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RE: CSU Employee Compensation/Staff Salary Structure Study Findings

Over the past several years, the California State University (CSU) has struggled to attract and retain talent, as wages have not kept up with the market rate and employees have faced growth potential challenges in their public service careers. In 2021, the Chancellor's Office, the California State University Employees Union, Service Employees International Union, and Teamsters Local 2010 partnered to advocate for funding for a comprehensive non-faculty staff salary study. The Budget Act of 2021 included $2 million for the CSU to evaluate its existing staff salary structure, salary issues (e.g., inversion, compression and stagnation), develop recommendations and estimate the financial implications of the recommendations.

A compensation study project team was developed and included participants from the CSU, as well as CSUEU and Teamsters Local 2010 (jointly representing all nine staff bargaining units). Through a collaborative process, the CSU and its labor partners selected Mercer Consulting to conduct the study. The study encompasses all represented non-faculty CSU employee groups (29,000 employees). This report sets forth the findings of the study.

The findings address three major **areas of concern**:

Wage Stagnation
CSU staff salaries have not kept pace with those of the general industry or the higher education sector. An analysis showed wage stagnation at a rate of one percent per year when comparing tenured to new employees. Multiple years without pay increases contributed to the lack of market competitiveness. Overall, the CSU's average pay is 12 percent below market median and some job families are currently more than 20 percent below market.

Lack of Job Framework
CSU job frameworks are outdated and inconsistent. The variety of disciplines makes determining an equitable range of pay difficult. The CSU currently has no step structure, which is common across public sector and higher education. Mercer identified the need for effective job frameworks to appropriately inform salary structure.

Lack of Growth Potential and Pay Transparency
The CSU does not have a consistent process for advancing pay. The CSU seeks to reward employees for their commitment to public service, with career growth opportunities and compensation that are commensurate with job responsibilities and tenure. Mercer also identified the need for an updated job framework and processes to allow employees and managers to navigate their careers more effectively.

Mercer **recommended** the following to remedy these areas of concern:

Achieve and Maintain Market Alignment
Apply and refine a consistent methodology to identify the market rate for each position and establish regularly scheduled compensation reviews. Also, create new pay ranges targeting the midpoint of the pay range to the market median, adjust pay ranges by location, regularly update pay ranges and conduct market reviews every five years.

Implement Step Salary Structure
Develop 15 structures based on bargaining/job family unit-specific ranges. Develop grades based on job levels and market data, fix pay increases on a set schedule, and apply geographic adjustments to salary structures. This structure is designed to recognize tenure, functional expertise, localized cost of salary and sustained performance.

Implement a Complete Job Framework
Revise the CSU's existing job framework to better align with the external market. Additionally, develop a CSU-wide leveling guide that accurately aligns with the external market, update job classifications to reflect current work and skills, and place employees accordingly.

Commitment to Ongoing Administration
A commitment to annual budget allocations would fund the step structures to move employee pay purposefully and consistently through established pay ranges. The CSU should also designate separate funding for exceptional job performance (i.e., merit adjustments) and job opportunities (e.g., promotions, reclassifications, etc.).

Mercer conducted a fiscal impact analysis of its programmatic recommendations. The **financial recommendations** include:

Step Salary Structure Aligned with the Market Median
To fully implement the proposed step structure, $159.4 million would be necessary for base salary adjustments.

Modernized Job Framework
To create new job classifications and properly classify or re-classify employees, $50 million would be necessary for base salary adjustments.

Salary-Related Benefit Increases
Additionally, $77.5 million would be necessary to account for the effect of the recommended increases to salary-related benefits.

Annual Salary Budget Increases
The estimate of the ongoing cost for step progression is 2.03 percent per year. However, Mercer recommends an additional salary structure increase of at least one percent per year to maintain the market competitiveness of the salary structures, which represents a total annual increase of 3.05 percent of base pay.

The total estimated cost of these recommendations is **$287 million** in ongoing funding.

After initial implementation, ongoing costs to annually maintain market competitiveness and to sustain step progression would be in the tens of millions of dollars per year.

Given these findings, the CSU and non-faculty staff bargaining units have agreed to bargain the implementation of salary structure changes in a standalone bargaining process.

