

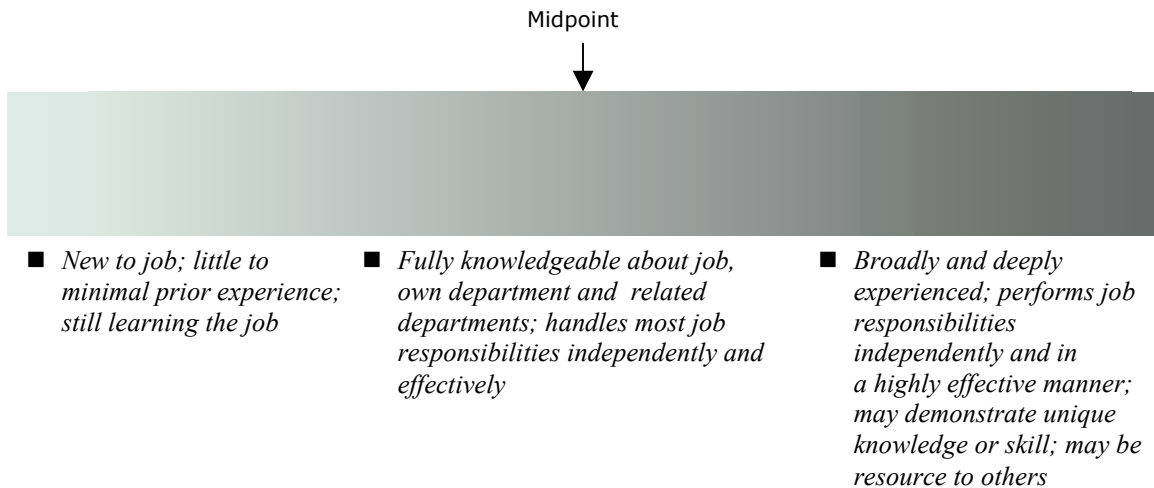
EVALUATING PAY FOR SUPPORT STAFF

When reviewing employee pay, the term “equity” refers to the appropriateness of pay for individuals when compared to others in similar jobs under similar circumstances.

1. *Understanding what a salary range represents*

A salary range is designed to accommodate a wide range of skills, experiences and performance levels, as illustrated below. In order to determine whether employees are paid equitably, a manager must first review where employees are paid within their current salary range.

For more information on salary ranges, see the Human Resources Guidelines titled “Developing Salary Ranges” and “Using Salary Ranges for Support Staff” and review the illustration below.



2. *Comparing the current pay of employees in similar jobs*

In order to compare pay for employees in similar jobs, a manager must also analyze job-related characteristics for each employee, including:

- Job Content (to ensure that employees are, in fact, doing similar work)
- Years of Experience (at MIT or externally)
- Education
- Job-Related Knowledge
- Skills (required and “premium”)
- Technical Expertise
- Performance

For more information on “Experience” and “Education,” refer to the Human Resources Guidelines titled “Using Salary Ranges for Support Staff.”

3. *Reviewing market data*

Once it has been established that there may be a possible pay inequity, the Compensation office will review market data (e.g.; salary surveys and recent new hire salaries) to determine whether there are any market forces that have helped to create an inequity.

4. Developing recommendations for adjustments, where necessary

The Compensation office, in conjunction with the appropriate Human Resources Officer (HRO) and the Department Manager or Administrative Officer begins the analysis, identifying all employees who may be involved in a pay evaluation.

The Compensation office gathers initial information and meets with the HRO to review employee salaries, consider such components as those identified in #2 above, and determine whether equity adjustments may be necessary. These findings will then be discussed with Department Managers or Administrative Officers, and the need for adjustments to select individual or groups of individuals will be confirmed.

When an entire group of employees in the same or similar jobs is reviewed, it may be determined that some individuals need adjusting in relation to either their peers or the market. At that point, adjustments may be given and may be paid for (either in part or totally) by either the department or Human Resources, depending on the circumstances and funding availability.

