EXECUTIVE BRIEFING

An Introduction to Staff Compensation Strategy in Higher Education

A Guide for Campus Leaders Without HR Backgrounds or Expertise

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Table of Contents

An Introduction to Staff Compensation Strategy in Higher Education

Who Should Read This Brief:

This brief is designed for campus leaders who are not HR experts but who are interested and/or involved in boosting the competitiveness of staff compensation at their institution (e.g., cabinet members, divisional and department heads, managers). This brief may also serve as a useful refresher and/or onboarding resource for HR professionals.

How to Use This Brief:

Non-HR experts should use this brief to develop a baseline understanding of standard compensation practices and concepts. This will enable them to make better compensation strategy decisions at the institutional- and/or unit-levels, as well as effectively engage in compensation conversations with their teams and/or direct reports. HR professionals can use this brief for stakeholder education, sharing it with internal colleagues and collaborators prior to compensation strategy discussions. The brief is not intended to be comprehensive, nor is it designed to help HR teams implement all of these practices. For further implementation support, please see EAB's *Market-Credible Staff Compensation Toolkit*.

Executive Summary

- **The gap between what colleges and universities pay and what today's employees expect—not to mention what they can receive from other out-of-sector employers—is a growing liability.** In fact, 86% of higher ed staff cite low pay as a top reason to seek employment elsewhere. And unfortunately, high inflation, a rising cost of living, and a tight labor market have only continued to widen the gap between current staff pay and competitive market rates.

- **Increased legislation and pressures around pay transparency mean that campus leaders can no longer ignore or downplay poor pay.** Salary information is more readily available than ever before, and many candidates are choosing employers based on the availability of salary information.

- **Moreover, colleges and universities cannot rely on superior non-monetary benefits to compensate for weak salaries.** Higher education's competitive position on benefits has weakened as other employers have bolstered their own offerings, with some even adding flashy new benefits like student loan repayment assistance that appeal to younger demographics.

- **The talent crisis following COVID-19 spurred a wave of compensation investments that helped "stop the bleed" at most institutions, but these one-time investments are not enough to prevent future talent loss.** While most institutions will never be able to compete on salary alone, campus leaders must turn their attention to developing a long-term strategy to strengthen the market credibility of their staff compensation so they do not immediately lose top talent due to poor pay.

- **Given growing budgetary pressures and financial challenges at colleges and universities, strengthening the market-credibility of staff compensation is no easy task.** Cabinets, divisional and department heads, and managers must make tough decisions about where and how to invest limited resources. To maximize ROI, they must move away from across-the-board salary increases and instead make more targeted adjustments that address specific recruitment, retention, and engagement issues.

- **To that end, we have designed this briefing to get campus leaders up to speed on out-of-sector compensation principles and spark honest dialogue about staff compensation strategy in higher ed, including these issues:**
  - How can we design a compensation strategy that will enable us to live up to our broader pay philosophy?
  - What is the right balance to strike between direct and indirect compensation given heightened employee expectations and market competition?
  - How can we increase the market competitiveness of our staff salaries even amid tight budgets?
  - What compensation tactics can we use to boost staff productivity and engagement while still appropriately managing personnel costs?
  - How can we balance the need for equity with more targeted investments that support staff recruitment, engagement, and retention?
  - What do our staff need to know and understand about our institution's compensation strategy?

- **Institutions that care as much about attracting and retaining staff as they do students must invest in developing a compelling employee value proposition (EVP) that goes beyond just compensation.** Salary is not the only—or even most important—component of an institution's EVP. Colleges and universities must also identify and strengthen other key elements of their distinct value proposition, including the intangible benefits of working at the organization.

Source: EAB interviews and analysis.

Why College and University Leaders Cannot Avoid Difficult Decisions About Compensation

SECTION 1

Underperformance on Pay a Growing Liability

Like many non-profit organizations, colleges and universities have never had a reputation for lucrative compensation. In fact, cabinet members, divisional and department heads, and managers are often quick to acknowledge that compensation at their institution is nowhere near as competitive as at other organizations, especially out of sector.

But in recent years, the gap between what colleges and universities pay and what today's employees expect has only grown. Wages continue to increase nationwide, with high inflation and the rising cost of living only further ratcheting up employee salary needs and expectations. The tight labor market has also meant institutions must compete more directly with out-of-sector employers, many of whom have upped compensation to try to attract and retain top talent.

47%
Of full-time workers with a master's degree learn less than $50,000 in higher ed

4.1%
Increase in total compensation in 2023, which is the largest since 2008

$68K
Post-tax income needed to live comfortably in the U.S., according to SmartAsset[1]

Given current budget constraints and growing financial pressures on colleges and universities, most cabinet members and Chief Human Resource Officers (CHROs) recognize their institution will never be able to offer salaries that directly rival those of their corporate competitors. But as they increasingly go head-to-head with out-of-sector employers, they can no longer afford to ignore or downplay their weak position on staff compensation—especially since 86% of higher ed staff cite low pay as a top reason to seek employment elsewhere.

Instead, colleges and universities must pay their people enough that current staff and prospective applicants won't immediately write them off as a viable employment option simply due to poor compensation. Put another way, they must offer salaries that are *credible* enough in the market that current and prospective staff will at least listen to leaders' broader pitch for why they should work (and stay) at the institution and other ways (beyond pay) they can provide value to employees.

Employee value proposition (EVP) | *noun*

All the ways through which an organization provides value to employees and convinces people to want to work (and stay) there

- More than just a list of benefits and perks
- Helps employees find meaning in their roles
- Draws on intangible benefits and emotional impact of working at an organization
- Enables institutions attract type of talent they want/need based on broader strategy and goals

A compelling EVP is an essential component of the corporate playbook for recruitment, retention, and engagement but is often missing from Talent strategy at colleges and universities. EAB offers a suite of cabinet resources and workshops to help leadership teams understand and develop their own compelling EVP. Contact your EAB Strategic Leader for additional information and scheduling.

1) For a single individual with no children in top 25 largest metro areas.

Source: Bloomberg, Inflation, War for Talent Spark Highest Hikes Since 2007; Bureau of Labor Statistics, Employment Cost Index; Business Insider, Americans think they need a six-figure income to feel financially health in this economy, survey suggests; CNBC, The salary you need to live comfortably in 15 major U.S. cities; CUPA-HR, Higher Educatino Employee Retention Survey; Handshake, Gen Z leads a long overdue shift in salary best practices; SHRM, 2023 Compensation Increases Largest Since 2008 Financial Crisis and High Inflation Means Resetting Pay Strategies; EAB analysis of 2021 American Communities Survey data; EAB interviews and analysis.

Nowhere Left to Hide

In the past, cabinet members, CHROs, and hiring managers could downplay their institution's weak position on compensation in job descriptions and during candidate interviews. But now, the movement around pay transparency has cast a spotlight on salaries, with a growing number of states passing legislation requiring at least some form of salary disclosure. In fact, California has even established pay equity requirements. This has brought newfound attention to pay inequities, which can fuel staff disengagement, turnover, and workplace culture problems.

