

# Eastern Washington University

## Compensation & Classification Study

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## Introduction

Eastern Washington University (EWU) contracted with Gallagher Benefit Services, Inc. (GBS) to conduct a comprehensive review of its employee compensation plan. Our Public Sector & Higher Education practice has been in business since 1981, serving clients in the public space with the utmost integrity, customer care, and delivery of strategic services focused on compensation and classification, strategic and operational people centric programs and services, and collaborative partnerships with public sector, non-profit, and higher education organizations.

## Classification Study

### Purpose of Study

This study was conducted to objectively examine the organization's job classifications to ensure alignment with the Fair Labor Standards Act (FLSA) regulations, internal equity, and the organization's operational needs. The project included the following processes:

- evaluate the current classification structure to determine accuracy and alignment with job duties.
- analyze whether classifications are compliant with FLSA standards (exempt vs. nonexempt).
- identify inconsistencies or discrepancies in job classification across the organization.
- determine appropriate classifications for existing roles based on job responsibilities, complexity, and level of authority; and
- recommend updated classification systems to improve job role clarity and equity.

### Project Activities

- **Initial planning and data collection**

Consultants collaborated with the EWU project team to define the scope, objectives, and key

priorities of the study. Comprehensive job data was collected, including job descriptions, organizational charts, and employee feedback, to establish a baseline for analysis.

- **Assess the current classification structure**

The consultants reviewed all existing classifications to determine whether roles were accurately categorized and compliant with applicable FLSA requirements. Each job was evaluated based on the salary basis, salary level, and duties tests to ensure proper classification.

- **Evaluate job responsibilities and internal alignment**

Job responsibilities, reporting structures, and the complexity of tasks were analyzed to confirm the alignment of positions within the classification structure. Special attention was given to positions with similar titles or duties to address potential discrepancies or inconsistencies.

- **Recommend updated classification systems**

A revised classification system was developed to provide consistent and logical role categorization. The updated system ensures compliance with FLSA standards, supports internal equity, and reflects the organization's operational and strategic goals.

- **Review a draft of findings and recommendations and deliver a final report**

Consultants presented a draft of the findings and recommendations to Eastern Washington University leaders for feedback. A final report, incorporating leadership input, was delivered to provide clear guidance on classification adjustments and long-term maintenance strategies.

## Summary of Classification Study Findings

Gallagher conducted a comprehensive review of the job documentation submitted by the EWU. These positions collectively represent 331 employees across various departments and functions within the organization. The primary goal of this review was to assess the accuracy of existing job classifications and ensure compliance with Fair Labor Standards Act (FLSA) requirements. This included analyzing whether positions were appropriately classified as exempt or nonexempt and identifying any discrepancies that could pose compliance risks.

## Key Findings

- **FLSA Classification Results**

The classification review did not identify any positions currently classified as exempt that should be reclassified as nonexempt based on the FLSA duties test, salary level test, or both.

- **Updated Classification Specifications**

The classification specifications were updated as part of this review to align with the actual responsibilities, qualifications, and reporting structures of the roles, ensuring they accurately reflect the duties performed by employees. Revisions also included standardizing formatting and terminology to support consistency across the organization's classification system. The updated classification specifications, along with a template for future revisions, have been provided to the project team separately from this document.

- **Improved Role Clarity**

The updated classification specifications provide clearer distinctions between roles, enhancing internal role clarity and alignment with organizational expectations. This clarity supports better employee understanding of their responsibilities and improved communication of role expectations to external stakeholders.

- **Compliance Assurance**

The review and updates to classification specifications ensure that the organization maintains compliance with FLSA regulations, reducing the risk of misclassification and associated penalties. Additionally, the process identified opportunities to strengthen administrative practices for ongoing maintenance of job classifications and descriptions.

## Next Steps

- **Final Review and Approval**

Review the updated classification specifications with the project team leadership for final approval and incorporate any additional feedback.

- **Ongoing Maintenance**

Develop a regular review process to ensure classification specifications remain current and compliant with evolving organizational needs and regulatory requirements.



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By addressing the findings of this classification study, EWU is better positioned to maintain FLSA compliance, enhance internal equity, and strengthen the alignment between job roles and organizational objectives.