The CSU and its workforce are important to the California economy. Specifically, for every dollar invested by the state, the CSU generates $6.98 for California's economy. Additionally, CSU campuses have a substantial impact on their regional economies, supporting thousands of jobs and generating millions of dollars in state tax revenues. Importantly, the implementation of these recommended salary structure changes will allow CSU employees to better keep up with unprecedented cost of living increases, improve morale and quality of life, and will indeed be life-changing for some employees. It is not an overstatement: The CSU's mission is in jeopardy if it is unable to recruit and retain qualified employees to serve its students and to fulfill the significant role that the CSU plays within California's economy.

Should you have any questions about this report, please contact Eric Bakke, interim assistant vice chancellor, Advocacy and State Relations at (916) 445-5983.

Sincerely,

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

SR:dr

Full report posted to https://www.calstate.edu/impact-of-the-csu/government/Advocacy-and-State-Relations/Pages/legislative-reports.aspx

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California State University Report: Summary of Compensation Program Study Non-Faculty Staff Represented by a Union

Enclosed is California State University's (CSU) systemwide report, which summarizes the results and recommendations of Mercer Consulting's comprehensive study of CSU's compensation programs for non-faculty/non-management staff represented by a union.

Introduction

The state funded a study to review the CSU's staff compensation programs in its 2021/22 budget through Senate Bill 170. The CSU engaged Mercer Consulting shortly thereafter and the firm embarked upon a comprehensive review in November 2021. The goals of the study were to:

- Identify and address compensation issues such as salary compression and wage stagnation
- Identify and address areas where the CSU's salary structures and pay rates were perceived to be misaligned with the market
- Consider strategies for increasing retention and recruiting efforts through more competitive pay, relevant and current job classifications, and clear pathways to career progression
- Provide alternative salary structures and pay practices which would address the issues identified in the study

The study's findings and recommendations are outlined in this report and are to be provided to the state legislature and the governor's administration prior to the state adopting the Budget Act of 2022. The CSU and staff labor unions have collaborated on this project, working closely with the consultant and campus stakeholders in hopes that the state would: (1) incorporate the implementation costs of the study's recommendations into the state budget request, and (2) commit to funding the new structures on an ongoing basis.

Project Team

The compensation study project team consisted of leadership from the CSU as well as from the California State University Employees Union (CSUEU), and Teamsters Local 2010, who served on behalf of and represented all nine staff bargaining units. The study was conducted in collaboration with campus stakeholders and led by Mercer Consulting.

Mercer is an international consulting firm with deep expertise in employment services, including compensation. Mercer works with organizations of all sizes, within various industries, including higher education, to align their business and people strategies, including assessing compensation programs. Mercer has a proven track record of working on labor management projects and had the resources to conduct the study on the expedited timeline established by Senate Bill 170 of 2021.

Mercer was engaged to evaluate the current salary structures and compensation programs for non-faculty CSU represented staff, identify issues that needed to be addressed, and make recommendations that would address those issues as well as provide a framework and costing for implementation.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

As part of their assessment, Mercer invited feedback from key stakeholders through a series of virtual focus groups in December 2021. More than 5,000 employees (managers and non-faculty represented staff) participated in the focus groups.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Background

The CSU is the nation's largest four-year public university system with 23 campuses and eight off-campus centers. The CSU educates approximately 486,000 students and employs nearly 56,000 faculty and staff. The CSU is authorized to grant baccalaureate and master's degrees as well as teaching credentials. The CSU is committed to attracting and retaining a diverse workforce that thrives in the pursuit of excellence for students and all members of the CSU community. The CSU is governed by a Board of Trustees that appoints the chief executive officer of the system (the chancellor), Chancellor's Office executive officers (executive vice chancellors/vice chancellors), as well as the president of each campus.

As one of California's public postsecondary systems of higher education, the CSU is committed to[1]:

1. Attracting and retaining the most highly qualified individuals whose knowledge, experience, and contributions best serve students and advance the university's mission
2. Fair and reasonable compensation design, application, and delivery
3. Policies and practices compliant with all applicable federal, state, and local regulations and laws
4. Compensation systems that are fiscally sound and that do not exceed the CSU's annual operating budget

The compensation program study covered the following bargaining units and associated employees:

