

Competitive Compensation Analysis Budget Committee Meeting Review

For the



Prepared by



Titan

ARTHUR J. GALLAGHER & CO.

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Background and Project Overview

Gallagher Benefit Services, Inc., was engaged by Charlottesville City Schools (CCS) to review the compensation program for teachers.

This report summarizes our findings with respect to the following project deliverables:

- Review data from salary reports created by CCS.
- Review any additional data provided by CCS which would potentially include turnover analysis, teacher applicant data or any other relevant information which would be useful.
- Facilitate teacher and administrator focus groups to gather data on environmental and pay perceptions.
- Define competitive best practices to include:
 - o Gather external compensation data from about twelve (12) other talent competitor localities. This would include base pay and additional compensation/incentives for special duties and present as best practices for teacher pay.
 - o Research potentially viable special pay scales or differentials.
 - o Gather other pay enhancement mechanisms (e.g. increasing daily rates for increased responsibility and changing the number of contract days).
 - o Gather best practice norms for handling compression and progression.
- Draft report for review and final presentation in person.

- As requested, a market evaluation of eleven (11) non-teacher jobs (in particular IT jobs) are included in the project.

Gallagher summarized the findings of the interview process and supplemental pay data and provided that summary to CCS under separate cover.

Focus Groups

The focus group and Administrator meetings input has been invaluable. Common themes heard in these meetings are listed below.

- Across the country the profession is “undervalued”, leading to low pay overall, so teachers experienced the same difficulty in any high cost of living environment.
- It’s not just about pay – independence, class size and working in a quality division is a competitive advantage for CCS.
- Pay for other activities, duties and responsibilities is an important factor for teachers and is a way to shape participation and align pay with the market.

External Factors

Several external factors were identified that impact CCS:

- Division recession-driven budgets
- Recovering economy adds inflation to many elements of living
- “Hot” housing market exacerbates the issue of “affordability” of housing in the City
- Healthcare costs are rising and those costs are transferring to teachers
- New graduates can choose professions in other industries with their degree

Previously Adopted Competitive Market

27 Districts have been used by CCS in the past to determine the competitive market for CCS:

Proximity	Top of Market (NOVA)	Similar Programmatically
Albemarle	City of Alexandria	City of Chesapeake
Augusta	Arlington	Chesterfield
Fluvanna	Fairfax	Hanover
Greene	City of Falls Church	City of Harrisonburg
Louisa	Fauquier	Henrico
City of Lynchburg	City of Fredericksburg	City of Roanoke
Nelson	Loudoun	City of Virginia Beach
Orange	City of Manassas	
City of Staunton	City of Manassas Park	
	Prince William	
	Spotsylvania	

At the last review performed by CCS, CCS is in the 2nd quartile of the competitor ranking at each of the comparison steps except step 25 in the teacher pay scale.

New Approach

After considerable discussion, it was decided that a different set of comparators was needed. This new set is far more targeted, reflecting the “employment brand” and the desired candidates for teaching jobs in the CCS Division. Variables that affect comparisons include:

- Pay Philosophy
- Division Quality
- Definition of a work year in number of days
- Cost of living differences
- Cost of labor differences

Updated Philosophy:

These factors led to the following updated statement of the compensation philosophy governing pay comparisons to other Divisions.

- Compare to school divisions that are close in proximity, in an urban setting, and similar programmatically
- Control for days worked
- Control for cost of living
- Define cost of labor differences
- Index CCS to the median and 75th percentile of the comparators
- Use Master’s degree as the primary reference group

The following list of comparators, shown in Table 1, below, emerged as relevant for CCS and for use in this study. Note the key demographics which provided the information that led to the inclusion of the comparator Division in the group. Table 2, following Table 1, shows additional differences across the comparator Divisions, including cost of labor.