## Compensation Study and Methodology

### Purpose of Study

This study was conducted to objectively examine the competitive job market and make recommendations for internally fair and externally competitive pay practices. The project included the following processes:

- evaluate competitive market prices for key benchmark jobs.
- determine whether employees are paid within an appropriate market range.
- determine whether jobs are placed correctly in the pay structure.
- build or align pay structures with the competitive job market.
- develop an affordable implementation plan with recommended pay adjustments; and
- review and recommend administrative guidelines for managing pay systems.

### Project Activities

The following tasks were completed during the study.

- **Initial planning and data collection**  
Consultants conferred with the EWU work team to ensure a clear understanding of the concerns and objectives for the study. Pay data collected on personnel employed at the start of the project was used for modeling proposed pay plans and costs.
- **Assess competitive pay levels for common jobs**  
The competitive job market group was discussed and agreed upon by EWU. Consultants analyzed market data to determine where EWU is at risk and identify jobs that may need to be adjusted to stay competitive with the external market.
- **Build or align pay range structures**  
A new pay structure was designed to provide competitive pay ranges and internal pay system controls.
- **Design implementation plan with recommended pay adjustments**
- **Review a draft of findings and recommendations and deliver a final report**

Consultants met with EWU leaders to review the initial draft of findings and recommendations.

## Data Sources

### CUPA Survey

19 organizations were identified as comparable peer organizations. That data was utilized to make market comparisons for like jobs at EWU.

Peer Organizations	
Central Washington University	Central Connecticut State University
Coastal Carolina University	University of Michigan-Dearborn
Metropolitan State University of Denver	University of Northern Iowa
Southern Utah University	College of Charleston
Troy University	University of Wisconsin-Eau Claire
University of Alaska Anchorage	Northern Michigan University
University of Central Missouri	The Evergreen State College
University of Central Oklahoma	
University of North Georgia	
Western Washington University	
Youngstown State University	
Bridgewater State University	

### Published Sources

- CompData
- CUPA
- Mercer
- Willis Towers Watson
- Economic Research Institute

## Survey Methodology: Data Collection

Various data cuts were collected from the above survey sources based on type of organization, size, geographic location, and services provided. Gallagher consultants matched only those jobs that reflected at least 80 percent of the duties as outlined in the benchmark summaries. Once peer data was



collected, if there were any questions about job matching, Gallagher referenced job descriptions, organizational charts and other information to verify that the match was valid. Gallagher conducted quality assurance on the data collected for additional position matches for all peer organizations. Data leveraged was the most recent available information through published survey sources. Gallagher follows the U.S. Department of Justice and Federal Trade Commission guidelines that state five job matches should exist to conduct statistical analyses or drawing conclusions.

### **Survey Methodology: Quality Assurance**

Gallagher performed several reviews of the data to identify any outlier data and to ensure validity and reliability of the data. Through a statistical analysis, any salary figures that were considered extreme in relation to all other salary figures were excluded. Various statistics were calculated (25th, 50th, & 75th percentiles) in analyzing the data. Once the analysis and report was completed, it was submitted internally through Gallagher's quality control process for review before it was submitted to EWU.

### **Survey Methodology: Aging**

All data were trended forward to 7/01/2025 to be more effective for a current point in time. All data were aged using salary budget and salary structure trending factors from the *WorldatWork* salary trend survey:

- **3.0% percent** base salary increase
- **2.0 % percent** salary structure adjustment

### **Survey Methodology: Geographic Differentials**

Applying geographic differentials is a sound compensation practice to normalize data obtained from various locations. This results in more precise figures for use in analyzing and setting pay. Just as data are trended forward to be more effective for a current point in time, data should be adjusted to reflect cost of labor differences between geographic areas. Gallagher used geographic differential data, obtained from Economic Research Institute, to normalize salary data to the equivalent cost of labor for Spokane, Washington.

## Cost of Labor vs Cost of Living

The difference between the cost of labor and cost of living can mean many different things to many people. In total rewards, it is important to address how the cost of labor and cost of living are applied in our profession and business.