Bargaining Unit	Employee Headcount as of 10/31/2021
Union of American Physicians and Dentists (UAPD)	94
CSUEU (Health Care Support)	683
Academic Professional of California (APC)	3,295
CSUEU (Operations Support Services)	2,108
Teamsters Local 2010	1,036
CSUEU (Clerical/Administrative Support Services)	4,229
Statewide University Police Association (SUPA)	333
CSUEU (Technical Support Employees)	8,240
International Union of Operating Engineers (IUOE)	14
Academic Student Employees (UAW)	10,436
CSUEU English Language Program Instructors	2
GRAND TOTAL	30,470

Compensation Program Study — Methodology and Steps

To complete the comprehensive compensation program study, the project team used the following methodology and project steps:

[1] Derived from Board of Trustees Policy on Compensation (Nov. 2019)

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

1) **Data and discovery:** Gathered available data on pay, structures, and administration of pay practices and listened to CSU stakeholders to understand the current state
2) **Review of job framework:** Reviewed the current classification system of the CSU to identify opportunities to align work performed at the CSU and appropriate job groupings with the external market
3) **Market benchmarking:** Established a consistent methodology (described below) to match all non-faculty represented CSU job families and levels to relevant external market data.
4) **Gap Analysis:** Conducted a market gap analysis to understand alignment to the external marketplace.
5) **Salary Compression/Inversion Analysis:** Conducted a thorough review of CSU's employee salaries to compare internal alignment of pay among CSU employees
6) **Salary structure design alternatives:** Developed two salary structure models (traditional grade structure and salary-step structure); discussed advantages and policy/procedure implications with the project team; and determined the preferred future salary structure for non-faculty staff represented by a union
7) **Alignment and model selection:** Conducted strategy sessions with union and CSU human resources leadership to discuss the recommended program and required investment to implement the recommendations

Compensation Program Assessment — Current State

Through the compensation program study, the project team identified three key issues regarding the current program for non-faculty represented staff.

Wage Stagnation

Over the past 15 years, CSU staff salaries have not kept pace with general industry or with other higher education institutions. While higher educational institutions typically lag general industry, the CSU lagged *both* the general industry market and higher education institutions, resulting in considerable wage stagnation over time.

An analysis of the CSU's base salary compression and inversion issues and historical pay movement[2] indicated:

- Although there is not significant salary inversion, wage stagnation is present at the CSU for non-faculty represented staff (e.g., one percent per year difference between new and tenured employees in similar roles).
- Multiple years without pay increases contributed to the current lack of market competitiveness with general industry as well as higher education. Overall, the CSU's **average** pay is 12 percent below market median when compared to benchmark roles/jobs. Some job families were found to be more than 20 percent below market median (Exhibit 1).

[2] CSU's historical base salary increase (merit and COLA) were compared to the median base salary increases found in the general industry and higher education, utilizing the following resources: WorldatWork Salary Budget Survey, CUPA Historical Salary Information, and Mercer US Compensation Planning survey.

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Exhibit 1: Gap analysis by job family based on benchmark jobs
The CSU's **average** pay is 12 percent below market median (50th percentile) when compared to benchmark roles/jobs. Some job families were found to be more than 20 percent below market median.