Table 1
Key Demographics of the Comparison Group

School	Enrollment	Operating Budget	On-time graduation rate*	Percent who go on to college*	Teacher education level- MA*	Teacher education level- BA*	Teacher education level- Doctorate*	Relative Ranking*
Charlottesville	4356	\$51,330,604	80%	72%	63%	34%	2%	6
Albemarle	13,737	\$172,700,000	95%	78%	59%	38%	2%	3
Arlington	26414	\$581,941,859	91%	84%	71%	26%	2%	1
Alexandria	14,216	\$253,400,000	74%	78%	73%	23%	3%	11
Chesterfield	59,725	\$597,422,700	88%	72%	52%	46%	1%	20
Chesapeake	39,707	\$440,716,372	88%	76%	60%	35%	4%	12
Fredericksburg	3,583	\$43,741,000	85%	69%	56%	41%	2%	44
Harrisonburg	5,633	\$70,471,066	87%	68%	53%	44%	2%	15
Henrico	50,971	\$469,907,245	87%	72%	59%	38%	2%	9
Lynchburg	8,600	\$95,324,667	86%	66%	47%	50%	2%	43
Manassas	7,476	\$116,787,191	74%	60%	60%	35%	4%	35
Richmond	23,957	\$292,240,526	68%	54%	53%	43%	3%	N/A
Virginia Beach	70,121	\$701,650,964	91%	73%	52%	45%	2%	14

*Source – Niche (<https://www.niche.com>)

Table 2
Additional Key Demographics of the Comparison Group

School District	Cost of Labor*	Cost of Living Difference*	Median Household Income	Median House Value	Median Rent
Charlottesville	1.00	1.00	\$49,775	\$276,400	\$1,500
Albemarle	1.00	1.00	\$68,449	\$309,100	\$1,500
Arlington	1.20	1.40	\$105,120	\$649,400	\$2,913
Alexandria	1.20	1.50	\$87,319	\$524,200	\$2,195
Chesterfield	0.88	1.03	\$72,514	\$243,300	\$1,536
Chesapeake	1.00	1.00	\$70,176	\$250,800	\$1,594
Fredericksburg	1.20	1.05	\$49,454	\$256,100	\$1,575
Harrisonburg	0.97	0.90	\$38,807	\$249,900	\$1,250
Henrico	1.04	0.98	\$41,331	\$220,800	\$1,404
Lynchburg	0.97	0.91	\$39,391	\$140,800	\$1,019
Manassas	1.20	1.16	\$71,215	\$329,300	\$1,750
Richmond	1.04	0.98	\$41,331	\$210,300	\$1,300
Virginia Beach	1.01	1.10	\$67,001	\$261,300	\$1,400

**Source: Economic Research Institute averages for each Division’s geographic area.*

Days Worked

Yet another key factor of relevance to the calibration of the pay data is to ensure that there is work equivalence. The number of days worked for the salary provided was gathered and is noted here in Table 3. Differences from CCS was factored into the calculations.

Table 3
Days Worked

School District	Days Worked
Charlottesville	200
Albemarle	200
Arlington	200
Alexandria	207
Chesterfield	200
Chesapeake	200
Fredericksburg	200
Harrisonburg	200
Henrico	209
Lynchburg	200
Manassas	200
Richmond	200
Virginia Beach	200

