

Introducing Market Pricing and Broad Bands

A New Compensation System for Boston College
Administrative and Support Staff

Presentation to Staff

Fall 2008



Why A New System?

- The need for an updated salary structure is in response to:
 - BC's position among top-tier nationally ranked institutions
 - Dynamic forces of supply and demand in the external labor market
 - Increasingly dynamic organization and workplace
 - Desire for a single system for both exempt and nonexempt positions

Why A Market Pricing Broad Band System?

- Place greater emphasis on competitiveness with the external market and align our pay practices more precisely with the market at the individual position level
- Provide a simplified and flatter structure that will more readily accommodate frequent organizational and job/role change and ongoing employee skill growth
- Support teamwork by reducing hierarchical distinctions
- Encourage career mobility by removing structural impediments

Transitioning to a New System

- This change is not really an event as much as the end of an evolution
- We began making this change back in the early 1990's when we started to “market price” jobs to ensure BC's ability to attract and retain employees
- In 1999, a new system was designed utilizing formal “market reference points” (MRPs) and bands that replaced the old salary grades
- The system was piloted in Information Technology and Student Services and the market pricing of jobs in other areas continued
- The system was modified slightly in 2007, and in 2008 the balance of positions were market priced and assigned to bands
- We are now announcing the formalization of this evolving process

What will be changing?

- Grade levels are eliminated
- Jobs are assigned to bands
- Banded jobs have MRPs
- A new way of thinking about career paths and advancement

What will remain the same?

- Title
- Reporting relationship
- Current salary
- Salary growth opportunities
- Pay policy against the market (the mean of market pay for BC's defined competition)
- FLSA status (exempt/nonexempt)
- Salary increase budget

Market Pricing: What is BC's Pay Policy and Who are Our Competitors?

- BC's pay policy is to pay at the mean of our competition
- Peer groups are defined by organizational size, profile and geographic location and include:
 - National, top tier doctoral granting universities
 - Ten largest local Boston area colleges & universities
 - National, cross-industry and predominantly for-profit companies
 - Greater Boston & eastern MA-based and predominantly for-profit companies

What Is “Market Pricing”?

- Benchmark pay practices of other organizations for comparable positions using salary surveys
- From survey results, identify the mean (average) salary paid for each position
- Assign a “Market Reference Point” (MRP) to each position that reflects the mean salary in the external labor market (MRPs replace old salary range midpoints)
- Establish MRP ranges with a minimum and maximum around each MRP (MRP ranges replace old salary ranges)
- If a position is unique to BC, the MRP will be based on comparisons to similar internal benchmarked positions
- While not 100% of BC jobs can be market priced directly using surveys, our coverage is excellent

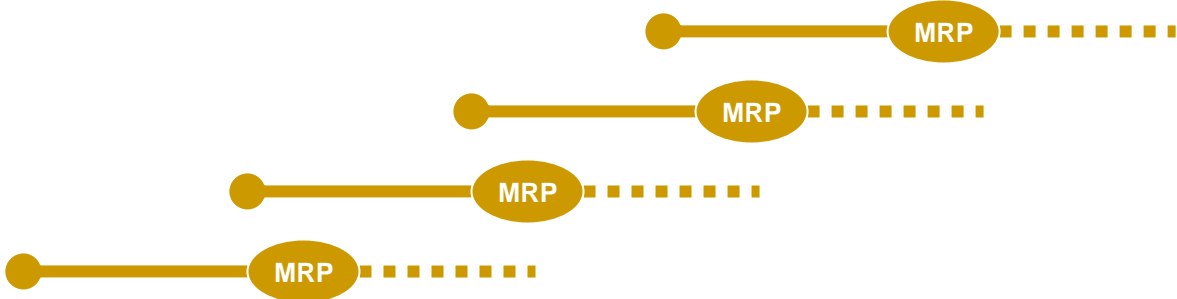
How Are Jobs Affected by Market Pricing?

- Some nonexempt positions required unique MRPs, but most retained MRPs equivalent to the old salary range midpoints since these have remained competitive with the market
- Some exempt positions retained MRPs equivalent to the old salary range midpoints, but many required unique MRPs to achieve competitiveness with the market

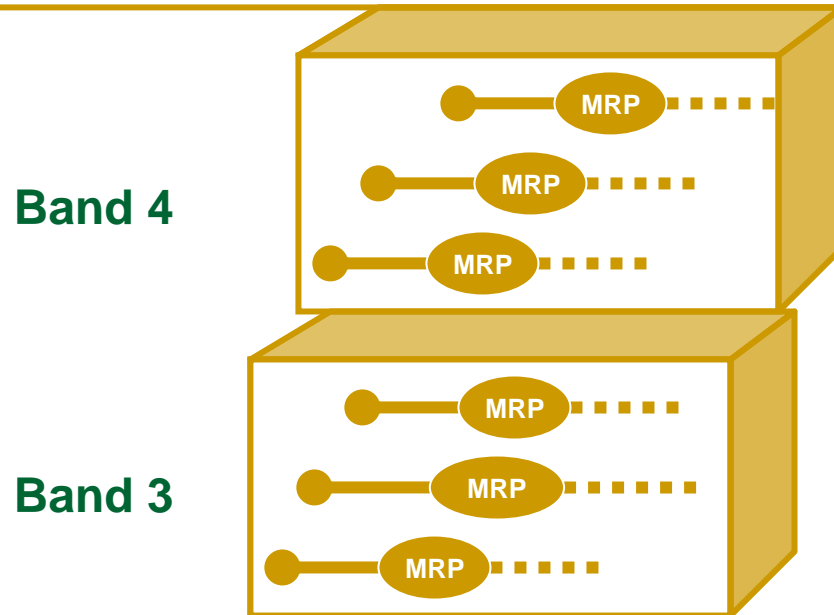
How are Employee Salaries Affected by Market Pricing?

- Factors that determine an employee's pay position relative to an MRP are the same as those used to determine pay against the midpoints of our old salary ranges:
 - Performance - including work results and demonstration of University competencies (may reflect training and certification)
 - Years of relevant experience - at BC as well as prior to BC
 - Internal equity - peers in comparable positions with comparable MRPs
- An employee's salary within the MRP range may be below, at or above the MRP depending on the above factors

What Does the Market Pricing Broad Band Structure Look Like?

Band	Positions by Band
Fourth	 <p>Middle and senior management positions AND highest level exempt “expert” individual contributor specialist positions</p>
Third	First levels of management positions AND senior exempt individual contributor positions
Second	Exempt supervisory and individual contributor positions AND nonexempt supervisory & individual contributor specialist positions
First	Nonexempt individual contributor administrative support positions

Market Reference Points and Bands



- Third and Fourth bands illustrate market reference ranges derived from individual MRPs
- Boston College will continue to adhere to hard minimums but will not restrict pay to maximums

What Role Do the Bands Play?

- The Bands convey:
 - Position scope, impact, complexity and level of knowledge, skill and experience required
 - A general sense of the University's organizational hierarchy
- The Bands provide a broad context for considering both traditional and alternative career paths and advancement opportunities
- The bands do not influence MRPs or salary levels

Effect of New System on Compensation and Career Progression

- Vehicles for pay advancement remain the same
- Career paths exist primarily within bands and may also be across bands
- Career paths are governed by the nature of the work required – they are not dependent on bands
- Career progression can be:
 - To/from unique job roles
 - Within an established developmental job family hierarchy
 - Across job family hierarchies
 - Vertical or horizontal