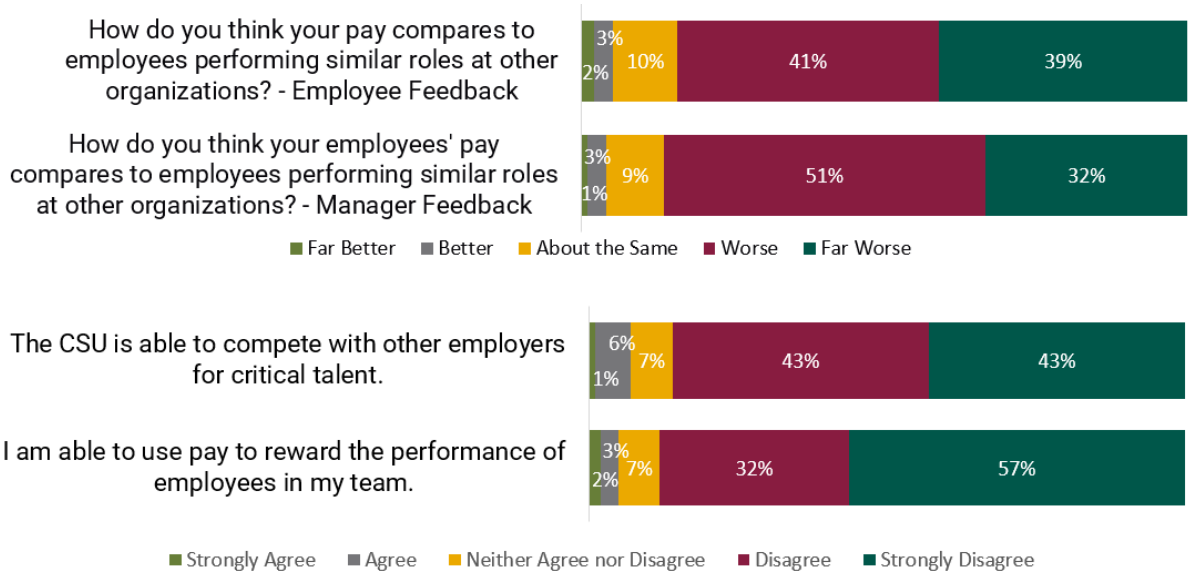
		Average Gap to Market		
Job Family Group	# Jobs	25th	50th	75th
Academic Services and Student Experience	110	-2%	-13%	-24%
Analysis, Planning, and Administrative Services	46	1%	-15%	-27%
Arts	16	3%	-13%	-23%
Athletics and Sports	15	6%	-9%	-23%
Communications, Marketing, and Public Affairs	26	-9%	-20%	-31%
Compliance, Risk Management, and Safety	10	-17%	-28%	-36%
Facilities and Grounds	45	14%	0%	-13%
Facilities Design and Planning	17	-3%	-15%	-27%
Finance	34	-5%	-17%	-26%
Healthcare	54	7%	-6%	-18%
Hospitality, Events, Guest Services, and Sales	16	-6%	-21%	-32%
Human Resources	13	-4%	-15%	-25%
Inclusivity and Equity	6	21%	9%	-3%
Information Technology	64	3%	-9%	-21%
Institutional Advancement	15	0%	-13%	-26%
Libraries and Museums	15	5%	-8%	-18%
Physicians	11	-10%	-23%	-31%
Police	10	25%	-4%	-9%
Police and Public Safety Services	13	12%	-5%	-22%
Research	17	-8%	-19%	-28%
Skilled Trades and Specialized Crafts	90	15%	-1%	-16%
Supply and Logistics	14	3%	-7%	-17%
Total	**657**	**1%**	**-12%**	**-24%**

These results were also expressed in the stakeholder focus groups, where participants noted (Exhibit 2):

- CSU pay for non-faculty represented staff is significantly below peers at other organizations.
- Employees indicated they were unable to live comfortably beyond basic needs, or live close to their workplace.
- Pay increases are unpredictable and infrequent — wages are not livable or competitive.
- The current IRP (in-range progression) process is inconsistent and usually denied due to funding constraints.
- Managers do not know when there will be pay increases.
- Managers are concerned about the ability to attract and retain critical talent given current wages.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

Exhibit 2: Stakeholder Feedback Results



Lack of Job Framework

During the study, Mercer observed that the CSU currently lacks a solid job framework. The current job classifications do not cover all functions and position hierarchy is not consistent across job groupings and bargaining units.

- **Current job family groupings:** the CSU currently has 117 job families, although some job families only contain one job. In most institutions, jobs are typically organized into 15 – 20 job family groups, which are further delineated into job families (typically four to seven per job family). The purpose of grouping jobs into job families is to provide clarity for employees about potential future career opportunities and provide consistent pay practices (e.g. market pricing practices). As such, typical job families will have multiple levels and span career streams (e.g. professional, support). Additionally, the CSU has classifications that are narrow and include one discipline while a number of other classifications are broad and include multiple distinct disciplines. An example of the latter issue is the Administrative Analyst/Specialist classification series, which includes the following distinct disciplines:
  - Compliance and risk management
  - Environmental health and safety
  - Facilities planning
  - Event and conference management
  - Guest services and sales
  - Advancement services
  - Alumni relations
  - Grant and contract administration

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

The variety of disciplines makes determining an equitable range of pay difficult. Market best practice is to organize jobs into job family groups and associated job families to provide a consistent framework for defining jobs across the institution.

- **Career tracks and levels:** Currently, the CSU has clearly defined levels within each classification series but does not have an institution-wide leveling structure. An institution-wide leveling structure would provide a solid foundation for transparent career pathing and talent mobility.

