



STAFF COMPENSATION PROGRAM

Administrative Guidelines

JULY 2007

Middlebury College

Introduction

Middlebury's Staff Compensation Program provides a framework for grouping comparable jobs based on job content and organizational impact. This Program provides a framework for administering salaries to assure competitive pay opportunities are linked to employee performance. In addition, it serves as a roadmap that distinguishes career paths for both individual contributors and managers of people and marks career milestones by career stage. To help managers and staff understand and effectively manage pay, this document includes the following:

Compensation Management Overview

- Middlebury College's Compensation Philosophy and Program Guiding Principles
- Annual Market Review

Managing Pay within Career Bands and Career Levels

- What are Career Bands and Career Levels?
- Determining Salary Ranges for a Career Band and Career Level
- Paying below Career Band and Level Minimums
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- Determining Appropriate Pay for Staff

Annual Merit Process and Salary Increase

- Annual Merit Process
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Typical Career Events and Corresponding Pay Actions

- Job Enrichment
- Job Redefinition
- Career Progression
- Lateral Moves
- Movement to a lower Career Level
- New Hires
- Proration of pay for part-time employees

Compensation Management Overview

Middlebury College's Compensation Philosophy and Program Guiding Principles

Middlebury College is committed to excellence in its education of students in the tradition of liberal arts. Middlebury recognizes the value of staff to support the College's ability to achieve its mission and goals. Accordingly, our total compensation philosophy is to be a market leader in order to reward, attract and retain our staff that is critical to the success of our mission.

In order to be a market leader we will manage our College's Staff Compensation Program to ensure that:

- ① The Program reinforces that staff are valuable contributors to the mission of Middlebury College;
- ② The Program rewards, attracts and retains high quality staff;
- ③ Market comparisons continue to be positioned at the market 80th percentile;
- ④ We effectively reward strong staff performance through our annual merit process;
- ⑤ The Program emphasizes pay for performance and internal equity; and
- ⑥ The Program is clear and understandable to our staff.

The College's Staff Compensation Program will be under continual observation by staff, managers and the administration to ensure the Program meets the changing priorities and challenges of our Institution. The Wage and Salary Committee will conduct periodic, formal reviews and future enhancements/refinements should be anticipated to ensure that the Program meets the needs of the community.

Annual Market Review

In order to assess Middlebury's competitive positioning with the market, HR conducts an annual compensation review of base salary levels. This market study helps to determine salary ranges for our Career Bands and Career Levels. Middlebury's goal will be to find market matches for 50% of employee jobs on campus. This is a strong sample size for ensuring market competitiveness and developing and maintaining our salary ranges.

Market levels are based on the defined labor market for the position:

- The national market place of higher education institutions and peers is typically used for senior management jobs and those jobs exclusive to higher education; and
- Regional and local data is reviewed for jobs in which we recruit talent from a wide range of employers (i.e., both within and outside of higher education), this includes support and entry-level professional jobs.

Market data is available through HR to assist in determining new hire salaries and career progression increases.