Legislators are not the only ones pushing for greater pay transparency. Today's workers increasingly expect employers to provide salary information, especially in job descriptions. And with more salary data at candidates' fingertips than ever before via websites like Glassdoor, simply advertising "competitive pay" is no longer enough. In fact, "competitive pay" has become a red flag for some candidates who believe employers use it to conceal low pay.

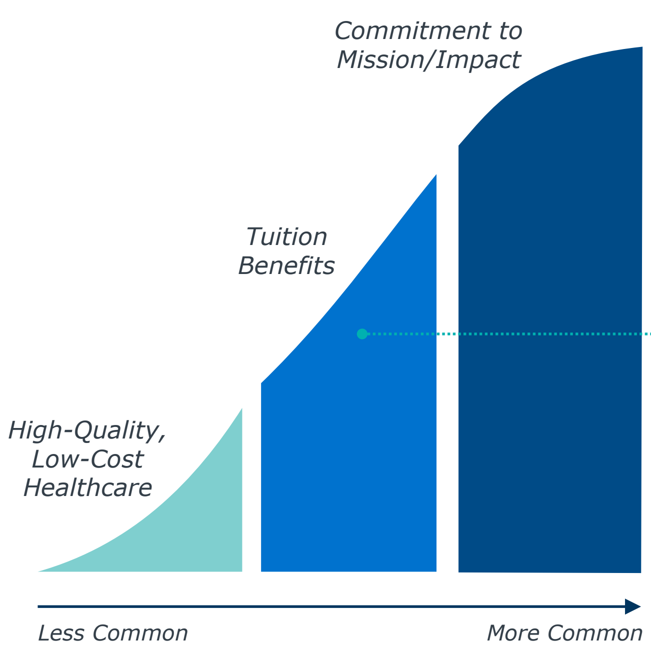
85% Of upcoming and recent college grads are less likely to apply for a job if the salary range is not disclosed[1]

66% Of employees prefer to work at a company that discloses pay info over one that does not

Now that staff and prospective applicants have insight into salaries, colleges and universities are facing growing pressure to counteract concerns about low pay. Institutions historically have relied on superior non-monetary benefits, which helped make up for any gap in what they could offer on salary. But unfortunately, this strategy is less viable today since most institutions' competitive position on benefits has weakened as other employees have bolstered their own non-monetary perks. In fact, institutions are increasingly being "one-upped" by out-of-sector employers offering flashy new benefits like student loan repayment that appeal to younger demographics.

Historic Differentiators No Longer Enough to Stand Out

Out-of-Sector Adoption Curve of Traditional Higher Ed Differentiators



Many Companies Offer Tuition Benefits (Despite Underutilization)

48% Of employers offer tuition benefits in 2022

~5% Of employees take advantage of tuition benefits

Companies Now Turning Attention to Relieving Student Loan Burden

8% Of employers currently offer student loan repayment assistance

16% Of employers plan to offer student loan repayment assistance

Many out-of-sector employers are also doubling down on flexible work options as a non-monetary way to attract and retain talent. Colleges and universities have been slower to embrace flexible work, despite the fact that many of today's workers value flexibility and some would take a pay cut in exchange for the ability to work remotely.

1) n=1,001.

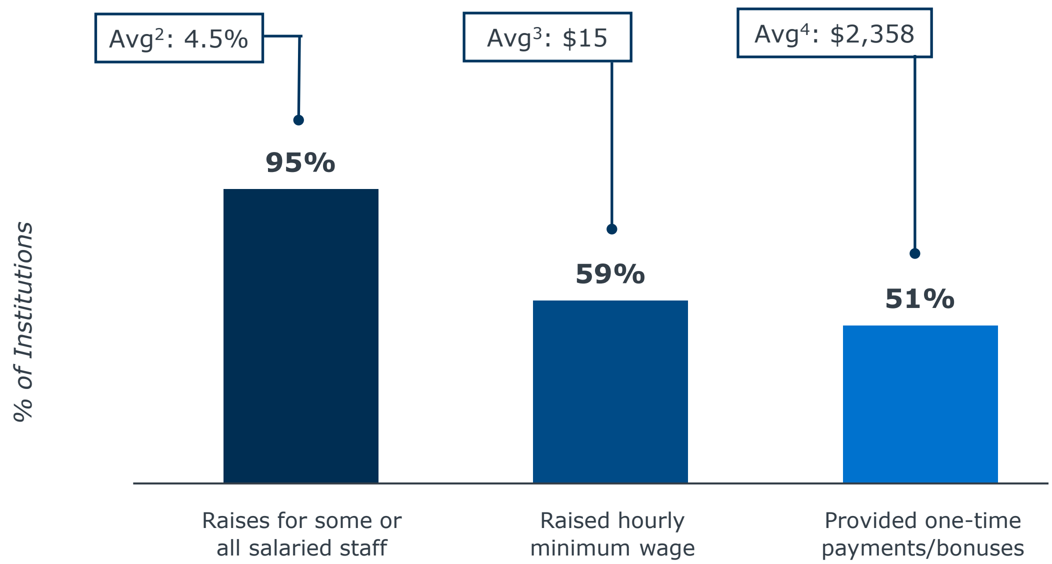
Source: Adobe, Future Workforce Study reveals what Gen Z is looking for in the workplace; Bloomberg, From Illinois to Hawaii, States Race to List Salaries in Job Ads; Glassdoor, Pay transparency isn't "one size fits all"; HuffPost, What it really means when companies say 'pay is competitive' in job listings; LinkedIn, Are 'competitive' salaries losing you candidates?; Visier, New Visier report reveals 79% of employeese want pay transparency; EAB interviews and analysis.

Stopgap Measures Won't Be Enough

Given these growing pressures—and facing unprecedented recruitment and retention challenges in the wake of COVID-19—cabinet leadership teams displayed a new sense of urgency and willingness to invest in compensation increases, even amid tight budgets. In fact, 95% of EAB-surveyed institutions implemented raises averaging 4.5% for some or all staff in 2022. These investments were critical for making an initial dent in market misalignment and "stopping the bleed" amid a significant talent crisis.

Talent Crisis Spurred Wave of New Compensation Investments

What initiatives related to compensation and benefits has your institution tried since July 2021 to improve staff (non-instructional) recruitment and retention?[1]



4x

When asked which initiatives to improve staff recruitment and retention have the highest ROI, EAB-surveyed institutions **ranked financial incentives as four times more effective than any non-financial incentive**.

But these one-time investments will not be enough to prevent institutions from losing out on future talent due to poor compensation. To ensure their college or university can compete for top talent going forward, campus leaders must turn their attention to developing a long-term strategy to strengthen the market credibility of staff salaries.

In the next section, cabinet members, divisional and department heads, and managers will learn foundational compensation principles that are prerequisites for setting and executing on a compensation strategy for their campus.

1) Overall: n=73.
2) n=63.
3) n=40.
4) n=37.