  Market best practice is to organize jobs into career streams (e.g., operational/support, professional, managerial, executive) and levels based on impact and scope of responsibility. Higher education institutions typically identify three to four para-professional levels and three to five institution-wide professional levels. However, not all job series require positions at every level.

These results were also represented in the stakeholder focus groups, where participants noted:
- Classifications are outdated and need to reflect differences in work performed at the CSU.
- Some classification series do not include all levels.
- Classification reviews need to occur more regularly.

Lack of Growth Potential and Pay Transparency

A CSU goal is to reward employees for a commitment to public service, with career growth opportunities and compensation that is commensurate with job responsibilities and time on the position. An updated job framework and administrative processes will allow employees and managers to more effectively navigate their careers.

Effective pay structures, as well as additional programmatic guidance and education on pay programs, will help to reduce the current frustrations surrounding the CSU's pay practices and programs.

Mercer validated the following, which were expressed during the stakeholder focus groups:
- The majority of employees stated the CSU does not have consistent processes for advancing pay.
- The majority of employees and managers stated that pay placement decisions are not consistently applied for new hires and promotions within the CSU.

Recommendations to Correct Current Compensation Program

Following qualitative and quantitative data gathering and analysis, Mercer provided the CSU with four key recommendations to correct issues with the current compensation program.

1. Achieve and Maintain Market Alignment

Mercer recommends that the CSU apply a consistent benchmarking methodology and establish regularly scheduled compensation reviews.

Compensation benchmarking is a process that matches internal jobs with market pay data or a salary survey to identify the market rate for each position. A compensation benchmarking methodology stipulates how an organization defines the market.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

The methodology would include a consistent application of survey sources and scopes, data weighting and adjustments, and segmentation aligned with the job framework. Additionally, the CSU would:

- Create new pay ranges targeting the midpoint of the pay range to the median of the market (exceptions for structures adjusted to comply with minimum wage laws)
- Localize pay ranges based on cost of salaries
- Regularly update its pay ranges to align with market data
- Conduct regular in-depth market reviews by job family every five years

To complete the benchmarking process for the study, the project team took the following steps:

- **Determined benchmark jobs and relevant markets**: The project team identified the jobs to be benchmarked and the appropriate markets for each job family group. Jobs were evaluated relative to markets where CSU would look for and lose talent. Some jobs competed more broadly across all industries, and some were specific to higher education.
- **Reviewed the CSU salary sources:** Selected various high-quality surveys sources that met established criteria: survey age, survey description consistency, data relevance, and survey statistic repeatability over time. Compensation data was collected and analyzed to develop an understanding of the amount of compensation paid for benchmark jobs. Survey sources and scopes are included below:

Higher Education	General Industry	Healthcare
Western Management Group - Educomp All Four-Year Public * California - All Institutions	**Mercer Benchmark** All Data *West Coast *Not-For-Profit	**Mercer - Healthcare Individual Contributors** All Data *West Coast
College and University Professional Association (CUPA) - Staff (1) Staff FTE-4th Quartile (>930) Public Institutions (2) All Bachelor, Master, and Doctoral Public Institutions	**WTW General Industry** Noncorporate	**WTW Health Care Middle Management, Professional and Support** Noncorporate
CompData Colleges and Universities National Data	**CompData Benchmark Pro** National Data *National Data -Nonprofit	**CompData Health Care** National Data
***Community College Survey**	**Western Management Group CompBase** All Data *California - All Institutions	**ECG Management Consultants** National Physicians - Clinic *State of California

** Reflects data scopes gathered but not included in the Benchmark Composite. Utilized for reference only.*
(1) & (2) Reflects order of priority. Scope two is only utilized in cases of limited data.

Survey and Scopes Utilized for select positions with limited data:	**Government of California-Cities** Utilized for Police
	Economic Research Institute All Industries *California State

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- **Matched jobs:** Matched CSU jobs to survey jobs based on content.
- **Chose segments and scopes:** Ensured data selected matched the targeted markets for each job family group. The project team identified the appropriate markets for each job family group. For most non-academic focused roles, market pricing composites applied consistent weighting of 50 percent higher education and 50 percent general industry. Data was gathered for the following scopes: higher education, general industry, public sector, with California or west coast location and used for reference and audit purposes.
- **Gathered compensation statistics:** Collected multiple data percentiles to understand the expected range for base salary and total compensation (to understand the competitive landscape, even though the CSU has limited incentives/bonuses).
- **Adjusted survey data**: Adjusted available survey data to account for differences between the CSU roles and the market data in responsibilities, level, unique competencies required, etc.
- **Aged compensation data:** Aged the data from various survey sources to a common point in time. All market data was aged to January 1, 2023, utilizing a 3.5 percent projected increase in salary movement for 2022.
- **Developed a market composite:** Combined the data from multiple survey sources into a single, blended number based on the relevance of each data source.
- **Analyzed market results**: Applied cost of labor differences (five regions) and evaluated the gap between employee pay and the localized external market.