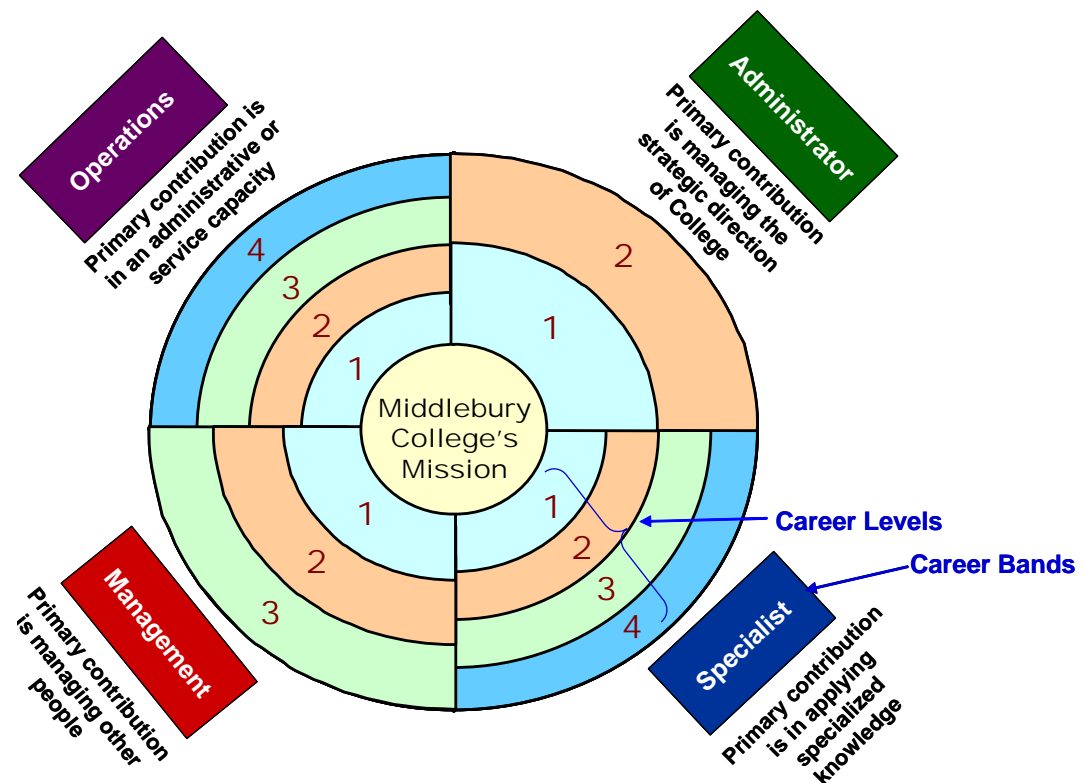
Managing Pay within Career Bands and Career Levels

What are Career Bands and Career Levels?

Career Bands are a way of grouping similar Middlebury jobs based on the type/nature of work performed on campus. Middlebury has four Career Bands:

- 1) Operations - Primary contribution is in an administrative or service capacity;
- 2) Specialist - Primary contribution is in applying specialized knowledge;
- 3) Management - Primary contribution is managing other people; and
- 4) Administrator - Primary contribution is managing the strategic direction of the College.

Within each Career Band, there are a series of **Career Levels** (as highlighted below) that distinguish major steps in an employee's career or differences between positions within Bands. Each of these Levels is defined through a series of "dimensions": scope of responsibility, problem complexity, autonomy, influencing/people leadership, organizational knowledge, and minimum background/experience. These dimensions are also used to place an incumbent's job into the appropriate Level. In addition, it serves as a roadmap that distinguishes career paths for both individual contributors and managers of people and marks career milestones by career stage.



Please access Middlebury's website at www.middlebury.edu/hr to review the detail behind each Career Band, Level and Dimension.

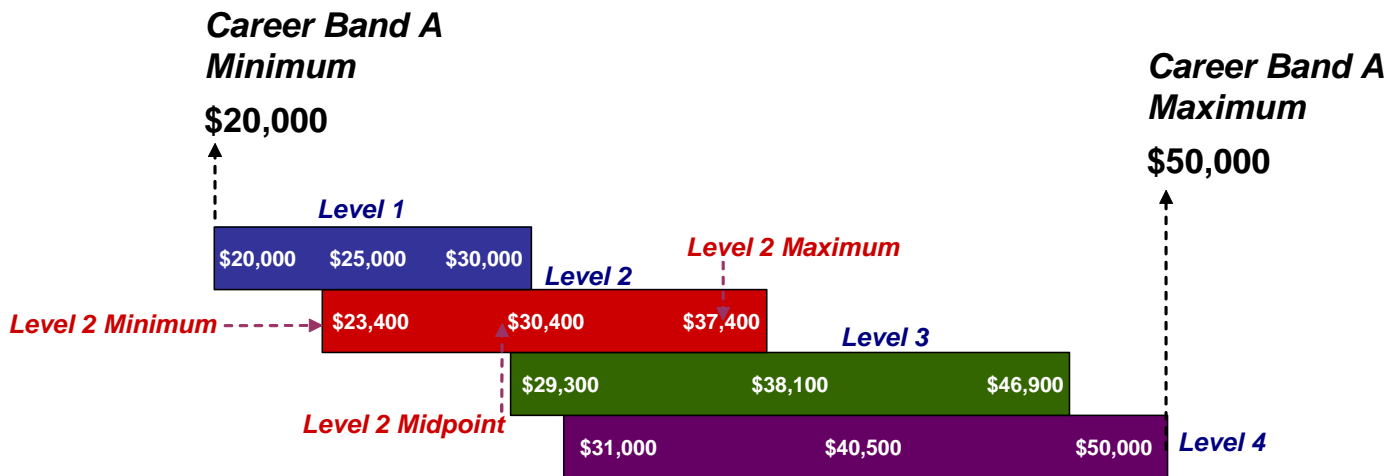
Managing Pay within Career Bands and Career Levels

