Staff Wage and Salary Guidelines

Preface

These procedures apply to staff employed by the University of Southern California. In the event of a discrepancy between these procedures and guidelines and a collective bargaining agreement, the terms of the collective bargaining agreement will govern.

Questions regarding these procedures should be directed to the Compensation office in Human Resources Administration at (213) 821-8111.

Principles

1. Minimum pay – All departments must comply with federal and state wage and hour law including minimum pay requirements, minimum wage and salary rates, time and record keeping, overtime pay requirements and pay periods (see Staff Wage and Hour Policies in the Employment and Workplace section of the USC Policy website).

2. Accountability – The authority, accountability and responsibility for staff compensation administration lies with supervisors, who are required to execute employment actions in accordance with the policies, practices and guidelines established by the university and additional requirements that may be established by their schools and divisions. Supervisors are required to consult with the person to whom they report on all employment decisions and transactions affecting the employees who report directly to them. This requirement for “one level up” review and support applies to all employment decisions including, but not limited to, issues involving all forms of compensation (e.g., salary and wage rates, bonus compensation, overload compensation, allowances), perquisites, budget allocation, job postings, employment offers, terms and conditions of employment, hiring, promotions, reclassifications, demotions, reorganizations, and terminations.

3. Pay practices – Supervisors are accountable for establishing and maintaining pay in accordance with these staff wage and salary guidelines and the additional requirements that are prescribed by the President, Provost and Senior Vice President for Academic Affairs, and Senior Vice President for Administration. When determining wage or salary rates, other compensation, perquisites or non-standard benefits, supervisors must consider factors such as marketplace comparisons, education and experience of the individual, fair and equitable distribution among employees in the same or similar position classifications, individual performance, and available funding. Schools and departments may not enter or adjust pay in university systems without obtaining appropriate approvals. All approvals must be obtained prior to any commitments being made to the employee. The university’s compensation philosophy strives to target compensation at or between the 50th and 75th percentiles for well to extraordinarily qualified high performers who possess additional work experience, education, skills and knowledge beyond the minimum requirements of the position.

4. Pay comparisons – The Compensation office is available to assist departments in reviewing compensation on a case-by-case basis. The compensation staff will provide salary/wage averages by position, university-wide comparative data and/or external market data, if available, and/or make arrangements for custom surveys. Departments should utilize the recommended guidelines from the Staff Compensation Benchmarking Report, distributed
to Human Resource Partners by the Compensation office, to establish starting wage and salary rates for newly hired, rehired, transferred, reclassified, or promoted staff.

5. Funding – Funding for staff compensation is allocated during the budget approval process each fiscal year. Changes to this allocation may only be made during the annual budget approval process or through a specific mid-year budget amendment or modification request, which has been approved by the appropriate administrator, the Office of Budget and Planning, and Financial Administration and Performance. Any commitment of compensation in excess of the amount specifically budgeted for the current fiscal year or which increases the budget commitment in future years is subject to this amendment/ modification approval process. Department supervisors should consult with their senior business officer for guidance on allocations.

6. Annual pay increases – Departments need to be familiar with and follow the annual staff pay increases review and approval requirements and limitations described in these guidelines. Annual staff pay increases are merit-based and should vary according to individual performance and the amount of funding available. (The following department employees are excluded from the merit pay increase rule, but not the review/approval requirements: employees of the Department of Public Safety who are included in a specified Step Pay Plan, employees in Facilities Management Services who are included in a specified Pay for Skills program and employees covered under collective bargaining agreements whose pay increases are subject to the compensation guidelines specified in those agreements.)

There are to be no across-the-board increases, uniform cost of living increases or commitments for future increases determined prior to the regular, annual budget development process. Typically, only one merit increase is allowed during each fiscal year, effective on July 1.