5. A Review of the Process

STEP 1 – IDENTIFYING POTENTIAL PAY ISSUES

Equity problems and market problems are often viewed as separate and distinct issues. In reality, however, most equity problems also involve a market component. Internal equity problems can prevent departments from offering competitive pay levels and can contribute to employees leaving MIT for higher pay.

Potential equity problems come to the Compensation office's attention in a number of ways, including:

- HROs on behalf of a department
- department management directly
- the Compensation office's periodic market analyses, which may highlight *potential* pay inequities
 - ~ Note that the Compensation office can sometimes identify an equity problem independently. However, the next step always requires input from the department regarding skills, experience and performance of individual employees.

Departments can assist in avoiding equity problems by contacting the Compensation office or their HRO as soon as they begin to notice any of the following symptoms:

- difficulty hiring people with the needed skills and experience
- higher-than-expected turnover
- employees leaving for higher pay (as compared to changing careers or jobs, relocating, etc.)
- candidates turning down offers due to low salaries

STEP 2 – UNDERSTANDING THE SITUATION

When presented with potential equity problems, the Compensation office collects as much relevant data as possible and investigates all possible causes before deciding what the problem really is and before developing a solution. This ensures that the analysis and solution are appropriate and based on a full examination of the situation.

Evaluating whether an equity problem exists, as well as developing an appropriate solution, requires a clear understanding of many factors, including:

- the symptoms the department is experiencing
- any changes to the organizational structure, job responsibilities, reporting relationships, skills requirements, etc.
- the jobs that are causing the concern, plus other jobs that are in the same family or jobs above and below the grade/level of the job(s) in question that have similar skills and responsibilities
- data on the employees in each of these jobs (name, job title, date of hire, total years of experience, performance, etc.)

This step typically involves collecting data and one to two meetings with the department, the HRO and others.

STEP 3 – ANALYZING THE INFORMATION

This step involves reviewing and analyzing all the information that was learned in Step 2, plus collecting additional information such as market data and data on employees in similar jobs across the Institute. The Compensation office:

- collects market data to determine competitive pay for individuals who are considered to be experienced
- determines which incumbents meet this criteria and how their pay compares to the market
- reviews incumbents with different levels of skill and experience and determines where they should be paid, relative to the market and each other
- investigates whether similar jobs exist in other areas of the Institute and collects pertinent information on how these jobs are paid

STEP 4 – DEVELOPING INITIAL RECOMMENDATIONS

Once Steps 2 and 3 have been accomplished, the Compensation office develops recommendations. Potential solutions will vary depending on each situation, but generally will include specific recommendations for pay adjustments, by employee, and recommendations for hiring rates. At times, the recommendation may be to do nothing immediately, but to monitor the situation.

STEP 5 – REVIEWING AND FINALIZING RECOMMENDATIONS

The Compensation office then meets with the department to share their initial recommendations and discuss whether they are feasible. This may take one meeting, or it could require additional meetings to finalize the solution.

During the process of finalizing the recommendations, the Compensation office will also discuss how to communicate the review process and resulting adjustments to employees. In order to manage expectations, it is generally advisable not to inform employees of a potential or current equity/market review while it is still in the discussion stage. This is particularly important since market and /or equity reviews involve so many factors (e.g. market rates, internal parity, employee skills, experience and performance, as well as departmental budget constraints) and merely undertaking a review does not necessarily mean that adjustments will be made, nor does it mean that all employees will receive adjustments. A better approach would be to conduct the review confidentially and inform affected employees only after decisions have been finalized.

It is also important to recognize that market and/or equity adjustments can send unintended messages. For example, someone whose performance is not satisfactory but who gets a market or equity adjustment anyway could assume that performance does not need to change. In this case, it may be advisable to hold back the adjustment until performance has been brought up to an acceptable level.