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Determining Salary Ranges for a Career Band and Career Level

As indicated by the illustration below, each Career Band and Career Level has a salary range **minimum**, **midpoint**, and **maximum**. These salary ranges were developed based on the College's placement of jobs within a Band and Level and the annual market compensation levels for those jobs. The salary ranges are typically broad to accommodate the varying jobs within each Band. Please reference the Human Resources website at www.middlebury.edu/hr for the Career Band and Career Level Salary Ranges.

Career Band A - Illustration



Paying Below Career Band & Level Minimums

No employee should typically be paid below the minimum salary for the Career Band or Level for his/her job.

It is possible that an employee or a candidate is sufficiently inexperienced or unskilled (or may not be performing adequately) to warrant a lower salary. In this case, all efforts should be made to quickly bring the incumbent's performance and skills up to the standards of the job; pay should then be adjusted accordingly. If performance and skills cannot be sufficiently enhanced over a short period of time, the manager, in conjunction with HR, should determine whether the employee is in the appropriate job.

Paying Above the Career Band & Level Maximums

The Career Band Maximum is typically the highest salary that a staff member who consistently performs at a high level can attain in a particular Band. It is not, however, Middlebury College's policy to "cap" or "freeze" salary increases even though an individual reaches the top of a salary range (whether in a Band or Level). Accordingly, there may be incidences where a staff member is paid at an annual salary that exceeds the maximum of the Career Band. These situations, however, will typically be rare, since the maximum of a given Career Band represents the top of the market for the highest

Managing Pay within Career Bands and Career Levels

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Career Level in a Band. A staff member may continue to be eligible for merit increases if his/her salary is above the Band or Level maximum. HR will continue to assess its Band and Level ranges to ensure they are updated accordingly with the market.

Most salaries will be managed within the job's Career Level Salary Range. However, employees who consistently perform their job in an exceptional manner, or who possess and demonstrate exceptional skills and competencies may be appropriately paid above the Level maximum. These situations will also be reviewed by HR to ensure that pay levels correspond appropriately to the employee's job, based on market and internal equity and performance contribution to Middlebury.

Determining Appropriate Pay for Staff

The Human Resources Department is responsible for managing and overseeing pay decisions, in consultation with Department Heads, Managers/Supervisors, based on available market data and internal equity. This responsibility includes ensuring starting base salaries and progressional increases are appropriately positioned.

Department Heads, Managers/Supervisors are encouraged to consult with HR for guidance on pay decisions. In cases where specific market data is unavailable, HR will be prepared to assist Managers/Supervisors in evaluating the circumstances and developing an appropriate pay recommendation. Please see *Typical Career Events and Corresponding Pay Actions* for additional information.

Annual Merit Process and Salary Increase

Annual Merit Process

The performance of every Middlebury employee is reviewed on an annual basis.

Each year, as a part of the annual budget process, the Board of Trustees determines the staff salary increase pool. They draw upon statistical information from the previous year and future salary increase projections within higher education, as well as the Consumer Price Index (CPI), to determine the increase amount.

As a part of the Performance Feedback Development Process (PFDP) managers are asked to assess an overall performance level, based on a 1-5 point scale, for all staff members. This allows managers to focus exclusively on assessing the performance of his/her employees. Once all the performance data is collected, the salary increase percentages are determined by Human Resources for each performance level based on the distribution of performance levels and the available increase pool.

Middlebury will continue to maintain the competitiveness of its Staff Compensation Program by conducting the market review, annually, and making Market Adjustments to reflect market pay levels, as appropriate.