Source: EAB's Talent Questionnaire (2022); EAB interviews and analysis..

How to Boost Competitiveness Using Out-of-Sector Compensation Principles

SECTION 2

What Can Higher Ed Learn From Out of Sector?

Most colleges and universities have narrowly focused on offering attractive non-monetary benefits in an attempt to appeal to today's workers. But other industries have simultaneously doubled down on improving their compensation strategy since pay is such a critical factor in attracting and retaining top talent.

EAB has outlined six foundational compensation principles and practices that are table stakes out of sector but often overlooked, underappreciated, or misunderstood among college and university leaders, especially those who lack prior HR experience or expertise.

Foundational Principles for Staff Compensation

1 Develop a distinct but well-aligned pay philosophy, compensation strategy, and underlying salary structure and management process.

2 Embrace a total rewards approach that strikes a 70/30 balance between direct (e.g., salary) and indirect (e.g., benefits, PTO) compensation.

3 Deploy a targeted rather than one-size-fits-all pay strategy that is updated every 2-3 years based on market data and talent needs.

4 Use a combination of base and variable pay tactics to manage personnel costs and drive stronger employee engagement and performance.

5 Vary staff compensation based on role, level, and experience or performance while simultaneously guarding against inequities (e.g., based on race or gender).

6 Invest in continuous, transparent communications that get at the "why" and "how" behind your institution's compensation strategy.

While colleges and universities face some distinct challenges and constraints in replicating these compensation practices, campus leaders can no longer afford to ignore them. Instead, they must understand how their institution's current approach stacks up against their new competitors and where they must realign their practices with modern compensation standards.

This brief introduces non-HR experts to the fundamentals of compensation strategy and how they currently are or could be applied in the higher education context. Campus leaders should review this brief prior to using other EAB research and advisory services to develop a compensation strategy for their individual campus.

Source: EAB interviews and analysis.

Learning to Speak the Same Language as HR

Compensation is a sensitive topic with big implications for institutional finances and workplace culture as well as for staff themselves. It is therefore highly important that campus leaders get the words right. Yet, too often, campus leaders talk broadly about "compensation" without understanding the component parts and their relationship to one another. This inhibits strategic decision-making and often results in misaligned or poorly sequenced investments.

What Higher Ed Can Learn From Out of Sector

Savvy out-of-sector executives, unit leaders, and managers make an effort to learn core terminology and distinguish between key pillars of compensation so they can effectively partner with HR and prioritize compensation decisions.

What Exactly Does "Compensation" Mean?

A Simplified Conceptual Framework of Key Components of Compensation

What Is Our Compensation Philosophy for Staff?

Formal statement of overarching values and objectives

What Is Our Compensation Strategy?

How Do We Boost Market Competitiveness?	How Do We Reduce Internal Inequities?	How Do We Reward High Performers?
• Analysis of competitive position in the market • Determination of targets, level of compensation needed to compete, and investment priorities	• Assessment of pay relationships between different jobs • Adjustments to ensure consistency across similar positions/skills	• Creation of incentives and structures to reward high performers • Cyclical and/or one-time increases based on pre-set criteria

What Structures and Management Practices Do We Need to Execute?

Underlying architecture and processes (e.g., pay structures, job descriptions and analyses)

At the highest level, an organization's compensation *philosophy* describes its values and overarching objectives related to compensation. As a result, a compensation philosophy is primarily a communications and internal alignment tool that leaders use to help inform compensation decisions. In contrast, an organization's compensation *strategy* encompasses its overall plan for how to pay employees in alignment with its compensation philosophy. A good strategy includes an assessment of the organization's desired level of market competitiveness, internal equity, and compensation types (e.g., base pay, merit pay). That compensation strategy should then, in turn, inform the underlying job architecture and compensation processes at the organization.

Key Takeaway for Campus Leaders

When engaging in strategic conversations about compensation, campus leaders should make sure to differentiate between philosophy, strategy, and structures or management. This will ensure they are "speaking the same language" as HR. It also will enable them to more meaningfully contribute relevant information and sequence compensation decisions and communications appropriately.

Source: EAB interviews and analysis.

Good Pay Is Necessary But Not Sufficient

Today's workers increasingly value (and ultimately expect) "total rewards," including compelling benefits that extend beyond just standard salaries. Unfortunately, higher ed's competitiveness on benefits has eroded as other employers have added new and more attractive offerings. Moreover, many colleges and universities have erred too far towards indirect compensation in their total rewards equation, often taking a "more is more" approach to non-monetary benefits and perks. Campus leaders often continue to invest more resources in indirect forms of compensation without critically assessing whether staff actually value and utilize those benefits—or whether the institution could get more bang for its buck by putting limited resources toward direct compensation.

"Total Rewards" Now Table Stakes for Competing for Top Talent

Common Components of Out-of-Sector Employees' Offerings

Total Rewards | *noun*
The totality of both direct and indirect rewards that an employee receives in exchange for work done

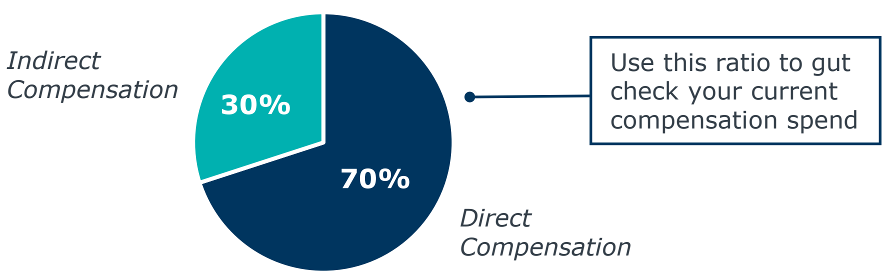
What Higher Ed Can Learn From Out of Sector

The trick to a truly effective total rewards strategy is balancing direct versus indirect forms of compensation. Most out-of-sector organizations therefore determine their compensation strategy in conjunction with their benefits offerings. When the organization makes changes to one, they then reassess and adjust the other.

In fact, the savviest employers use employee data and feedback to inform their balance of direct and indirect compensation. Moreover, their HR team regularly reviews benefits uptake and utilization data to determine which forms of indirect compensation are (or are not) attractive and/or necessary. This allows leaders to maximize their return on investment by aligning their spend on direct versus indirect compensation with employee preferences.

Indirect Compensation Typically Less Than 1/3 of Total Rewards

Typical Spend Breakdown on Direct vs. Indirect Compensation Across Employers in the U.S.