Division Cost of Labor – Comparison against Median Rates

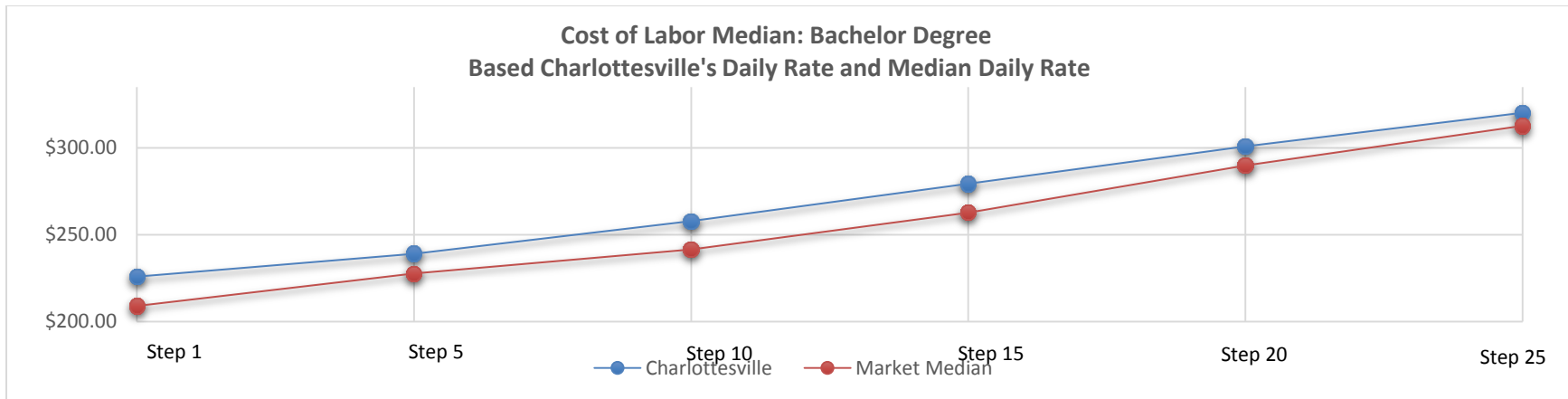
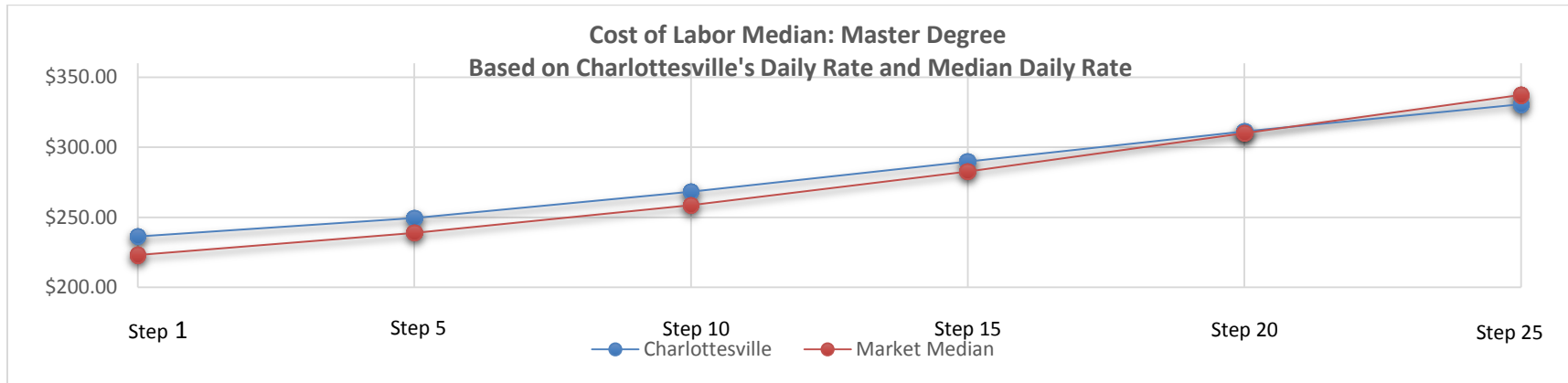
Once the daily rates were calculated for all of the Districts, Gallagher was able to determine a market median rate for each of the steps for both Master’s and Bachelor’s degrees. Table 4 compares CCS daily rates against the median daily rates for each step for both Master’s and Bachelor’s degrees. The middle columns show the difference rates between CCS and the median. The two right columns show where CCS’ rate stands against the market median as a percent. The data is also shown in graphic format in Figure 1.