Proration for New Hire Salary Increases

Salary increases for employees hired by December 31st of a given fiscal year are to be determined in the same way as for other employees. However, staff members hired between the months of January and March will receive half (i.e., 50%) of the salary increase associated with their performance level. Employees who start between April and June *are not* eligible for salary increases until the following year. Managers/ Supervisors and HR should ensure this is communicated to the employee at the time of hire.

Market Adjustments

As mentioned previously, every year, HR assesses the College's base salary levels relative to the defined market. Based on these findings, HR may suggest market adjustments for select jobs and/or incumbents to better align these salaries to the market. This is most common when labor market pressures force pay rates higher, resulting in new hires entering Middlebury at pay levels that aren't necessarily equitable with those of current incumbents, when comparing skills and competencies. These adjustments are typically based on the positioning of the salaries relative to the market and the College's budget. These recommendations, put forth by HR, are reviewed with Department Heads and approved as a part of the annual fiscal year staff salary increase process.

Typical Career Events and Corresponding Pay Actions

This Section outlines guidelines for making pay decisions for typical job or career events at Middlebury. The decisions about salary are guided by the principles of Managing Pay within Career Bands and Levels as described on pages 3 through 5 of this Handbook. Rather than assigning a specific increase amount to each action, the decision should be based on the incumbent's knowledge, skills and contribution to the College and how his/her current pay is positioned within the Career Band and Level Salary Range. The guidelines in this section describe in more detail how decisions will be made for the following actions:

- Job Enrichment
- Job Redefinition
- Career Progression
- Lateral Moves
- Movement to a lower Career Level
- Setting New Hire Salaries
- Proration of pay for part-time employees

Pay recommendations will include an Equity Check conducted by Human Resources.

✓ Equity Check

Consider:

- ... Pay of similar/related jobs within Middlebury
- ... Pay of supervisor
- ... Pay of direct reports
- ... Pay of jobs in career paths both to and from the job
- ... Position of salary within the Career Level Salary Range consistent with the incumbent's skills, competencies and performance.

There is a single common theme for making salary decisions for typical career events within Middlebury's Staff Compensation platform: pay the employee appropriately for the skills, competencies and performance demonstrated relative to the expectations/standards for the job. Unlike traditional systems, there is no flat percentage increase for these events. In this way, past salary decisions are not perpetuated and internal equity is more likely to be ensured.

Job Enrichment

Jobs can change in a variety of ways. Most staff members' jobs change in the form of job enrichment. Job enrichment is typically when employees 'take on' additional tasks or work, without increasing the level of responsibility within the job. Employees are expected to increase the amount of work performed as they become more proficient in the job; accordingly, job enrichment is typically a part of all employee jobs. Job enrichment does not warrant a change in Career Band, Level or salary. Jobs which 'grow/expand' through a significant increase in responsibility and skill level (i.e., job enlargement), however, may require a change in Career Band or Level, and a subsequent salary increase. These situations are defined as 'job redefinitions' and the process for assessing whether a job should be redefined is outlined below.

Typical Career Events and Corresponding Pay Actions

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Job Redefinition

The Staff Compensation Program was developed to focus on the broad roles and responsibilities of employee jobs, not tasks and specific activities. Accordingly, the reassignment/movement of a job to a different Career Band or Level would result from a *significant change in current job responsibilities and require a significant increase in skill level*. A change to a job's Band or Level would need to have:

- Responsibilities which add a major component to the current job requirements; and/or
- New responsibilities which are very different from current responsibilities.

The restructuring of a department, that requires significant modifications to a current job, would be an example in which a job redefinition would be required. If there is a situation in which a job redefinition may be necessary:

- 1) Manager/Supervisors will discuss the issue with his/her HR Generalist and the respective Department Heads, highlighting the changes in the role and subsequent impact on the job placement within the Career Banding Program.
- 2) Once Department Heads/Managers agree that a job redefinition is required, Managers/Supervisors will complete and submit the following to Human Resources:
 - a) A new Job Placement Worksheet (please ensure that you highlight the job duties/responsibilities and job content factors that have changed in the Additional Section (see website at www.middlebury.edu/hr for forms));
 - b) An updated Job Description; and
 - c) A brief cover letter summarizing:
 - ✓ A recommendation for a career progression increase (i.e., if movement to a higher Career Band or Level or job with a higher market rate), if warranted.