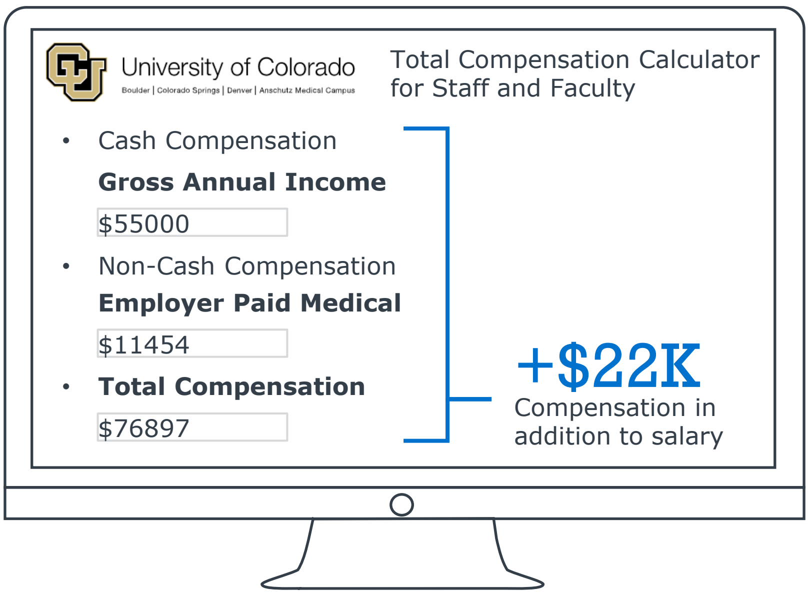


Source: EAB interviews and analysis.

Good Pay Is Necessary But Not Sufficient (Cont.)

It has also become standard practice for employers to provide employees with total compensation statements that spell out the monetary value of all compensation (both direct and indirect) they receive. Some colleges and universities have followed suit, even creating total rewards "calculators" that show current and prospective staff the institution's total investment in their compensation. All colleges and universities should consider adopting this practice to improve staff understanding of and appreciation for their total rewards. However, leaders should be aware that the effectiveness of such "calculators" hinges on the institution striking the right balance between direct and indirect compensation.

Quantifying Total Rewards Helps Employers Get Credit for Investing in Employees



Provide job candidates with a clear list of non-cash compensation that is:

1. **Easy-to-locate** from the job posting and **accessible** in language and design
2. Inclusive of **unique benefits** beyond healthcare
3. Written to show value in commonly **misunderstood or underappreciated benefits**

Key Takeaway for Campus Leaders

To increase their market competitiveness, campus leaders need to recalibrate their total rewards strategy. That will require moving away from a purely additive approach and instead reshuffling resources across direct and indirect types of compensation to align with what today's employees value and expect. They also should seek opportunities to increase personalization when possible.

**** The remainder of this brief will focus on direct compensation since it constitutes the largest proportion of total rewards and institutional employee costs. ****

Source: Bureau of Labor Statistics, Employer Costs for Employee Compensation; University of Colorado, Total Compensation Calculator; EAB interviews and analysis.

Market Forces Dictate How Competitive Your Pay *Really* Is

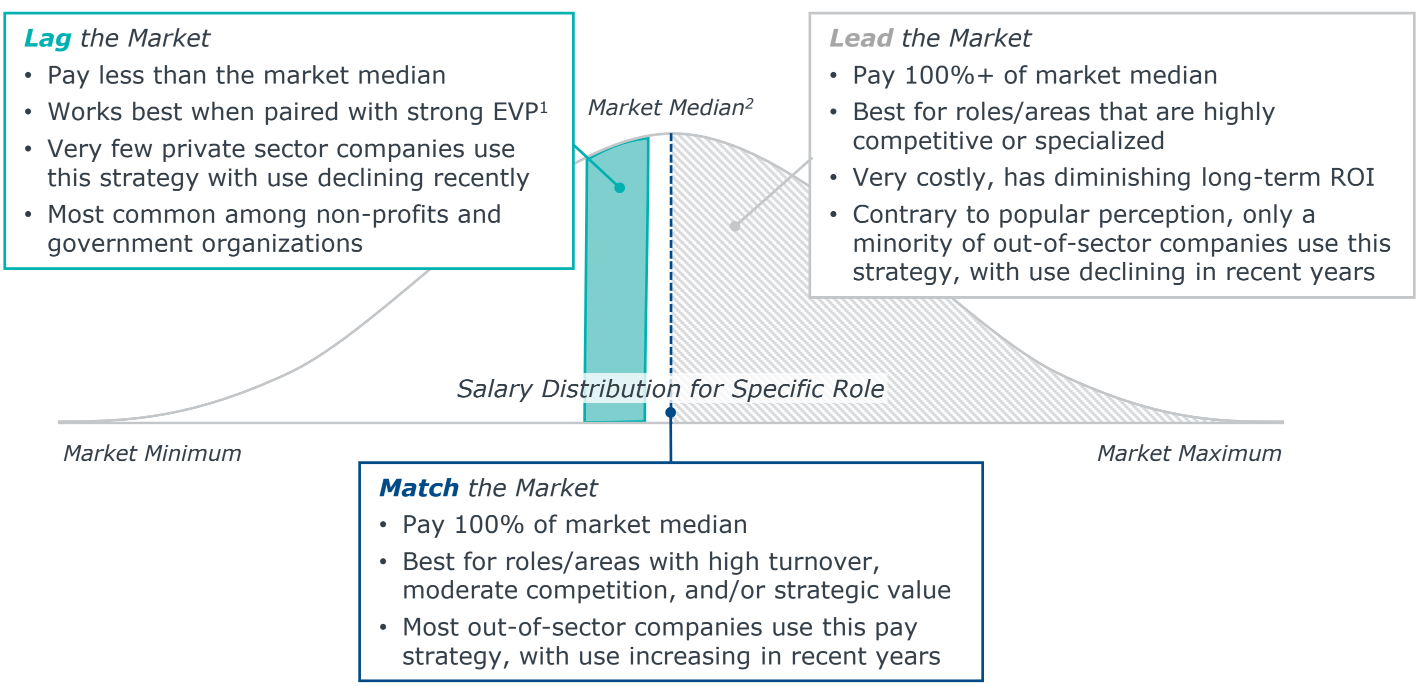
Over the last decade, many out-of-sector employers have moved from traditional pay grade structures to a market-based approach, which allows them to more strategically use limited salary dollars to recruit and retain top talent. This trend has infiltrated higher ed as well, with most colleges and universities similarly embracing more market-based pay elements. However, few cabinet leadership teams have set specific targets for how staff salaries should stack up relative to the market. Some leaders assume they will never be able to match the competition, while others seek to "match the market" but without understanding the true cost. And while colleges and universities often hire external consultants to design salary ranges and pay structures based on market data, they often define their market(s) too narrowly and refresh the data too infrequently. Moreover, because institutions tend to favor indirect over direct compensation, most have underinvested in regular market-based salary adjustments. As a result, staff compensation often lags significantly behind the market, making it even harder to attract and retain top talent.

What Higher Ed Can Learn From Out of Sector

Compensation strategy should not be one-size-fits-all for employees. Instead, leaders should recognize they may need to lead the market for certain roles or at certain times of the year, whereas matching or even lagging the market may suffice for other roles or circumstances.