In compensation analysis, the cost of labor is preferred over the cost of living because it directly reflects the market rates for hiring and retaining employees in a specific geographic location. The cost of labor is determined by the supply and demand for labor across various industries and occupations, making it a more accurate measure of what employers need to pay to attract and retain talent. This ensures that compensation packages are competitive and aligned with the external labor market's pay practices.

On the other hand, the cost of living measures the expenses required to maintain a certain standard of living, including housing, transportation, and other consumables. While this is useful for understanding the overall affordability of a location, it does not directly correlate with the wages employers need to offer to remain competitive in the job market.

## Benchmarking

When benchmarking jobs to the market, it's important to distinguish between **benchmarking actual pay** and **benchmarking your organization's structure** because they serve different purposes and provide unique insights that inform compensation strategies and decision-making.

### Benchmarking Actual Pay

This process involves comparing the organization's current pay levels for specific roles to market data for similar positions. The primary goal is to understand how competitive the organization's salaries are in relation to the external labor market.

- **Purpose:** To ensure individual pay rates are aligned with market standards and support talent attraction and retention efforts.
- **Why Do This?** It helps identify whether employees are paid fairly and competitively, preventing underpayment (which could lead to turnover) or overpayment (which could strain financial resources).

- **Use Case:** Adjusting pay for specific roles, addressing pay equity issues, or making targeted market adjustments.

## Summary of Findings

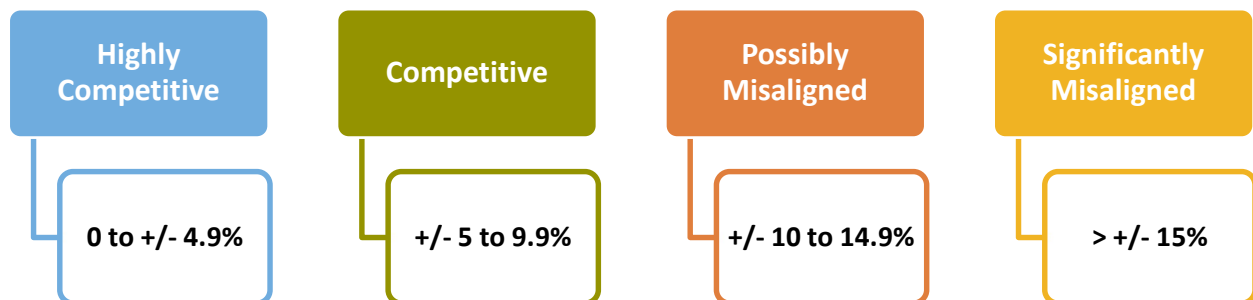
### Evaluation of Current Structure

EWU currently has two separate pay structures – PSE and Administrative. The PSE pay structure consists of 22 pay grades (100PS-121PS). The midpoint progressions range from 5.7 percent to 7.1 percent, while the pay range spreads range from approximately 40 percent wide. The Administrative pay structure consists of 22 pay grades (100AE-121AE). The midpoint progressions range from 5.7 percent to 7.1 percent, while the pay range spreads range from approximately 40 percent wide to 70 percent wide.

When evaluating current employee pay for all employees compared to current pay structure midpoints, employees are earning, on average, 5 percent below midpoint.

### Employee Pay

The following guidelines are used to determine the competitive nature of current compensation.



Of the original 180 benchmark jobs, market data was identified for 79 jobs. No market data was readily available for 1 position.

On average, benchmark positions are paid 10 percent above market 25<sup>th</sup> percentile, 3 percent below the market median, and 15 percent below market 75<sup>th</sup> percentile. When focusing on pay compared to market median, 16 positions are earning more than 15 percent above market median, 108 positions are earning within 15 percent of market median, and 16 positions are earning more than 15 percent below market median. It should be noted that for single incumbent, or very low incumbent positions, individual experience, performance, skills, and unique job responsibilities impact market matches more

significantly than for multi-incumbent job titles. Of the 16 positions earning more than 15 percent below market median, 15 have 3 or fewer current incumbents.

The table below provides a comprehensive summary of the comparison between the EWU's actual salary information and market data for all benchmark positions. As expected, the results reflect a mix of jobs that are below market, aligned with market levels, and above market, illustrating the natural variation in how specific roles compare to external benchmarks.

## Recommendations

### Recommendation 1

Adopt the proposed pay structures to improve market competitiveness.