2. Implement Step Salary Structures

Mercer designed two salary structure models: (1) Traditional Range Salary Structure; and (2) Step-Rate Salary Structure. Both structures were based on internally-calibrated job levels and external market-driven pay rates and included the establishment of:

- Bargaining Unit and/or Job Family Group specific pay grades and ranges;
- Salary minimum, midpoint, and maximum for each pay grade;
- Salary midpoints typically aligned with the external market pay rates at the median; and
- Each structure included five localized structures to accommodate the cost of salary differences across the State of California.

Both salary structures were based on, and support, the job framework created by Mercer, which includes additional job family groupings that are not currently in the CSU classifications.

Traditional Range Salary Structure

Mercer presented a traditional range salary structure that included:

- Typical range spreads of 50 percent to 60 percent (a range spread is the difference between the minimum and maximum of a salary range);
- Typical midpoint progressions between grades of eight percent to 15 percent (midpoint progression is the percent difference between the midpoint in a range and the midpoint of a range one level higher); and
- Initial placement in the range guided by time in the position.

Pros/Cons:

- This structure allows movement within a grade to recognize employee performance in the job and development of knowledge/skills/competencies.
- Also, this structure provides flexibility to accommodate pay placement of unique roles job classifications.
- Further, this structure introduces the risk of inconsistent application and inequities due to decentralized control.

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Step-Rate Salary Structure

Mercer presented a step-rate salary structure that included:

- Typical range spreads of 40 percent;
- Typical midpoint progressions between grades of eight to fifteen percent; and
- Placement in the range and progression through steps based on time in the position.

Pros/Cons:

- This structure provides clear policies and guidance to advance pay.
- Also, the step-rate option ensures movement of employees to market rates within five years.
- It also provides less flexibility to recognize performance and development of knowledge/skills/competencies.

Decision Points

Mercer and the project team recommend the step-rate salary structure after careful consideration of the following factors:

- Equitable and consistent pay decisions are primary concerns expressed by both leadership and employees;
- Step-Rate Salary Structure models are competitive within the California market and will ensure employee pay advancement toward market alignment within a predictable timeframe;
- Existing Salary Structures at the CSU require significant administrative expertise and consistent program application to achieve internally equitable and externally competitive pay; and
- Step-Rate Salary Structures would mirror the step structures currently in place for other public sector state employees whose employment is administered through the California Department of Human Resources.

Based on this decision, Mercer further refined the Step-Rate Salary Structure to include:

- Fifteen structures reflecting bargaining and/or job family unit-specific ranges and grades based on CSU job levels and corresponding market data;
- Fixed pay rate increases based on a pre-set schedule;
- Steps focused on tenure in the position;
- Five localized versions of each salary structure based on the cost of salaries;
- Nine steps per structure to move employees to the maximum rate within 15 years; and
- Larger percentage increases in initial salary steps to align employees with the market median in five years.

The recommended step-rate salary structure is designed to recognize tenure, functional expertise, localized cost of salary, and sustained performance.

3. Implement a Complete Job Framework

Mercer recommends that the CSU implement a complete job framework with updated functional groupings, aligned with work performed and a system-wide job leveling criteria. This includes:

- Revise the existing job framework to better align with the external market;
- Developing a CSU-wide leveling guide that accurately aligns the CSU to the external market;
- Updating select job classifications to reflect current work and skills; and
- Placing employees in appropriate job classifications and levels.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

A job framework organizes jobs into job family groups, job families, career tracks, and career levels. The framework is the basis for understanding unique roles, highlighting career opportunities where they exist, and providing guidance regarding future rewards, program assessment, and development. It creates consistencies and transparency in how jobs are organized and defined, providing confidence and an understanding of similarities and differences between jobs.