Savviest Employers Deploy a Combo of Pay Strategies in Tandem

Use Cases and Prevalence of Common Pay Strategies Among Out-of-Sector Employers



1) Employee value proposition.
2) Middle point of all salaries within a specified market.

Source: EAB interviews and analysis.

Market Forces Dictate How Competitive Your Pay *Really* Is (Cont.)

Leaders also should establish a standard, recurring process that uses market data to determine the appropriate pay ranges for different jobs or job grades.

Key Process Steps for Determining Market-Aligned Pay Ranges

1. Set scope and parameters, including identifying benchmark jobs for comparison
2. Select relevant market(s) and comparator(s)
3. Identify and select appropriate data sources
4. Match benchmark jobs to those at other comparator organizations
5. Collect and analyze data to determine the market min/median/max

Most out-of-sector employers orient their pay bands around the market median, with the pay range often spanning from 80-120% of the market median. Generally, a good pay range spread is 30-40%, although it may vary based on the organization's specific talent goals and available resources. Employers may also intentionally deviate from a market median-orientation or standard pay range spread to better align with their pay strategy (e.g., lag the market) or for certain functional areas or roles. For example, some organizations use a bigger pay range spread for more senior positions that require greater differentiation in how individuals are paid.

It is also standard practice for organizations with more than 20 different jobs to create job grades that group together multiple jobs in the same pay range. This reduces the administrative burden of pay range creation and maintenance, while also helping strengthen internal pay equity. The savviest out-of-sector employers then reevaluate their pay ranges every 2-3 years to ensure they reflect changes in the labor market.

Key Takeaway for Campus Leaders

Given that colleges and universities are increasingly competing in new or different markets and with more out-of-sector competitors than ever before, it is critical that they set clear goals for where and how competitive they want to be relative to the market. Moreover, they should adopt a disciplined process for continuously assessing and recalibrating their pay strategy and ranges based on market data.

Source: EAB interviews and analysis.

How Can We Embed More Flexibility In Our Pay Strategy?

Colleges and universities tend to rely more heavily on base pay when compensating their staff. Variable pay is less common, partly because some variable pay tactics—like commission or profit-sharing—are not feasible in a higher education environment. Others—like incentive programs—can simply be more complex to implement at higher education institutions, especially factoring in state or system restrictions or collective bargaining agreements. That said, more colleges and universities have started embracing variable pay to bolster staff retention. For example, 51% of EAB-surveyed institutions provided an average of $2,358 in one-time payments/bonuses to staff in 2022. Some units like Advancement are also experimenting with incentive pay (e.g., tying individual staff bonuses to specific metrics like dollars raised). Plus, merit pay is on the rise, although many institutions still lack the underlying performance management infrastructure needed to appropriately target merit increases.

Base pay | *noun*
Fixed compensation amount that an employee receives at regular intervals in exchange for agreed upon time and services.

Variable pay | *noun*
Compensation that is at risk and/or fluctuates based on performance/results (e.g., bonus). It is often a one-time payment but may be re-earned.

What Higher Ed Can Learn From Out of Sector

Savvy executive teams and HR leaders at out-of-sector organizations recognize that while employees tend to prefer base pay adjustments since they guarantee recurring money, variable pay offers greater flexibility and, in many cases, strategic value for employers.

- Variable pay tactics help out-of-sector organizations avoid increasing long-term fixed costs. By not locking as many dollars into recurring base salary payments, leaders have more resources to make targeted investments as needs change over time.
- Variable pay is often more directly tied to performance, so it serves as a stronger mechanism for driving productivity than base pay alone. However, employers must set realistic and appropriate goals for variable pay, otherwise employees may get burned out and frustrated they cannot earn their target compensation.
- The savviest employers use variable pay to make targeted investments that bolster employee engagement and retention, especially at the individual level. For example, using one-time spot bonuses to retain high-performers amid heightened workloads or market competition. This, in turn, can help reduce turnover costs and enable leaders to keep their top talent.
- More practically, employers can sometimes deploy variable pay in more nimble ways. For example, organizations may face timing constraints (e.g., annual reviews) or complex administrative processes to increase base pay for employees. In contrast, approval and allocation of certain types of variable pay (like bonuses) can be quicker, enabling leaders to more rapidly respond to changing talent needs.

Key Takeaway for Campus Leaders

While institutions face some constraints to implementing variable pay—and should not push the concept *too* far since staff tend to value base pay increases more heavily—they ought to consider adjusting their pay mix to include more variable compensation when possible. There is no perfect combination of base versus variable pay, although many out-of-sector companies target a ratio between 60:40 and 80:20.

Source: EAB interviews and analysis.

Strive for Equitable (Not Necessarily Equal) Pay

Most cabinet members, divisional and department heads, and managers understand intuitively that staff will be paid differently given the diversity of roles and experiences across campus. Yet, issues around how pay is determined and why staff are paid differently often dominate (and sometimes derail) compensation conversations. While leaders are right to advocate for more equitable pay practices, the issue is often a misunderstanding about the difference between *equity* and *equality*—especially when making salary increases. Some cabinet and divisional or departmental heads assume that across-the-board, equal pay increases are the most equitable option. In reality, though, across-the-board salary increases perpetuate—and in some cases even exacerbate—existing inequities in pay since they simply give everyone the same size increase rather than addressing disparities between employees.

What Higher Ed Can Learn From Out of Sector

To get out ahead of potential employee concerns about differences in compensation, out-of-sector organizations often establish standard procedures for determining and adjusting employee pay.

1. Outline clear principles for when and why they pay employees differently. This is especially important given the rise in pay transparency and employee perceptions of arbitrariness in pay decisions.

2. Provide standardized guidance for how to place employees within the respective pay range for their role. This includes clarifying who determines the placement (e.g., HR, hiring manager) as well as the factors used to make that determination (e.g., specialized skills, years of experience).

Standardizing Initial Pay Range Placement Can Help Reduce Odds of Pay Inequities

Adapted from Georgia Tech's Staff Salary Structure Recommendations

Early Career First Quartile	**Proficient** Second Quartile	**Advanced** Third Quartile	**Expert** Fourth Quartile
0-2 years of experience	2-5 years of experience	5-10 years of experience	10+ years of experience
• Meets minimum qualifications • No to little previous experience • Needs to develop and build knowledge, skills • Has potential to learn and is developing job competencies	• Meets all job qualifications required • Has previously related work experience • Has knowledge, skills needed to perform job more independently • Demonstrates functional proficiency	• Recognized as a seasoned professional • Has significant job-related experience • Fully capable of performing job duties independently • Exhibits in-depth proficiency	• Subject matter expert • Substantial job-related experience • Exhibits broad and deep knowledge of job and related areas • Exhibits wide-ranging proficiency

Source: Georgia Tech, Staff Salary Structure Recommendations, EAB interviews and analysis.

Strive for Equitable (Not Necessarily Equal) Pay (Cont.)

3. Publicize norms for when employees typically progress through pay ranges. For example, an organization might opt to place new hires in the first quartile of the pay range for their role to avoid salary compression and allow for progression over time. But then, they might expect that employee to progress to the second quartile either after a set time in seat or when they can complete most tasks independently.