Table 4
Cost of Labor with Median Daily Rate Adjusted for Days vs. Charlottesville

Rates for Master Degree						
Steps	Market Median Daily Rate	Charlottesville Daily Rate	Daily Difference (Charlottesville-Median)	Daily Difference Annualized	Salary as % of Market Base 50th (Median)	Charlottesville's Daily Rate as % of Median
Step 1	\$223.16	\$236.39	\$13.23	\$2,645.14	105.93	5.93
Step 5	\$239.00	\$249.59	\$10.59	\$2,117.29	104.43	4.43
Step 10	\$258.80	\$268.32	\$9.52	\$1,903.13	103.68	3.68
Step 15	\$282.74	\$289.88	\$7.14	\$1,427.67	102.52	2.52
Step 20	\$310.16	\$311.44	\$1.28	\$255.52	100.41	0.41
Step 25	\$337.39	\$330.71	(\$6.68)	(\$1,336.48)	98.02	(1.98)

Rates for Bachelor Degree						
Steps	Market Median	Charlottesville	Daily Difference (Charlottesville-Median)	Daily Difference Annualized	Salary as % of Market Base 50th (Median)	Charlottesville's Daily Rate as % of Median
Step 1	\$208.93	\$225.81	\$16.88	\$3,375.78	108.08	8.08
Step 5	\$227.57	\$239.01	\$11.44	\$2,287.09	105.03	5.03
Step 10	\$241.39	\$257.74	\$16.35	\$3,270.62	106.77	6.77
Step 15	\$262.64	\$279.30	\$16.65	\$3,330.83	106.34	6.34
Step 20	\$289.83	\$300.86	\$11.03	\$2,206.00	103.81	3.81
Step 25	\$312.61	\$320.13	\$7.52	\$1,504.33	102.41	2.41

Figure 1
Cost of Labor with Median Daily Rate Adjusted for Days vs. Charlottesville



Cost of Labor - Median Learnings

When reviewing CCS daily rates against a median of the comparison group, the main area that CCS falls behind is at steps 20 and 25 for those teachers with Master's degrees. As Figure 1, above, illustrates, those steps below step 25 for Master's Degree, CCS is competitive to slightly above. For all levels at the Bachelor's Degree, CCS is slightly above market.

Division Cost of Labor – Comparison against 75th Percentile Rates

Because CCS wants to be a leader in teacher pay, we used the daily rates established previously and calculated the 75th percentile against the comparison groups. Table 5 compares CCS daily rates against the 75th percentile daily rates for each step for both Master's and Bachelor's degrees. The middle columns show the difference rates between CCS and the 75th percentile. The two right columns show where CCS' rate stands against the market 75th percentile as a percent. The data is also shown in graphic format in Figure 2.

