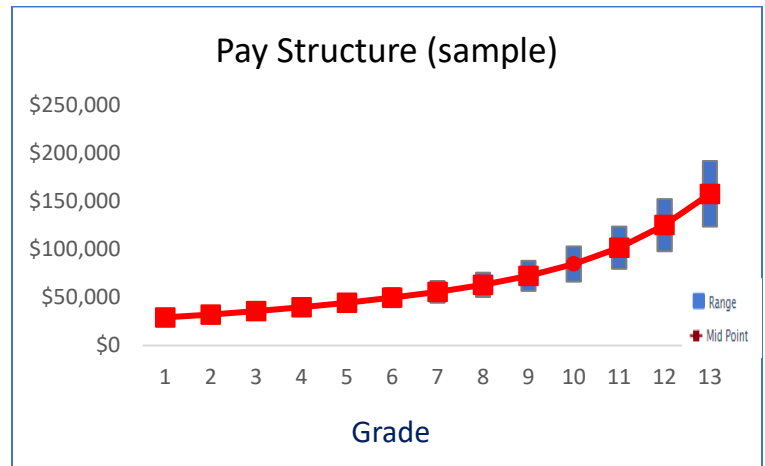


Market Pay Structure

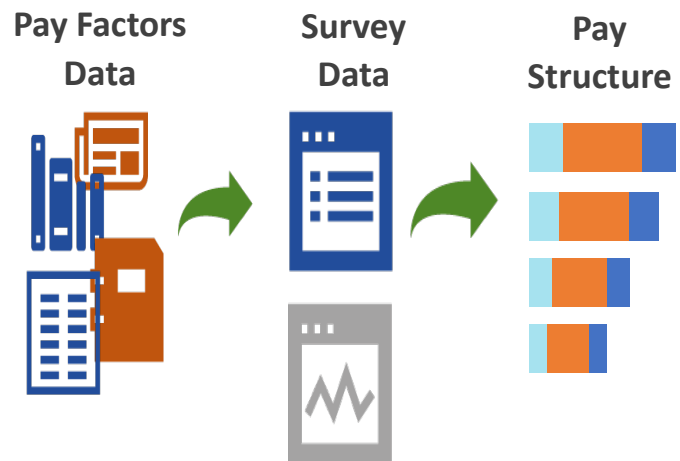
What is a Pay Structure?

- Hierarchy of pay ranges
- Used to align or group jobs into individual ranges based on scope of responsibility, level, and competitive value
- Each range represents the level of pay that is fair and competitive for the aligned jobs
- Reviewed annually and updated as necessary



How is a Pay Structure Created?

- Derived from a market data analysis
- Jobs are compared against similar jobs at other companies to determine a range of fair and competitive salaries. This practice is termed benchmarking.
- Following best practice, more than one data source is analyzed to get a full view of the external labor market



How is Pay Structure Used?



Compare the value of jobs across the institution



Determine competitive and appropriate pay rates for jobs and employees



Ensure fair and consistent administration of pay policies



Educate employees on the pay opportunities available to them

Market Pay Structure (continued)

Pay Structure Terminology

- **Minimum** – The lowest point of the pay range. All employees are paid at least at the minimum.
- **Midpoint** – The midpoint of the pay structure. Close to the external market reference point (MRP). Every employee is not expected to be paid at the midpoint.
- **Maximum** – The highest end of the pay range. Generally, employees are not paid at or above the maximum.
- **Range** – The spread between the minimum and maximum of a pay range. Narrow spreads allow for higher starting salaries and closely aligning pay to the MRP. Wider spreads allow for greater salary growth within jobs.
- **Differential** – The difference between the midpoint of one range to the next range. The size of the differential determines how many pay ranges are necessary to encompass of the jobs within an institution. Smaller differentials create the need for more pay ranges that increase opportunities for smaller, more frequent growth between levels. Larger differentials allow for greater salary growth between jobs.

USC Pay Structure Design

Competitive Positioning: Aligned to 90% of MRP for benchmarked positions

Range Spread: 50% from minimum to maximum

Range Differential: 10% between each range midpoint

Where do Salaries Fall Within a Market Pay Range?

Compa Ratio – the compensation or comparable ratio of salary to the market pay range. Represents how the actual salary aligns to the midpoint of the market range. A value of one equals the midpoint of the market range.