Heightened Hiring Competition Fuels Salary Compression Concerns

- Salary (or pay) compression occurs when the pay of one or more employees is the same or even more than the pay of more experienced employees. This most often occurs when newly-hired employees are paid at higher rates than in the past.
- Given recent difficulty recruiting top talent, many employers have offered higher-than-normal salaries to candidates. While this can yield recruitment benefits, the downside is more salary compression, which in turn can fuel internal tensions and frustration or turnover among incumbent staff.

4. Issue guidelines for how exactly employees can progress through their pay range. For example, some employers might authorize step increases based on the employee’s time-in-seat whereas others might offer performance increases or progression based on demonstrated competencies.

To ensure that any differences in employee pay resulting from these practices are indeed principled and appropriate—and not due to underlying bias—out-of-sector employers are increasingly conducting robust pay equity analyses. These most often focus on diagnosing pay inequities based on gender, but increasingly HR teams are broadening analyses to also ensure equity based on additional factors like race.

Key Takeaway for Campus Leaders

Standardizing pay range placements and conducting pay equity analyses can be time-consuming and challenging in a decentralized environment. But colleges and universities will likely face even greater pressure to explain and/or mitigate disparities in pay going forward, especially given their DEIJ[1] goals. As a result, HR leaders should lay the groundwork for more consistent and equitable pay practices today.

1) Diversity, equity, inclusion, justice.

Source: EAB interviews and analysis.

No Such Thing As Overcommunicating About Pay

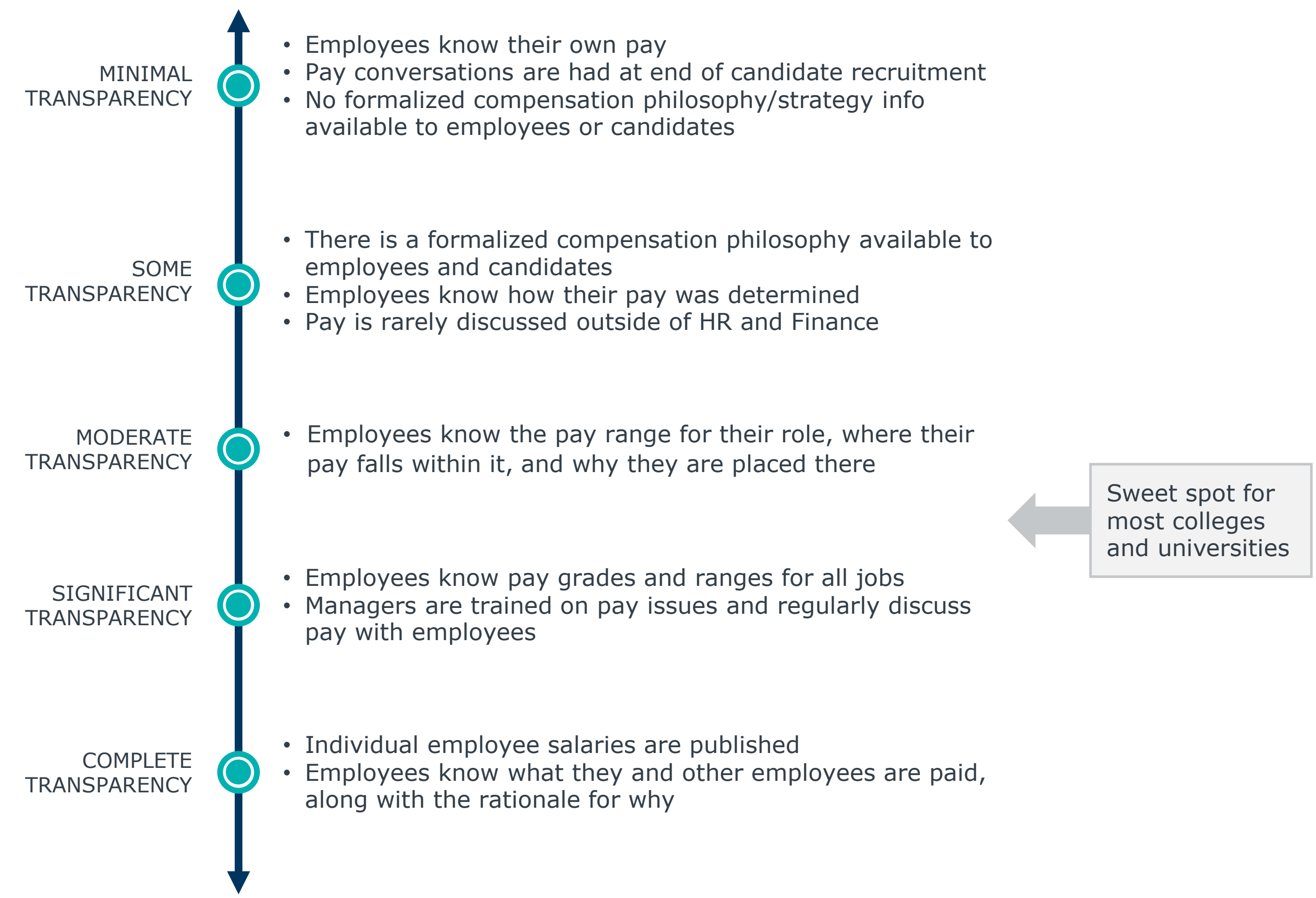
Almost all employers highlight transparency as a key part of their compensation philosophy since today's workers increasingly expect and share salary information among themselves. But unfortunately, most institutions' current pay transparency and communications efforts are falling short of staff expectations. Many campus leaders remain hesitant to share pay information. As a result, compensation communications tend to be high-level and generalized, which only fuels staff frustration. Moreover, most cabinet members, divisional or department heads, and managers are not familiar enough with compensation practices to engage in productive and meaningful conversations with staff when questions arise. This can fuel confusion and, in some cases, the spread of inaccurate information.

What Higher Ed Can Learn From Out of Sector

Out-of-sector HR teams know that pay transparency is not necessarily all-or-nothing. Instead, there is a spectrum of pay transparency approaches. Most employers that are not subject to prescriptive pay transparency legislation opt to start with relatively simple steps like publicizing salary ranges, especially in job descriptions. Ultimately, though, executive teams collaborate with HR to determine the right level of transparency for their organization based on their administrative capabilities, risk tolerance, and distinct talent needs and priorities.