Human Resources will review the Job Placement Worksheet, Job Description and increase recommendation and either approve or suggest modifications to the Career Band or Level placement and/or salary increases. Human Resources will discuss any changes with Department Heads prior to final approval.

Typical Career Events and Corresponding Pay Actions

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Career Progression

A promotion (defined as Career Progression) under Middlebury's Staff Compensation Program occurs when an employee moves to a job with greater responsibilities in a higher Career Level (within their current Band) or a different Career Band (either within or outside of their current job family). Changes to individual capabilities and activities (e.g., learning a new skill, increasing number of staff supervised) do not constitute career progression (although they may help develop an employee's skills and competencies to enhance their career) (see "Job Enrichment").

The salary for employees achieving a career progression should be reviewed in a similar fashion to candidates from outside Middlebury. Essentially, the intent is to determine the employee's capabilities to assume the new job responsibilities and pay the employee a starting salary commensurate with those capabilities. Human Resources will consider the following in determining the appropriate salary for the employee, in consultation with Managers:

- 1) How the incumbent's salary compares to the market for the job.
- 2) How does the employee's current salary compare to the salary that would correlate to his/her skills, competencies and performance?
- 3) What would be an appropriate starting salary, based on the employee's skills, competencies and performance, and considering the elements in an Equity Check?
- 4) The new Career Level minimum would typically be the lowest salary the new employee/newly progressed employee would receive.

Lateral Moves

A lateral move refers to movement to another Middlebury job within the same Career Level. This could be within the same or different department or job family. *Most* changes in activities within a role or to an equivalent role (in terms of responsibility) *do not constitute reasons for salary changes*. However, there may be circumstances which warrant salary adjustments based on the staff member's skill, experience, and capabilities. HR should be contacted to discuss whether or not an increase would be warranted in this circumstance. In circumstances in which a salary increase is warranted, Managers should follow the process for career progression increases as outlined above.

Typical Career Events and Corresponding Pay Actions

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Movement to a Lower Career Level

If an employee moves to a job in a lower Career Level within his/her Career Band, or a job of lesser responsibility in a different Career Band, his/her salary opportunity would typically be limited to the opportunity provided by the new Career Level Salary Range.

Movement to a lower Career Level typically occurs for one of three reasons, and each would have a different impact on the employee's salary:

Transfer, initiated by staff member, to pursue new interests, potentially to enhance/broaden his/her development within Middlebury	<i>Current salary may be reduced, because it would be managed to the new job's Career Level Salary Range according to the career progression guidelines.</i>
Transfer/demotion occurs due to poor performance or lack of skills in prior job	<i>Salary would be reduced to level appropriate to the employee's skills, competencies and performance relative to the new job's expectations/standards.</i>
Organizational changes (i.e., re-evaluation, grant funding ends)	<i>Treatment of salary adjustments due to an organizational change would be handled on a case by case basis.</i>

New Hires

The initial compensation decision of setting new hire rates is an extremely important one, since it establishes a baseline salary and articulates the College's views on the value of the new employee's contributions. Determining the appropriate starting salary for a new employee is the same as the decision-making process for career progressions of current Middlebury employees. It is complicated, though, because many aspects of the new employee's performance are unknown. Decisions will have to be made after a careful assessment of available information from interviews, reference checks, educational accomplishments, etc.

- 1) What would be an appropriate salary based on the candidate's expected contributions and considering the elements of an Equity Check?
- 2) Are there significant market influences that should be considered (Highly competitive market in the candidate's field, extreme labor shortages, possession of unusual skills and compatibilities, etc.)?
- 3) The Career Band Salary Range minimum would typically be the lowest salary the new employee should receive.
- 4) The hiring range would typically be between the level minimum and midpoint.

Department Heads/Managers will work with Human Resources to ensure new hire salaries are appropriate based on both internal and external equity, in addition to addressing the questions, as highlighted above.

Please contact Human Resources with any questions.