In order to ensure as smooth as possible a transition to the new Workday HR system, FY 2013-14 merit increases for non-exempt staff, excluding those represented under collective bargaining agreements, will take effect June 20, 2013 [for those paid on the regular biweekly pay schedule] and June 30, 2013 [for those paid on the hospital biweekly pay schedule]. These dates mark the beginning of the first biweekly pay periods that result in pay being disbursed after July 1. This change from prior practice allows us to avoid accounting for multiple pay rates in the first pay period processed in Workday. Pay increases for staff represented by a union will take effect on the dates specified in the applicable collective bargaining agreement. The effective date of annual merit increases for exempt staff will be July 1, 2013, which is the beginning of the first monthly pay period that results in pay being disbursed after July 1.

Every employee should be informed, in writing, of his or her annual merit increase and new rate of pay, if applicable, before July 1. The reason for the amount of the increase, or lack thereof, should be described, and documentation retained in employee file. Performance evaluations should be based on performance sustained over time and documented in the Workday system. Employees must be given the opportunity to comment on evaluation documentation. Both the evaluation and employee comments must be retained in employee file. Guidance for appropriate performance evaluations is provided in the Performance Evaluations policy available on the USC Policy website.
7. **Pay for transfers/rehires/reclassifications/promotions** – Employees who are transferred, rehired, reclassified, or promoted are eligible to receive compensation appropriate to the new position, their experience and qualifications, and available funding as described in #3 above. A reclassification may be accompanied by an increase in pay, but an increase is not mandatory. A promotion is typically accompanied by an increase in pay. The Compensation office is available to consult with departments on any change in position level or to provide compensation benchmarking data both internal and external. Employees are not guaranteed the rate of pay associated with their previous position or guaranteed any increase because of a move to a new position.

**Standard Guidelines**

1. **Federal and state wage and hour compliance**

   **Minimum wage**
   The California state minimum wage rate for non-exempt employees is $8 per hour. For offers of pay less than $10 per hour, schools and divisions are required to consult with the Compensation office. Offers of pay will be audited to confirm compliance with state law.

   **Minimum salary**
   The California state law requires that all exempt staff, regardless of percentage of time worked, must earn a monthly salary equivalent of no less than two times the state hourly minimum wage for full-time employment. Full-time employment is defined in Labor Code Section 515(c) as 40 hours per week, for which the minimum salary rate for exempt staff would be $2,773.34 per month, or $33,280 per year. Offers of pay will be audited to confirm compliance with state law.

   **Payment for overtime**
   Non-exempt employees who work in excess of eight hours in a workday or 40 hours in a workweek must receive overtime compensation. Only those employees working under an alternative work schedule set up in accordance with state regulations and approved and filed with the state by Human Resources Administration may be exempt from this overtime requirement. (See the Overtime and Work Schedule policies in the Employment and Workplace section of the USC Policy website.)

   If a non-exempt employee is paid extra compensation for additional duties performed within the regularly scheduled work hours, the extra compensation (“overload”) is considered part of the regular rate when determining an hourly overtime rate.

2. **Increases in compensation**

   Departments are encouraged to review the compensation provided to their staff employees throughout the year and, when appropriate, adjust compensation (e.g., market pay adjustment). During that review, departments should establish and maintain levels of total compensation that are competitive in the marketplace based on the work performed, the employee’s qualifications, and performance. Individuals who satisfy only the minimum requirements of a position and/or are lower performing should be appropriately targeted on the lower end of the benchmarking range. Well performing and qualified individuals who possess additional skills, education and knowledge and at least four or five years of related work experience would typically be paid in the middle of the benchmarking range. The top
third of the benchmarking range is available for situations warranting a rate of pay above market. Recognition of higher performing and extraordinarily qualified individuals whose particular work experience, education, skills, and knowledge exceed the position requirements, which is rare, justify targeting higher in the benchmarking range. Departments should reference where, on the benchmarking pay range, they are targeting for any given merit increase.