Pay Transparency Doesn't Have to Be All-or-Nothing

Spectrum of Pay Transparency Approaches



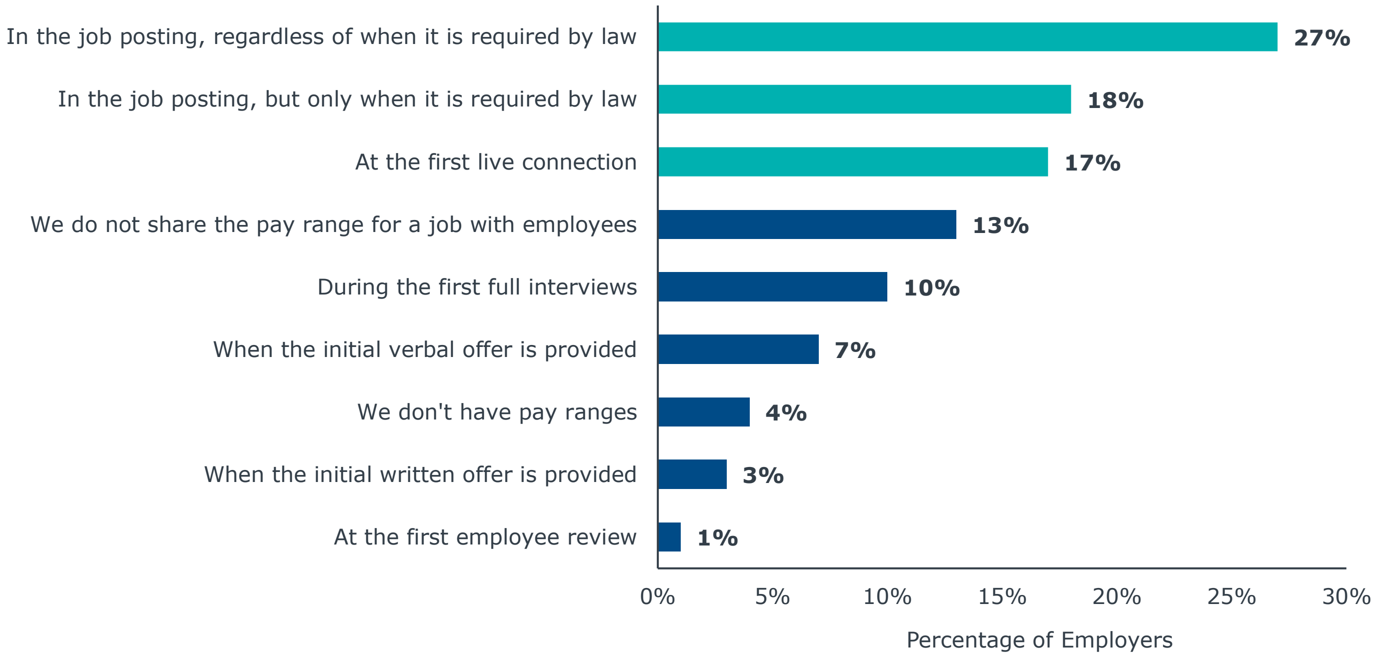
Source: EAB interviews and analysis.

No Such Thing As Overcommunicating About Pay (Cont.)

Beyond just publicizing salaries, the savviest out-of-sector employers are doubling down on continuous communication about their broader compensation strategy. Employees want and need to understand their employer's overarching intentions around compensation, as well as how exactly those will translate to their individual pay.

Most Employers Are Pulling Forward Pay Conversations Earlier in Recruiting Process

When do you first share the organization's pay range for a job with prospective employees?



They also ensure that their compensation communications address the key questions of "why?" and "how?" By offering more explanation and insight into the strategic rationale behind compensation decisions and plans, executives and HR leaders can reassure employees that they are indeed taking a principled approach.

That said, managers are often the lynchpin for effective compensation communications since employees often raise questions or concerns in 1:1 check-ins. When managers are unequipped to address these, that reduces employee trust. In the worst-case scenario, it leads to the spread of inaccurate information. As a result, more out-of-sector employers are providing managers with the training and support needed to have productive conversations about the organization's compensation strategy and salary decisions.

Ultimately, out-of-sector organizations that have successfully bolstered their compensation communications have reaped the benefits, seeing a corresponding boost in employee morale, performance, and overall satisfaction.

Key Takeaway for Campus Leaders

Given growing pressures around pay transparency and widespread staff recruitment and engagement challenges, campus leaders should prioritize investing in more frequent and detailed communications about the "how" and "why" behind their compensation strategy. While leadership messaging and HR updates are important, it is even more critical to equip managers to communicate about pay effectively.

Source: Gartner, 3 ways to address pay fairness when inflation is high and Garner HR research finds only 32% of employees believe their pay is fair; Payscale, 2023 Compensation Best Practices Report; EAB interviews and analysis.

Becoming an Employer of Choice in Partnership With EAB: Services and Next Steps

SECTION 3

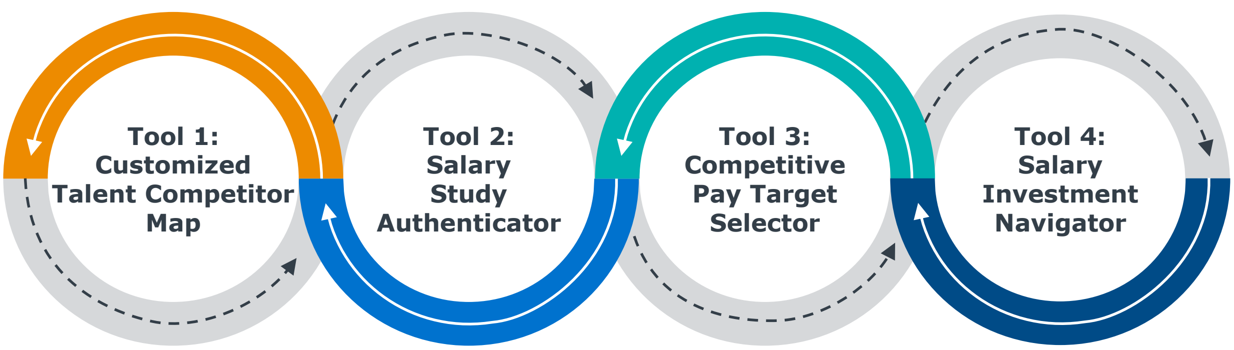
EAB's Market-Credible Staff Compensation Playbook

Equipped with a clear understanding of foundational compensation principles and practices from out of sector, cabinet leadership teams must now partner with CHROs to develop and execute on a long-term compensation strategy for their institution.

EAB has identified four key imperatives for campus leaders seeking to boost the market-credibility of staff compensation and make the most of limited salary dollars.

- Identify their new competitive set(s) for staff talent so they can benchmark themselves against appropriate competitors
- Improve staff salary studies to ensure an accurate understanding of current market position and maximize the ROI of consultants
- Set different pay targets based on their current market position and competition levels for different roles
- Target where to invest limited salary dollars based on their pay targets and institutional talent priorities

To help partners expedite progress and ease implementation, EAB created a corresponding playbook with a quick start guide and tool for each imperative (see below). All cabinet leaders should review the quick start guides before sharing each corresponding tool with the relevant implementation team. For optimal results, EAB recommends using the tools in sequential order. However, leaders may opt to use the tools individually in cases where they have already made progress on certain imperatives or are facing a specific compensation decision point.



