

**BUSINESS AFFAIRS AND HUMAN RESOURCES
DECEMBER 15, 2016**

TAB	DESCRIPTION	ACTION
1	UNIVERSITY of IDAHO Market Rate-Based Compensation System	Information item

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BUSINESS AFFAIRS AND HUMAN RESOURCES
DECEMBER 15, 2016

UNIVERSITY OF IDAHO

SUBJECT

Market Rate-Based Compensation System

REFERENCE

August 2013 Approval by the Board of Regents to implement a revised classification system for classified employees

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections II.D.1. and II.E.2

BACKGROUND/DISCUSSION

Board of Regents policy defining classified employees at the University of Idaho (UI) provides “Classified employees at the University of Idaho are subject to the policies and procedures of the UI for its classified employees. Such policies and procedures require approval by the Board, and should be, in so much as practical, parallel to the provisions provided for state of Idaho classified employees in Chapter 53, Title 67, Idaho Code” (Idaho State Board of Education Governing Policies and Procedures, Section II.D.1(b)).

Regarding compensation of classified employees at UI, Regents policy states further that “compensation for UI classified employees shall be in accordance with the policies of the UI and these policies” (Idaho State Board of Education Governing Policies and Procedures, Section II.E.2).

Pursuant to Board Policy II.D., UI classified employee compensation should parallel, to the extent practicable, the relevant sections of Idaho state code, and that moreover, Regents’ approval is necessary when substantial changes to our policies and procedures are proposed.

Consistent with this policy, in late 2012, the UI embarked on a study to update job descriptions and develop an updated personnel system for both its classified and non-classified staff, and gather market analysis data to compare UI to the labor market and examine compensation rates. The UI engaged Sibson Consulting to help develop an employee categorization system that would meet the needs of the UI and work well with the breadth of positions within these two employee groups (classified and non-classified). The drafted process and outcomes differed slightly from the Hay Point Factor classification system used by the state’s Division of Human Resources for classified positions, but still closely paralleled Idaho State Code.

The UI, with the help of Sibson Consulting, identified benchmarked jobs. Sibson matched these benchmarked jobs to comparable positions in the labor market.

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This matching, along with median salary data, guided Sibson to assign benchmarked jobs to specific pay grades. It was also this median salary data that informed their recommendation to the UI for the number of pay grades, the median salary in those grades, and the spread between the median salaries in each grade.

The final step was to review approximately 1500 position description questionnaires that had been submitted by classified staff employees and their supervisors. UI Human Resources staff compared jobs using several common job value factors. HR staff then applied the job value factors to the non-benchmarked jobs and matched those jobs to the benchmarked positions.

However, in the years since this new system was implemented, staff turnover rates have risen to over 18%, causing the university to question the accuracy of both the benchmarking process and the median salary data points. Accordingly, and building on the work completed in 2012, the UI now proposes to take the next evolutionary step in its compensation systems and policies. The proposal would expand the current 11 pay grades, and identify a market-average salary point for every unique job (not position) at the university. The proposed approach would include classified staff, non-classified staff, and faculty members. All employees performing the same work (for example, all custodians) would share the same market rate. So, while UI has approximately 1500 staff employees, the plan is to establish approximately 700-800 market rates. By matching individual jobs more precisely with the associated market-average salary points, UI hopes to position the university to be more competitive at recruiting and retaining highly qualified faculty and staff. This goal is one of the primary themes of the new university strategic plan.

UI believes that a credible compensation system should rely on market rate data in providing a basis for determining salaries. Market rates represent the average salary rates paid for the various jobs that exist in the labor market. Other market data also provides information regarding pay ranges around the average. Market data is gathered annually by the Bureau of Labor Statistics (BLS) and Integrated Post-Secondary Education Data System (IPEDS), as well as private entities such as the College and University Professional Association for Human Resources (CUPA-HR).

The UI proposes to move forward from its current compensation system (eleven broad classifications) to a market-based system which provides a specific market rate for each individual position. As mentioned, some positions will use the same market rate. But with this approach, the university can be as precise as possible in offering competitive salaries when hiring, and achieving and maintaining equitable salaries for current employees. The broad classifications will be dropped as the university moves forward.