Gallagher recommends that Eastern Washington University apply a 2% market trend adjustment to the current salary structure to reflect general labor market movement. In addition, we propose realigning individual positions within the updated structure based on external market benchmarks and internal equity through a structured slotting approach.

- The structure strategically groups positions by market value and compensable factors - skill, effort, and responsibility - into defined pay grades.
- Each grade includes minimum, midpoint, and maximum salary values, ensuring a structured and equitable compensation framework.

### Recommendation 2

Implement salary adjustments to improve internal equity and market competitiveness.

- Bring pay for all employees to at least the minimum of their proposed pay range.

### Recommendation 3

Improve pay equity and budget management by implementing strong pay discipline for employees paid above the maximum of their assigned pay grade.

- Maintain salaries for employees paid at or above the base salary maximum without continuing to increase base pay beyond the maximum of the assigned pay range.
- Employers can consider providing the equivalent of the general pay increase as a one-time payment to employees whose pay rates are above the maximum of their range. This will communicate value to the employees while honoring the range maximum but likely would not

be considered creditable compensation for retirement purposes. Such a payment also would need to be factored into overtime pay calculations for nonexempt employees.

- Freezing pay for employees without advanced warning can lead to employee morale issues and turnover. Consider providing written notification to affected employees in advance of freezing base pay.

#### **Recommendation 4**

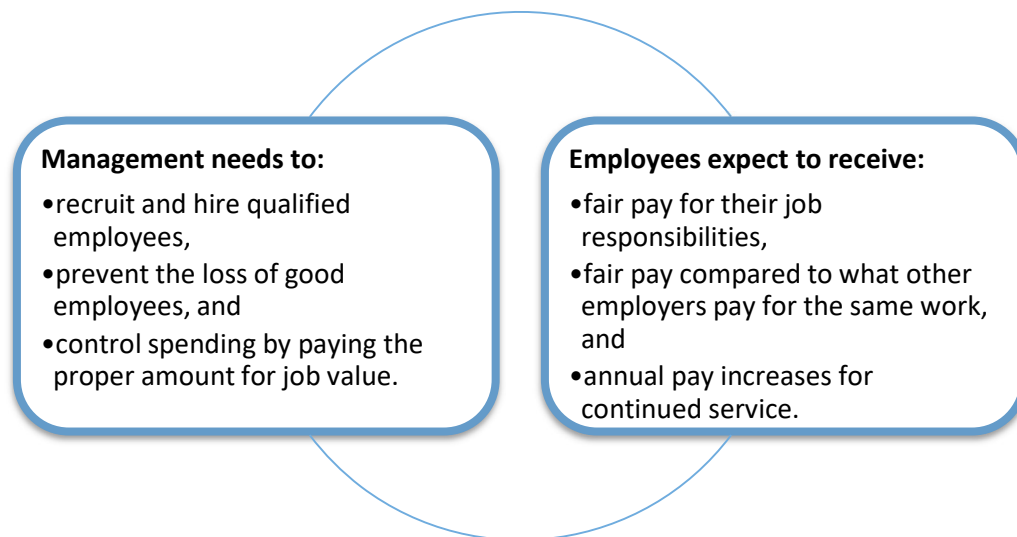
Adopt a market-based approach to pay planning and annually review the compensation plan and update as needed to maintain market competitiveness.

- Grant pay adjustments based on available revenue each year, according to market trends.
- Review the pay structures annually and adjust as needed to maintain a competitive position in the local market. Best practice is to adjust the salary structure half of the pay increase granted annually to allow employee pay to move at a faster rate than the pay range movement.

## Understanding Pay Systems

### Objectives of Pay Systems

All organizations have everyday management needs and employee expectations that must be translated into pay practices. An effective pay system should address the organization's needs and its employees' expectations.



### Basic Pay System Elements

#### Job Families

A job family includes jobs that share common characteristics and are grouped into a common pay structure. These characteristics include the type of work performed, the competitive job market, potential career paths for employees, and state and federal laws regulating wages and salaries.