Access EAB's Market-Credible Staff Compensation Playbook here.

Source: EAB interviews and analysis.

What It Will Take to Become a True Employer of Choice

Delivering on market-credible staff compensation is an important step forward in an institution's broader journey toward becoming an employer of choice. But compensation is not the only—or even most important—component of an institution's employee value proposition. Colleges and universities must also identify and strengthen the key elements of their distinct value proposition beyond just compensation.

EAB's *An Introduction to Employee Value Proposition* and *Crafting a Compelling Employee Value Proposition Workshop* provide leaders with the insights, step-by-step process, and strategic support needed to develop and advance their campus-wide talent strategy.

EAB's *An Introduction to EVP*

An **employee value proposition (EVP)** is all the ways through which an organization provides value to employees and convinces people to want to work (and stay) there.

Our research-backed session teaches **lessons from the corporate playbook to help your cabinet understand why they must:**

- Create a stand-alone EVP that is separate from their brand, benefits, or student value proposition
- Adapt their overarching EVP based on their target audience and competitive set
- Plan for the ongoing leadership commitment and infrastructure needed to build and deliver on EVP

EAB's *Craft a Compelling EVP Workshop*

This workshop will walk your senior leadership team through the critical aspects of an EVP so you can create one that is **provably true, conveys competitive advantage, and aligns with your business goals**.

This session focuses on three critical components of creating your institution's EVP**:**

- Classify **intangible benefits** that separate your institution from the competition
- Design **key attractor and repellant** statements to help you recruit and retain staff
- Identify **strengths** to highlight and **areas of underperformance** to continually refine EVP

Partner Intensive Details

Best suited for cabinet leadership discussion	Practices and facilitated discussion on how to apply the concept of EVP at your institution	Available as both virtual and in-person sessions, ranging from 1.5-2.5 hours	Contact your EAB Strategic Leader for more information and scheduling

Source: EAB interviews and analysis.

Glossary of Key Compensation Terms

SECTION

4

Glossary of Key Compensation Terms

See below for some of the most common terms that come up during compensation strategy conversations. For further detail on these, review PayScale's definitions library.

- **Base pay**: Fixed compensation amount that an employee receives at regular intervals in exchange for agreed upon time and services.
- **Benchmark jobs**: A commonly found job in the market, typically that has consistent responsibilities across organizations and for which there is available salary data. Benchmark jobs are used in the salary study process to compare pay at one organization against pay in the market.
- **Bonus pay:** Financial compensation that is above and beyond normal compensation. It is in addition to an employee's base pay.
- **Direct compensation:** The money paid directly to employees in exchange for their work. This typically includes base salary, wages, bonuses, overtime, and/or commission.
- **Comparators:** Organizations that are chosen as sources for comparison during a salary study.
- **Compa-ratio**: How an employee pay rate compares to the midpoint of their range. Calculated by dividing the employee's pay rate by the pay range midpoint.
- **COLA:** Cost of living adjustment. Typically, an across-the-board salary increase or supplemental payment intended to bring pay in line with inflation in a geographic area.
- **Compensation philosophy:** A formal statement of an employer's overarching position on compensation values and objectives. This should support the organization's broader strategic plan and business goals.
- **Compensation strategy:** A plan that describes how a company delivers on its compensation philosophy through employee pay and benefits. It details the organization's approach to compensating its employees, including defining the organization's position in the job market and the level and methods of compensation it will provide.
- **Compensation structures and management:** The underlying architecture and processes (e.g., pay structures, job descriptions, benefits administration) needed to execute on compensation strategy.
- **Employee value proposition:** All of the ways through which an organization provides value to employees and convinces people to want to work (and stay) there.
- **Incentive pay:** A type of performance-based compensation that is in addition to an employee's normal wages or salary and that is typically awarded for meeting certain goals or objectives. It is typically one-time and used as a motivational tool.
- **Indirect compensation:** Payment that does not involve directly paying a wage or salary. This may include things like employee health or life insurance, retirement contributions, paid leave, or other employee services.
- **Intangible benefits:** Non-material benefits that an organization provides to employees but that do not have inherent financial value. Instead, they tend to have greater emotional value. Examples include employee recognition, autonomy, stability, or opportunities for impact.
- **Internal equity**: Equal pay within an organization. This exists when employees in the same organization who possess similar positions, skills, and experiences are paid similarly.
- **Labor market**: Within the context of compensation, a labor market encompasses the area within which an employer is competing for talent. This may factor in industry, location, and organizational size.
- **Market adjustment**: An increase to an employee's pay (usually base pay) based on changing market norms.
- **Market data:** Data on salaries at other organizations competing in the labor market.

Source: PayScale, Compensation Dictionary; EAB interviews and analysis.

Glossary of Key Compensation Terms (Cont.)

- **Market equity (i.e., external equity)**: Equal pay relative to the market. This exists when employees are paid the same as/similar to the typical rate in the market.
- **Market median:** The middle point of all salaries for a specific role or job category within a specified labor market.
- **Merit increase**: A performance-based raise to an employee's pay. This is used to reward employees for their work or performance and is typically based on set criteria established by the employer.
- **Pay band**: Illustrates the scope of potential pay for employees, usually at certain job levels.
- **Pay progression:** How an employee moves to higher pay within a pay band.
- **Pay range**: The upper and lower limits of compensation for a certain job within a particular pay band.
- **Pay transparency**: The employer practice of disclosing information about compensation to current and/or prospective employees.
- **Performance-based pay:** An incentive-based form of compensation that is tied to an employees' contributions and performance. It is sometimes used interchangeably with merit pay or incentive pay.
- **Salary/pay compression**: This occurs when the pay of one or more employees is the same or higher than the pay of more experienced employees. This most often occurs when newly-hired employees are paid at higher rates than in the past due to market competition.
- **Salary study**: The process and analysis by which an organization compares the pay for their jobs against what other employers with similar jobs and in the same labor market(s) are paying.
- **Tangible benefits:** Material benefits (cash or non-cash) that an organization provides to employees that can be assigned a monetary value. These may include healthcare, retirement contributions, family leave, or employee perks (e.g., lunch, event tickets, parking).
- **Total compensation/rewards:** This encompasses an employee's base salary along with all other benefits the employee receives.
- **Variable pay**: Compensation that is at risk and/or fluctuates based on employee performance/results achieved. It typically is a one-time payment but may be re-earned across performance periods.

Source: PayScale, Compensation Dictionary; EAB interviews and analysis.

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ABOUT EAB

At EAB, our mission is to make education smarter and our communities stronger. We work with thousands of institutions to drive transformative change through data-driven insights and best-in-class capabilities. From kindergarten to college to career, EAB partners with leaders and practitioners to accelerate progress and drive results across five major areas: enrollment, student success, institutional strategy, data analytics, and diversity, equity, and inclusion (DEI). We work with each partner differently, tailoring our portfolio of research, technology, and marketing and enrollment solutions to meet the unique needs of every leadership team, as well as the students and employees they serve. Learn more at eab.com.