All increases in compensation, regardless of reason (e.g., merit, market pay adjustment), percentage, dollar amount, or type of compensation (e.g., base, bonus, overload) require review and recommendation by “one level up” (see the accountability section, above) and any other required approvals as designated in these guidelines, prior to the employee being notified of an increase and prior to changes being made to the employee’s employment record in Workday or any unit shadow system. All changes in compensation must be reviewed in the context of total compensation, so for each proposed change, details should be provided on all additional compensation (e.g., bonuses) received within the current fiscal year or proposed to be received in the current or coming fiscal year. Departments are encouraged to also require, as part of their review, the employee’s total compensation history going back three to five years, as well as comparative data on the total compensation provided to employees in similar positions within the department and available internal/external benchmarking data. Departments may establish their own processes or reporting requirements for “one level up” review and recommendation. Departments must retain, and may be asked to provide records verifying these processes.

In addition to the “one level up” review and recommendation, certain increases in compensation, noted below, require additional review and approval by higher levels of authority and/or the Compensation office. Reports of these increases will be shared with the university’s senior leadership. Documentation of review and approval may be audited.

- **Merit increases and market pay adjustments in excess of 5%**
  See approval requirements in merit increase section, below.

- **Salaries of $200,000 or above must be** reviewed at time of hire and annually, and authorized by senior vice presidents to whom those schools and divisions report. In addition, divisions reporting to the Senior Vice President for USC Health must also be approved by the Provost and Senior Vice President for Academic Affairs.

- **Pay increases based on market comparisons** require recommendation or approval by the Compensation office. Schools and divisions must forward documentation supporting the pay increase to the Compensation office prior to notifying the employee.

3. Establishing wages/salaries for positions

When determining wage or salary offers, departments should consider the candidate’s applicable education and experience, comparison to market, compensation levels of existing staff (peers and subordinates) within the appropriate work unit, university-wide staff within the same classification, and available funding (see pay practices section, above). The “one level up” review and recommendation applies to all wage and salary offers.

New hires
Departments are encouraged to offer compensation for new hires that is equitable with compensation provided to similarly qualified and experienced staff in similar positions in the department, university and external market. Departments may consult the Compensation office on new hire offers and to obtain compensation benchmarking data both internal and external, if available.

The university discourages July 1 fiscal year merit increases for employees hired after April 1 of that year. Because merit increases should be based on evaluation of sustained performance, these employees may not have sufficient opportunity to demonstrate such performance. The schedule for potential pay increases should be communicated to the employee at the time of the employment offer.

**Rehires**
The rate of pay for employees who terminate and who are reemployed will be determined on the same basis as any candidate newly hired into a posted position, as described above. Although prior, relevant university experience would typically be an important factor, employees are not guaranteed the rate of pay associated with their previous position or guaranteed any increase in pay.

**Transfers**
A transfer occurs when an employee leaves one position within the university and is hired into another position at the same or lower level of responsibility. The new rate of pay is determined on the same basis as any candidate newly hired into a position. Employees are not guaranteed the rate of pay associated with their previous position.

**Demotions**
A demotion occurs when an employee is moved from his or her current position to a position at a lower level as part of a disciplinary action. A demotion must have the approval of Human Resources Administration prior to the employee being notified. Employees who are demoted are not guaranteed the rate of pay associated with their previous position. An employee’s voluntary election to accept a different position at a lower level is considered a transfer, not a demotion.

**Reclassifications, competitive promotions and internal promotions**
Refer to the Staffing and Classification Procedures on the Human Resources Administration website for descriptions.

**Roles and Responsibilities**

**Department**

Department administrators, senior business officers, human resource directors and managers, HR/payroll analysts and supervisors are responsible for ensuring their department’s compliance with staff wage and salary guidelines and staffing and classification procedures, including approval and recordkeeping requirements.

Schools and divisions are encouraged to establish additional departmental procedures to clarify senior management’s expectation for requests, review, approval and documentation of employment actions. These staff wage and salary guidelines provide departments with a framework around which those internal procedures must be developed and executed.
From time to time, these guidelines may be modified because of special circumstances that require additional restrictions, changes in procedure, or levels of approvals. Failure to comply with the requirements set forth in university and department policies and procedures will be cause for disciplinary action up to and including termination.

