

SALARY COMPRESSION AND SALARY INVERSION

Section: Human Resources (HR)
Subject: Compensation and Benefits

Legislation:
Effective: March 27, 2018
Revision:

APPROVED: _____
President and CEO

POLICY

The policy of the Board of Governors is to apply the principles of fairness, consistency and equity in establishing, setting and administering SAIT's total compensation, with due regard for the need to compete in the external labour market, subject to the availability of financial resources. SAIT strives to balance the need to maintain internal salary equity with the need to compete, so that salary compression and salary inversion does not occur.

PROCEDURE**DEFINITIONS**

- Employee** A person employed on SAIT's payroll, whether paid by annual salary or hourly wage.
- Executive** SAIT's president and CEO and SAIT's vice presidents.
- Exempt position** An employee not covered by a collective agreement. This includes management and individual contributors.
- Salary compression** A situation where there is an inappropriate pay differential between a subordinate and the supervisor's base salary, or between employees in the same position, or between employees in lower-level positions and higher-level positions.
- Salary inversion** A situation where a subordinate has a base salary which is inappropriately higher than the subordinate's supervisor,

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where a new employee is paid more than a more experienced employee in the same position, or where an employee in a lower level position is paid more than an employee in a higher position.

GOVERNING PRINCIPLES

1. This procedure applies to all exempt SAIT employees as defined above.
2. SAIT approaches compensation based on qualifications, skills and demonstrated abilities. Compensation is assessed on an individual basis, allowing internal equity, market pressures and fair market value to influence rates.
3. In order to attract and retain the most suitable individuals for exempt positions, SAIT must ensure that the base salary compensation it provides to its employees does not create inappropriate salary compression or salary inversion situations.
4. SAIT approaches all salary compression and salary inversion situations consistently, and reviews each situation on a case-by-case basis. The application of salary administration practices may vary depending upon the specific situation, but reasonableness and fairness guides all decisions that SAIT makes and all actions that SAIT takes.
5. The Executive Committee of SAIT's Board of Governors will determine total compensation for all executive positions.
6. SAIT's president and CEO or delegate will determine total compensation for all exempt positions.

PROCEDURE

1. The Employee Services Department will confirm that an employee is in, or is going into, the correct position and that the position is appropriately classified based upon the duties identified in the position description. Employee Services will:
 - a) Review the existing position description for accuracy.
 - b) Have the position description updated as required.
 - c) Review and assess the existing position classification to ensure it is correct.
 - d) Facilitate the classification review process.

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2. Employee Services will prepare salary recommendations to address new hires and to address instances of salary compression and inversion for existing employees.
3. SAIT will maintain internal salary equity among existing SAIT employees unless it can be demonstrated that:
 - a) There is reasonable justification for internal salary inequity, as set out in paragraph 7 of this procedure; and
 - b) A plan to achieve internal salary equity in the future will be developed.
4. To avoid a salary compression or salary inversion situation:
 - a) A supervisor or other employee is eligible (subject to the required approvals and the exceptions set out in paragraph 7 of this procedure) to have their base salary adjusted within the existing salary band to a level that is at least 5% greater than the base salary (or corresponding hourly rate) of their highest paid subordinate, or
 - b) The supervisor's existing salary band may be maintained and the supervisor's salary adjusted to be over-range on a temporary basis.
5. If the positions of a supervisor and subordinate have different annual working hours, the supervisor's hourly base pay rate should be at least 5% greater than the subordinate's hourly base pay rate. This approach will also be taken in situations where a salary compression or salary inversion situation has been confirmed between the incumbents in other positions where there is a non-supervisory/subordinate relationship.
6. If the salary range maximum level for the supervisor's position is less than the subordinate's salary range maximum plus 5%, consideration may be given to adjusting the supervisor's current salary band to the next highest salary band in order that the supervisor's salary may be adjusted in-range. Such an adjustment may be initiated on either a temporary or a permanent basis.
7. From time to time, salary compression and/or salary inversion is reasonable. The following scenarios will be considered before a salary compression or salary inversion situation is created, or the need to address one is contemplated:
 - a) Hiring an external candidate over-range or promoting an internal candidate over-range is deemed necessary due to:
 - i) The high quality of the pool of available candidates who had applied in the open competition through which the position is being filled, and/or
 - ii) The current market rates (identified through formal salary surveys) that the position being filled is commanding.

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- b) The new hire or existing SAIT employee possesses highly specialized skills or advanced technical working knowledge, and there is a very small pool of individuals in the market with the ability to capably perform the position's required duties.
- c) The supervisor has been placed into the position on a "developmental assignment" basis and is not yet at a point where the supervisor is fully carrying out the role's responsibilities.
- d) The incumbent was placed into the position on an acting, secondment or cover-off capacity that has a set duration and after which the incumbent will return to the incumbent's base position.
- e) The subordinate was placed into the position on a "temporary promotion" basis and the corresponding salary adjustment has resulted in a salary compression or salary inversion situation that will end when the temporary promotion has expired.
- f) The incumbent's salary has been placed over the top of the classification range and the salary compression or salary inversion situation will naturally be resolved in time.
- g) Performance management issues are being addressed with the incumbent.
- h) The salary level of an incumbent's position is being reviewed as part of a broader salary review of related positions.
- i) A market compensation survey is being undertaken to determine/confirm the position's appropriate pay level and range.
- j) The position's classification level is being reviewed either individually or as part of a broader position classification review.
- k) The classification level and salary of the highest paid subordinate or existing incumbent is being maintained at an exceptional level as a result of special approved circumstances.
- l) The implementation of salary freezes and/or wage restrictions enacted by the Government of Alberta limits or eliminates SAIT's ability to address the salary compression or salary inversion situation.
- m) Other internal equity considerations exist within a school/department that must be taken into account.

POLICY/PROCEDURE REFERENCE

HR.1.2	Compensation policy
HR.1.2.1	Acting Incumbency procedure
HR.1.2.2	Overtime Authorization procedure
HR.1.2.4	Over and Under Payment of Salary procedure

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