Using BLS data, market rates will be collected from the following states: Idaho, Washington, Oregon, Nevada, Utah, Wyoming, Montana, and Colorado. Data

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from CUPA-HR will also be used, as it provides information directly related to higher education positions. The primary use of the CUPA-HR data will be from institutions designated as “high research” (R2) by the Carnegie classification system in the western United States.

Furthermore, the UI will be developing a systematic approach, working within the ranges provided by market data, to address pay equity. This system will include such individual characteristics as previous work experience, total time in service (at UI), time in current position (at UI), and education. Such an approach will serve to address pay compression and avoid any gender pay inequities that might exist or develop otherwise. Minimum pay rates would be set at 80% of the average market salary.

UI believes such a system directly responds to the Regent policy expectation that the compensation policies of the UI will, in so much as practical, parallel the provisions provided for State of Idaho classified employees. The state’s Division of Human Resources uses market data compiled from the same 8-state region as the UI proposes to use - Idaho, Washington, Oregon, Nevada, Utah, Wyoming, Montana, and Colorado. The state funds new positions at 80% of market average salaries, while the UI’s newly-proposed compensation system would set minimum salaries at 80% of market average salaries. Finally, this approach abandons the concept of pay bands, which aligns more closely with the methodologies of the state payroll system.

UI administrators have been working with faculty and staff compensation task forces to explore compensation concepts, ideas, principles, philosophies, and proposals. UI recently completed a series of 14 open forum meetings with employees and supervisors. Employees located at remote sites were able to participate in the meetings using an electronic interface. In total, the UI has communicated directly with almost 800 of the university’s 1500 staff employees and supervisory. This new compensation proposal has broad support from staff, faculty, and administrators. If approved, the changes would be implemented during the upcoming Change in Employee Compensation (CEC) cycle (Spring 2017).

IMPACT

A market-rate based compensation system does not, in and of itself, impose any additional cost on the institution. Rather, such a system is designed to direct the allocation of existing and new compensation resources to the areas of greatest need (as determined by the gap between target market salaries and actual employee salaries). The market-rate based compensation system will highlight the disparity between actual salaries and market salaries, which will increase pressure to direct - and redirect - resources to staff compensation. However, no new resources are required to implement this new system.

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ATTACHMENT

Attachment 1 –Market Rate-Based Compensation PowerPoint

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STAFF COMMENTS AND RECOMMENDATIONS

UI representatives are ready to provide an overview of the proposed new compensation system, using the attached slideshow. They will also be ready to address the steps that were taken to communicate the new approach to affected employees and to confirm that there is broad support for these changes. The presentation—and any feedback from the Board—will be helpful as UI finalizes its proposed system. The UI plans to present its fleshed-out personnel system proposal to the Board for review and approval at the February 2017 Board meeting.

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

Market Rate-Based Compensation Proposal

University of Idaho

Compensation Task Force

BAHR - SECTION I

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History

- 2012 - Created and implemented a new staff compensation model
- Benchmarked all jobs to relative labor markets
- Created 12 classification/compensation grades
- Used certain job value factors to assign employees to grade
- In the years since, turnover rate increased to 18%

Proposal

- Expand the model to match each position to market salary data
- No longer bounded by 12 grades and value factors
- Will use actual average salary information specific to the type of work being done
- By using actual market data we will be more competitive in recruitment and retention efforts

Primary Sources of Market Data

- Bureau of Labor Statistics for the eight state region including:
 - Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington, & Wyoming
 - Essentially the same region as used for the state compensation system
- CUPA-HR for Carnegie R2 classification in the western U.S (17 campuses)
- Market data includes average (mean/median), entry & experience level, and standard deviation

Affect on UI Culture & Morale

- Transparent and inclusive of staff and supervisor input
- Open forums conducted for employees with very positive reception
- Faculty compensation process already similar to market based approach
- Formation of Compensation Task Force
 - Helping to create internal equity approach based on experience, time-in-service, time-in-position, etc.
 - Overall plan for employees to reach the market-rate; funds permitting
 - 80% minimum compa-ratio; higher in some cases

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