**Compensation office**

The Compensation office in Human Resources Administration is responsible for the following:

- establishing university compensation principles, determining salary/wage guidelines, and staffing and classification procedures,
- reviewing and recommending/approving all proposed pay increases based on market comparisons,
- creating job descriptions in accordance with university business practices that comply with state and federal law,
- determining the classification of positions,
- ensuring departments utilize job descriptions that most appropriately match work performed,
- conducting job audits to confirm or determine appropriateness of a job description for a position,
- conducting and participating in compensation surveys on behalf of the university,
- advising departments on various compensation matters including market comparisons based on both internal and external benchmarking, and
- monitoring departmental compliance with staff wage and salary guidelines, staffing and classification procedures and related federal and state law.

The Compensation office will provide reports to senior leadership and may audit documentation of review and approvals in order for senior leadership to understand the university-wide impact of pay increases and levels, and ensure that compensation practices are equitable.

**Overview of Review and Approval Requirements**

Schools and divisions must comply with the review and approval requirements described below. All approvals must be obtained prior to any commitments being made to the employee.

1. **“One level up” support** – The employee’s supervisor, as well as the person to whom the supervisor reports, must both personally review all requests. A designee’s signature will not be accepted for the “one level up” review and recommendation/approval requirement. Some transactions require additional approvals.

2. **School/division review and recommendation or approval** – The most senior position in the school or division (e.g., dean, vice president, associate senior vice president, vice provost, etc.) must personally review and approve or review and recommend the transactions noted below. A designee’s signature will not be accepted.

Review and approval in this category is sufficient and final for:
• merit increases up to and including 5% for staff for the fiscal year, and
• bonuses less than $1,000.

Transactions that require review and recommendation, and will then require additional approvals (see #3 below) are:

• merit increases in excess of 5%,
• bonuses of $1,000 or more,
• market pay increases, and
• regular overload compensation, including payments by a second department (the Compensation office will review and approve all regular overload compensation, including payments by a second department, up to and including 5% of an employee’s annual base salary in a fiscal year. All regular overload compensation requests should be routed through the Compensation office).

The Compensation office will facilitate the review and approval process for those transactions requiring additional approval beyond the most senior position in the school or division, maintain related records, and audit payroll entries.

3. University officer review and approval – The Provost and Senior Vice President for Academic Affairs for:
   • all schools/divisions reporting to the Provost and Senior Vice President for Academic Affairs after review/approval by the school/division and
   • divisions reporting to the Senior Vice President for USC Health or the

   Senior Vice President for Administration (for all other divisions) or their designee reviews requests and determines final approval for:

   • merit increases in excess of 5% for staff,
   • bonuses of $1,000 or more,
   • market pay increases in excess of 5%,
   • regular overload compensation (including payments by a second department) in excess of 5% of employee’s annual base salary in a fiscal year, and
   • exceptions to restrictions outlined in these guidelines.

Appeals of the Compensation office’s decision regarding an appropriate market adjustment, pay level or regular overload compensation must be addressed to the Executive Director, Human Resources Administration who will coordinate with the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designee. Appeals must be routed through the Compensation office for tracking purposes.

Restrictions and Approval Requirements

1. Merit increases

Funding
Each year during the budget development process, the university will communicate to senior business officers the availability of either additional funding above and beyond current budget or the expectation that departments fund any increases in compensation from existing funds
Units considering any merit pay increases, market adjustments or changes in staffing should address the requests during the budget approval process.

When completing the Budget Development System (BDS) or payroll process for the new fiscal year, merit-based pay increases for staff funded by grants must be included. To ensure adherence to federal regulations concerning institutional base compensation, the lack of grant funding prior to July cannot be used as the sole justification for delaying and providing a mid-year pay increase until after the start of the fiscal year. Increased availability of funding (unrestricted, restricted, or contracts and grants) is not, in and of itself, a valid reason for requesting a mid-year pay increase.