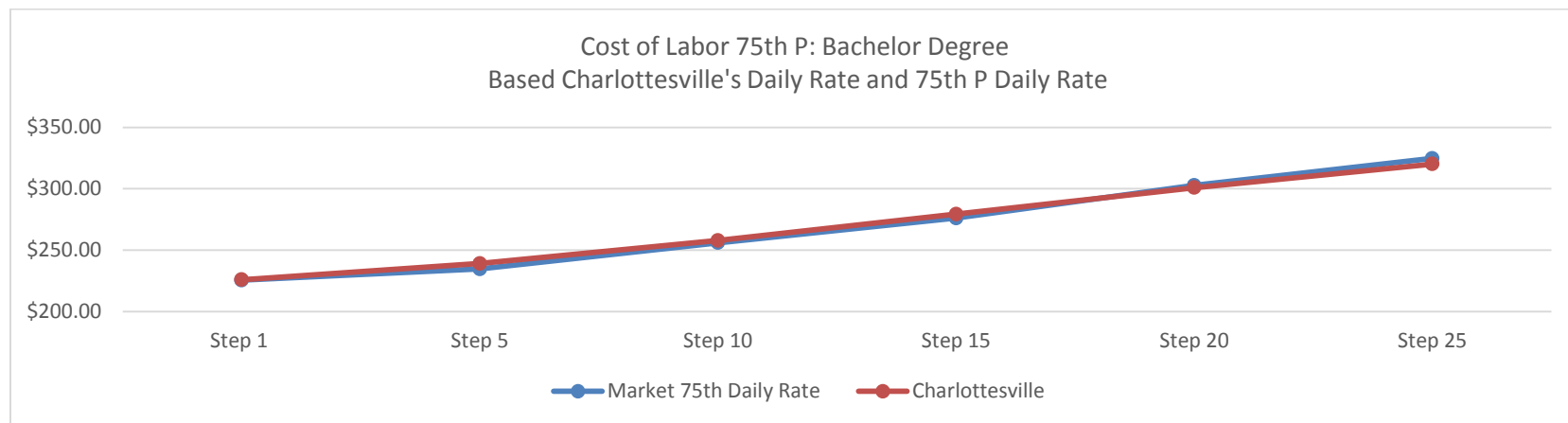
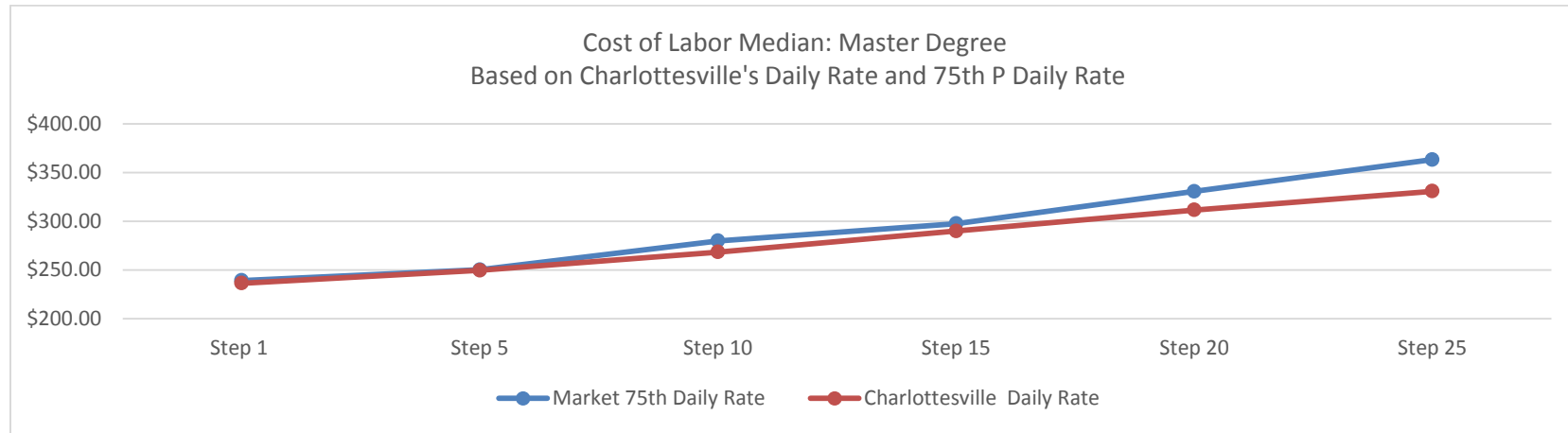
Table 5

Cost of Labor with 75th P Daily Rate Adjusted for Days vs. Charlottesville

Rates for Master Degree						
Steps	Market 75th Daily Rate	Charlottesville Daily Rate	Daily Difference (Charlottesville-Median)	Daily Difference Annualized	Salary as % of Market Base 75th P	Charlottesville's Daily Rate as % of 75th P
Step 1	\$239.15	\$236.39	(\$2.76)	(\$552.57)	98.84	(1.16)
Step 5	\$250.10	\$249.59	(\$0.52)	(\$103.42)	99.79	(0.21)
Step 10	\$279.77	\$268.32	(\$11.45)	(\$2,290.60)	95.91	(4.09)
Step 15	\$297.50	\$289.88	(\$7.63)	(\$1,525.15)	97.44	(2.56)
Step 20	\$330.60	\$311.44	(\$19.16)	(\$3,831.79)	94.20	(5.80)
Step 25	\$363.16	\$330.71	(\$32.45)	(\$6,489.04)	91.07	(8.93)