Job Framework Components

A job framework consists of several components:

- **Career track:** This is a career type within an organization, characterized by unique responsibilities, such as "management", "professional" and "operations/support." While a career track may align with natural career progression in some cases, it is not intended to dictate or delineate career progression.
- **Career level:** This delineates the hierarchical position of a job within a career track, which recognizes incremental changes in job scope and responsibilities and is consistent across job families.
- **Job family group:** This is a broad category of work/major professional areas that can be logically grouped together based on similar characteristics and required skills. Examples could include "Finance", "Information Technology" or "Human Resources."
- **Job family:** This is a cluster of jobs within a job family group with similar characteristics, disciplines, and functional areas. Most career development occurs within a job family. Examples of job families within the "Finance" job family group described above could include "Accounting" or "Fiscal Operations."
- **Job profile or job classification:** This is a specific role, characterized by a combination of job-specific requirements, career track, career level, job family group, and job family.

To review and develop recommendations for the CSU's job framework, Mercer:

- Reviewed job frameworks at other large universities;
- Reviewed the CSU census data with an emphasis on bargaining unit, classification title, working title, and department;
- Proposed new job family groups and job families at the employee level based on the census data criteria; and
- Revised recommendations to ensure better alignment within bargaining units.

4. Commitment to Ongoing Administration

Mercer recommends that the CSU commit to annual budget allocations to fund the step structures to purposefully and consistently move employee pay through established pay ranges. Additionally, the CSU should designate separate funding for exceptional job performance (merit) and job opportunities (e.g., promotion, reclassification, etc.) alongside the funding being allocated for step movement.

Regular salary increases are critical to:

- Attracting and retaining qualified talent to support the CSU's mission today and into the future;
- Recognizing length of time in the position and professional growth over time; and
- Recognizing employees' commitment to public service, contributions, and accomplishments.

Financial Implications

Mercer's calculations on the financial implications include investments to update the foundational elements of the CSU Compensation Program, as well as a commitment to maintain continued alignment with the market including:

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.

- Step-Rate Salary Structures aligned with the market median
    - An investment of $159,383,846 would be necessary in base salary adjustments. This assumes full implementation of the proposed step structures.
    - Calculations utilized employee data effective 1/21/2022, and it was adjusted assuming a four 4 percent general salary increase (GSI) in 2021-22 and a three percent GSI in 2022-23. This presupposes the CSU and all staff unions negotiate and agree to a compounded general salary increase for all represented staff. If agreements are less than these assumptions, the cost to align the salary structure with the market median will exceed $159.4 million. If agreements are more than, the cost to align the salary structure with the market median will decrease. As a result, the outcome of pending collective bargaining agreements will affect this cost calculation.
    - The total cost estimate was derived by assigning each employee to a salary structure based on their job family, a salary grade based on career stream and level, and a step based on position tenure. Each structure was designed to align to the market median utilizing market data benchmarks.

- Finalize Implementation of a Modernized Job Framework to accurately organize jobs into market-competitive functional disciplines and levels
    - An investment of $50,000,000 in base salary adjustments to create new job classifications and properly classify or reclassify current employees into the newly created job classifications and the corresponding job levels.
- Salary-related benefit increases
    - An investment of $77,472,023 to account for the effect of the recommended salary increases on salary-related benefits.
- Annual salary budget increases
    - The estimate of the ongoing cost for step progression is 2.03 percent per year.
    - In order to maintain the market competitiveness of the salary structures, Mercer recommends an additional salary structure increase aligned with market movement typically of at least one percent per year, which represents a total increase of 3.05 percent of base pay.

Together, the study's recommendations would cost an estimated $286,855,869 to implement, supported by ongoing funding. After initial implementation, ongoing costs to annually maintain market competitiveness and to sustain step progression would be in the tens of millions of dollars per year.

In closing, it should be noted that for every dollar invested by the state, the CSU generates $6.98 for California's economy. Additionally, CSU campuses have a substantial impact on their regional economies, supporting thousands of jobs and generating millions of dollars of state tax revenues. Importantly, this will allow CSU employees to better keep up with unprecedented cost of living increases, improve morale and quality of life, and could indeed be life-changing for some employees. The CSU's mission is in jeopardy if it is unable to recruit and retain qualified employees to serve its students and to advance the important role that the CSU plays within California's economy.

Note, the recommendations outlined in this report are proposed recommendations — funding from the California legislature and governor, along with implementation determined through the collective bargaining process, is required to implement any and all recommendations.