Departments may use the pay increase approval request form available on the Human Resources Administration site or any alternative document (e.g., memo, spreadsheet) acceptable to the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration. Transactions and documentation of review and approval may be audited to confirm appropriate approvals have been obtained.

Approval requirements

- Merit increases up to and including 5% for staff (without equity component)
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and approval

All requests for increases must be accompanied by justification based on specific performance measures and these records maintained in employee file. Schools and divisions may have additional approval requirements, but increases at this level do not require approval by the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designees. Also see note regarding market pay increases.

- Merit increases in excess of 5% for staff
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Review and recommendation by Compensation office
  4. Final approval by the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designee. Departments may use the pay increase approval request form available on the Human Resources Administration site or any alternative document (e.g., memo, spreadsheet) acceptable to the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration. The Compensation office will coordinate the approval process.

Exceptions to the requirements, restrictions or procedures described in these guidelines require approval by the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration or their designee. Schools and divisions must maintain appropriate records of approvals. Transactions and authorizations will be audited.

2. Market pay adjustments
Schools and divisions are required to reference benchmarking data to justify market pay increase requests. The Compensation office can provide internal and external benchmarking data.

Market pay adjustments may be facilitated at any time, but are often processed during the annual compensation review and budget approval process.

Departments may use the pay increase approval request form available on the Human Resources Administration site or any alternative document (e.g., memo, spreadsheet) acceptable to the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration. Transactions and documentation of review and approval may be audited to confirm appropriate approvals have been obtained.

**Approval requirements**

- Proposed adjustments and pay levels based solely on market comparisons **up to and including 5%**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Review and approval by Compensation office

- Market pay adjustments **in excess of 5%**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Review and recommendation by Compensation office
  4. Final approval by the Provost and Senior Vice President for Academic Affairs for:
     a. all schools/divisions reporting to the Provost and Senior Vice President for Academic Affairs (and)
     b. divisions reporting to the Senior Vice President for USC Health or the

Senior Vice President for Administration (for all other divisions) or his/her designee. The Compensation office will coordinate the approval process.

3. **Discretionary bonuses (e.g., annual bonus, spot bonus)**

Discretionary bonuses provide a mechanism to reward staff employees for past performance and specific accomplishments above and beyond sustained meritorious performance recognized in base salary. Discretionary bonuses are provided solely at the discretion of management, are not guaranteed and may be withdrawn at any time. Payments are based on clearly demonstrated accomplishments such as extraordinary cost savings, generation of revenue, outstanding contributions to a project, etc. Discretionary bonuses are not measured by or dependent on hours worked or attendance. Payments are not tied to a formal variable pay plan or performance targets. Discretionary bonuses are not construed as wages and are not included in the regular rate of pay for overtime purposes. Payments are treated as supplemental compensation, paid in “lump sum,” and subject to withholding at the flat tax rate.

Schools and divisions may provide discretionary bonuses only if they have budgeted for them in advance; the availability of funding does not guarantee the awarding of discretionary bonuses. Typically, bonuses are approved during the budget approval process. Documentation
must be submitted to Payroll Services indicating the establishment of a new pay line for a bonus, verification of approval and a check request. Schools and divisions are required to maintain, in employee file, records of specific rationale.

In all cases, requests for bonuses must be presented in the context of total compensation with a history of total compensation paid to that staff employee (base wage/salary and bonuses) for a three to five year period. Bonus payments and records may be audited to confirm appropriate approval has been obtained.

Approval requirements

- **Bonuses less than $1,000**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and approval

- **Bonuses of $1,000 or more**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Final approval by the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designee. Departments may use the pay increase approval request form available on the Human Resources Administration site or any alternative document (e.g., memo or spreadsheet) acceptable to the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration. The Compensation office will coordinate the approval process.