Rates for Bachelor Degree						
Steps	Market 75th Daily Rate	Charlottesville	Daily Difference (Charlottesville-Median)	Daily Difference Annualized	Salary as % of Market Base 75th P	Charlottesville's Daily Rate as % of 75th P
Step 1	\$225.47	\$225.81	\$0.33	\$66.13	100.15	0.15
Step 5	\$234.60	\$239.01	\$4.40	\$880.48	101.88	1.88
Step 10	\$255.98	\$257.74	\$1.76	\$352.83	100.69	0.69
Step 15	\$276.12	\$279.30	\$3.18	\$635.77	101.15	1.15
Step 20	\$302.72	\$300.86	(\$1.86)	(\$371.75)	99.39	(0.61)
Step 25	\$324.70	\$320.13	(\$4.57)	(\$913.97)	98.59	(1.41)

Figure 2
Cost of Labor with 75th P Daily Rate Adjusted for Days vs. Charlottesville



Cost of Labor – 75th Percentile Learnings

When reviewing CCS daily rates against the 75th percentile of the comparison group, the main area that CCS falls behind is at steps 20 and 25 for those teachers with Bachelor’s degrees. As Figure 4, above, illustrates, CCS starts to fall behind the 75th percentile of the comparison group beginning with step 5 for teachers with Master’s degrees. The distance between CCS and the 75th percentile daily rates becomes larger as the steps increase.

Competitive Market for Teachers

School districts are not the only competition for new teachers. New graduates have other alternatives depending on the college degree that was earned. See Tables 6 and 7 below for typical rates for new graduates with various degrees. Table 7 was sourced from multiple sources, so there is some overlap (example Math and STEM). Depending on the source, there may have been a combination of degrees. For example, Humanities includes History as well as other majors included in the humanities degree.

Table 6
U.S. National Average Pay by Degree (2017*)

Degree	Average Pay
BA/BS	\$52,800
MA/MS	\$72,820

*Source: Bureau of Labor Statistics, 2015, updated for inflation

Table 7
Virginia Average Pay by Degree Type (2017*)

BA/BS Degree Level Job	Early Career Salary
Math	\$60,155
STEM	\$58,457
History	\$42,114
Educator/Humanities	\$41,455
Political Science	\$62,533
Languages	\$44,820
English/Literature	\$41,455
Arts	\$43,367

*Sources: Payscale, 2017-2018, Forbes, July 2, 2015, updated for inflation

Teachers may leave the profession for a variety of reasons. Table 8, below shows jobs that teachers can use their degree and experience to move into other careers outside of classroom teaching.

Table 8
Virginia Average Pay by Job (2018*)

Job	Average Pay
Operations Research Analyst	\$60,682
Mathematician	\$92,300
Statistician	\$79,932
Technical Writer	\$63,467
Copy Editor	\$58,815
Public Relations	\$59,032
Curator	\$64,584
Biologist	\$59,922
Laboratory Technician	\$47,700
Interpreter/Translator	\$47,125
Corporate Trainer	\$57,466

*Sources: Trade Schools.net, October 2017, Payscale (2017), Economic Research Institute (2018)

Conclusions and Considerations

- A stronger competitive positioning of City School Division salaries at the 75th percentile of the competitive talent market results in salary scales that would position the Division well for attracting and retaining quality talent.
- Creative competitive supplemental pay programs are another area that the Division can consider to enhance the competitive position with their peer group, improve employee opportunities and enrich the employee value proposition.
- CCS pay scales track consistently with other District pay scales and the pay progression is competitive when compared to median rates.
- Adopt the new comparison group for future competitive salary analytics.