regard to their status under the Fair Labor Standards Act.
    - i. *Exempt* means that the employee is exempt from the overtime provisions of the Fair Labor Standards Act.
    - ii. *Nonexempt* means that the employee is not exempt from the FLSA, and must be paid in accordance with the overtime provisions of the Act.
  - b. Indiana University Human Resources reviews each job and completes the following tasks:
    - i. Determines which exemption test (or combination of exemption tests) to use for a given job
      - a. Specific tests are provided by the FLSA to aid in the determination of the exemption status of jobs. The tests include administrative, executive, professional, and outside sales.
    - ii. Determines, based on the provisions of the FLSA, whether the job is to be considered exempt or nonexempt
    - iii. Ensures consistent application of the FLSA
    - iv. Notifies each department manager as to the official exemption status of all jobs in their department

## Procedure

- 1. Guidelines for salary structure adjustments
  - a. Annually, Indiana University Human Resources will monitor competitive salary movement and determine the need for a salary structure adjustment factor.
    - i. Salary structures are normally made effective coinciding with the start of the new fiscal year and are subject to periodic review for adjustment.
  - b. Indiana University Human Resources will be responsible for the periodic analysis of market movement. Consideration for salary structure adjustments will be based on (1) an analysis of the competitive market for validated benchmark jobs and data depicting general salary trends, and (2) the university's financial situation.
  - c. Managers may notify Indiana University Human Resources if they have reason to believe there has been significant movement in the market for jobs within their department.
  - d. The new structures will be published and distributed by Indiana University Human Resources. See also the [Compensation page](#) of the Indiana University Human Resources Web site.
  - e. Salary structures will be designed to meet the needs of the university and the employee group assigned to the structures. Specific salary schedules are developed primarily to reflect significant differences in competitive salary levels for certain employee groups or locations. Salary structures will have:
    - i. As few salary grades and ranges as necessary to distinguish between significant differences in the level of job duties and responsibilities

- ii. A sufficient salary range from minimum to maximum to facilitate flexibility in job design and salary administration
- iii. A *midrange or midpoint area*, which are terms used to describe an area around the midpoint, such as plus or minus 10 percent. The midrange is the target area for salaries of fully competent and satisfactory performers whose position is assigned to that salary range. This target area is meant to reflect average competitive salary levels. Movement of salaries to this range is the focus of salary increase guidelines in order to maintain a balance between internal equity and external competitiveness.

0	50	100	
Range Minimum	Midpoint	Range Maximum	
First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Lower portion	Middle portion		Upper Portion

## 2. Guidelines for using the salary structure

- a. *The lower portion of the range*-The first quartile is where new or developing employees and/or employees whose performance does not yet meet acceptable levels are paid.
  - i. The first quartile is a section measured from the minimum of a range to a point halfway to the midpoint.
- b. *The middle portion of the range*-The second and third quartiles are typically reserved for experienced, fully competent employees. This area reflects competitive salary levels for the position.
  - i. The second quartile is measured from that point halfway between the minimum and midpoint to the midpoint.
  - ii. The third quartile is measured from the midpoint to a point halfway to the maximum.
- c. *The upper portion of the range*-The fourth quartile is reserved solely for employees with extensive experience who consistently demonstrate the highest level of performance and contribute significantly to the university. This area typically provides salary levels that are above market average for the position.
  - i. The fourth quartile is measured from a point halfway between the midpoint and maximum to the range maximum.
- d. Salaries above or below the assigned range should be avoided. See *the policy, [Salary Decisions for Individual Employees](#)*.

## 3. Exceptions to the salary structure

- a. At times, a temporary imbalance in the supply and demand for qualified employees for a particular job will result in competitive salary levels that are significantly above the assigned salary range (over 20 percent).
  - i. There is a documented need for a salary premium when:
    - a. A detailed review of the market rate indicates a negative differential; and
    - b. Recruiting and/or retention problems have been identified and documented.
  - ii. When this situation has been clearly documented:
    - a. The grade level assignment will be maintained.
    - b. A temporary salary range may be identified for use as a salary guideline.
    - c. Indiana University Human Resources will review the job annually to determine whether this special adjustment should be continued.
  - iii. It is the university's goal to return the job to the salary range of the salary grade level assigned through the job evaluation process as soon as possible.

## Definitions

**Equity.** Freedom from bias or favoritism; dealing fairly with all concerned.

**Fiscal year.** An accounting period of 12 months; IU's fiscal year is July 1 - June 30.

**Grade level.** The alphabetical level assigned to a group of jobs.

**Quartile.** Any one of four equal divisions.

**Salary range.** The range of salaries, from lowest to highest, that is assigned to each grade level.

## Sanctions

Managers, supervisors, and employees who violate this policy are subject to disciplinary action, up to and including separation.

## History

### February 2021

Updated the staff employee group terms due to Job Framework Redesign Project.