Transactions and authorizations will be audited to confirm appropriate approvals have been obtained.

4. **Salaries of $200,000 or above**

Salaries of $200,000 or above in total compensation must be reviewed at time of hire and annually, and authorized by the senior vice presidents to whom those schools and divisions report. In addition, divisions reporting to the Senior Vice President for USC Health must also be approved by the Provost and Senior Vice President for Academic Affairs. The Compensation office can provide benchmarking data to senior leadership for purposes of justifying rationale of pay levels.

5. **Overload compensation**

A staff employee who temporarily performs duties unrelated to his or her normal responsibilities or who temporarily assumes additional responsibilities in his or her department may be eligible to receive extra compensation as overload to provide a temporary pay equity adjustment. Examples include, but are not limited to, temporary assumption of extensive additional duties not usually performed due to the extended leave or resignation of an employee within the unit, or temporary assumption of additional more complex higher-level duties due to a short-term project or program. The appropriateness of an overload payment also should be gauged by an evaluation of the employee’s current level of pay benchmarked against the pay level that would be appropriate for an employee performing similar work. Overload payments for the assignment of additional duties are not mandatory. The period for which an overload is paid may not exceed 12 months.
Overload pay must be included in regular biweekly or monthly pay reflecting the period in which work is performed, and is included in calculations that apply to base pay (e.g., overtime). Payment may not be paid retroactively or provided as lump sum payments. Overload compensation for non-exempt employees must be paid on an hourly basis, at the new, higher overload rate.

Supervisors must discuss the overload assignment and specifics with the employee prior to the start of the assignment and before payment is initiated. The employee must agree to the terms, and an agreement must be signed by both employee and supervisor. The agreement must indicate what temporary job duties are to be performed by the employee, the overload amount, and the agreed start and end date of the assignment. Review and approval (see below) must be completed before a commitment to provide overload compensation is made to the employee.

Supervisors may consider spot bonuses for those situations where overload payments are not appropriate, but it is appropriate to recognize an employee for outstanding contributions to a project or under particular circumstances.

The overload payment approval request form is available on the Human Resources Administration site. The Compensation office will audit overload compensation transactions and authorizations to confirm appropriate approvals have been obtained.

Approval requirements
- Regular overload requests **up to and including 5% of employee base salary in a fiscal year**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Signature of authorized signer for the compensation account (if work is performed for a department other than home department)
  4. Review and approval by Compensation office

- Regular overload requests **in excess of 5% of an employee’s annual base salary in a fiscal year**
  1. “One level up” mandatory review and recommendation
  2. School/division mandatory review and recommendation
  3. Signature of authorized signer for the compensation account (if work is performed for a department other than home department)
  4. Review and recommendation by Compensation office
  5. Final approval of the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designee. The Compensation office will coordinate the approval process.

Special overload payments
- **Overload payments by a second department to an employee in another home department**

In addition to the requirements noted above, the second (funding) department must notify the employee’s home department of the overload assignment prior to the offer being finalized. This will allow the employee’s supervisor to review the additional assignment to ensure it will be performed outside the employee’s standard working hours and will not adversely affect the
employee’s primary assignment. The second department must communicate all pertinent arrangements associated with a job offer for a second assignment to the employee’s HR/payroll analyst.

- Overload compensation for teaching activities
  In addition to the requirements noted above, for staff engaged in teaching, prior written approval by the Vice Provost of Faculty Affairs’ designee in the Compensation office is required before the beginning of the course. The staff employee should not be given a teaching assignment or notified of overload payment until approval is confirmed.

An individual who performs both staff functions and teaching activities is considered a full-time staff employee with a concurrent part-time faculty appointment and title. A staff employee may not teach more than one course per academic year. Departments should update Workday to reflect a concurrent part-time faculty title for the staff employee while he or she is teaching and delete the part-time faculty title when the teaching assignment is completed. The terms of employment that apply are those stated in university policy as applicable to staff.