#### Pay Grades

Compensable job factors such as skill, effort, and responsibility serve as the basis for assigning jobs to different pay levels to achieve internal pay equity among employees. The greater the degree of skill, effort, and responsibility required by a job, the higher the level of pay. Jobs that have similar value and are grouped into the same range of pay are assigned or classified to pay grades.

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**Job Pricing**

While objective job evaluation and classification contributes to internal pay equity, job pricing contributes to external pay equity. Job pricing uses data collected from salary and wage surveys of other employers to determine the external market value of benchmark jobs. This data is used to set pay ranges that are competitive with the external job market. Because jobs have been analyzed and classified into groups of similar value, job pricing does not require a survey match for each unique job.

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**Job Market**

Job markets may be different for different employee groups. By definition, a job market represents the employers that an organization typically competes with to attract and retain employees. Professional employees may be recruited from a larger geographic area than paraprofessional or auxiliary employees. Schools may be the only competitors for instructional positions while other types of businesses may be competitors for business or technology jobs. For this reason, different job markets and survey sources may be used to accurately assess the true competitive job market.

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**Pay Structure**

The pay structure itself is the key management tool that provides control over an organization's competitive position in the marketplace and internal pay equity among all employees. Designing the pay structure involves setting the proper control points (midpoint, minimum, and maximum rates of pay) for each pay grade and ensuring that appropriate pay differentials between pay grade levels are established.

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Issues that must be considered and balanced in the design of pay structures include:

- positioning the organization competitively,
- impact on current pay practices,
- adequate pay differentials for higher levels of job responsibility,
- internal consistency and rationality, and
- controlled variance within each pay range.

## **Compensation Philosophy**

A compensation philosophy is simply a formal statement documenting the organization's position about employee compensation. It explains the "why" behind employee pay and creates a framework for consistency. Key Components to include, but are not limited to the following:

### **Market Competitiveness**

Commitment to offer total compensation packages that are competitive with those offered by similar organizations within the market and sector. By targeting the median of the market, organizations aim to balance competitiveness with fiscal responsibility.

### **Internal Equity**

Strive to maintain a balanced and fair compensation system that recognizes the value and contributions of each position while promoting a sense of internal equity amongst staff.

### **Career Progression**

Tie compensation to career progression. Develop clear paths for advancement within the organization and ensure that pay increases are associated with increased responsibilities and skills development.

### **Market Research and Continuous Improvement**

Continuously monitor the job market and industry trends to ensure the organization's compensation packages remain relevant, competitive, and aligned with organizational objectives and commit to regularly reviewing and adjusting compensation philosophy and practices accordingly. This is accomplished by regularly benchmarking salaries and benefits against industry standards.

### **Legally Compliant**

Adhere to all applicable laws and regulations governing compensation and dedicated to managing resources wisely to ensure the long-term financial stability of the organization.

### **Why is having a compensation philosophy important?**

- Helps support business strategy
- Aids in attracting top talent (Market competitiveness/Position)
- Increases employee engagement and motivation
- Ensures fairness and equity
- Increases retention and talent development (Career growth/Progression)
- Helps manage labor cost



- Ensures legal and regulatory compliance
- Promotes transparency and communication

### **Implementation and Administration**

Current employees may be paid outside the recommended pay ranges initially. Decisions must be made during this transition period about how to deal with employees who are paid outside the pay range for their position. If employees are paid below the minimum rate of their pay range, additional adjustments should be provided to increase their pay to at least the minimum rate of pay. If employees are paid above the maximum of the pay range, they are left outside the range. No employee's pay should be reduced in this event.

Employees advance in pay through annual pay adjustments and tied to budget planning. These management decisions are based on current economic conditions, including projected revenues and market competition.

### **Long-Term Salary Administration**

For any pay plan to meet its intended goals on a long-term basis, it must be updated regularly and administered properly. Salary administration involves four primary activities requiring administrative decisions:

- adjusting pay ranges for job market changes and general economic inflation,
- budgeting for annual salary increases for employees,
- placing new employees in the system, and
- calculating special increases for promotions or other job changes.

### **Pay System Management**

The recommendations provided help ensure a market-competitive and equitable system for the organization. However, pay systems are dynamic and are impacted by numerous factors. To maintain a competitive and equitable system, the organization must work to manage its pay system over time. The following are recommendations to aid in this endeavor:

