

University of Wisconsin System New Personnel Systems Work Group Recommendations



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BACKGROUND

Currently, the UW Employees are governed by two sets of policies, state statute, pay calendars, compensation rules and salary range structures. This has created disparity in pay, compression, salary inversion as well as an inequitable structure.

PHILOSOPHY

The UW is striving to establish a **compensation structure** that enables the UW Institution to recruit and retain the best, most diverse, and most qualified employees. The University of Wisconsin System has a growth agenda with three core principles: to grow people, jobs and communities.¹ In order to fulfill its mission, the UWS shall maintain a comprehensive compensation program directed toward attracting, retaining and rewarding a qualified and diverse workforce. Employee compensation shall be externally competitive, internally equitable, and shall reward contribution, recognize quality performance, and encourage growth and development.

GOALS

UW System has different compensation tools for different types of employment categories. These tools range from methods that provide pay flexibility for managers to more rigid structures that do not allow managers to negotiate starting pay or make needed adjustments. This work team has reviewed compensation practices (internally and externally) and is recommending options that will ensure the new personnel system implements pay approaches that are competitive and meet the needs of each institution.

¹ Competitive University Workforce Commission Report 2010

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DEFICIENCIES OF CURRENT SYSTEM

The Compensation team has identified, through the review of the Current State Assessment, a number of deficiencies for the UWS to address under the new University Personnel System. An over-arching theme is the inflexibility of the current system. There are specific deficiencies related to merit, competitive pay, career progression, and equity.

Within the UW we have two separate systems and employment categories, pay structures and policies related to pay components based on staff titles and plans. For example, under Chapter 230, classified staff who are asked to take on additional duties cannot easily be compensated for their contributions to their unit or UW Institution.

For Unclassified staff, the UW Institutions utilize either the title review process or outside offers to retain quality employees, as there are no formal mechanisms in place to compensate staff for merit appropriately outside a pay plan within their salary range.

When pay is not tied to performance, it can lead to a lack of employee motivation. It is further problematic when there is a disparity between policies by employee classes; e.g., when one (Classified) has a "meritorious" process that is available for use throughout the year (i.e., Discretionary Merit Compensation or DMC) and the other (Unclassified) does not allow for merit outside the pay plan. This problem is further exacerbated when there is no pay plan for a period of time.

The UW has slowly, over time, fallen behind peer institutions in the market place. This creates a retention issue for most UW Institutions when an employee can gain experience and then move on for promotional opportunities at other institutions. The salary ranges are not comparable to peers and need structural adjustment. Analysis of the exiting ranges should be done as a part of the biennial budget process.

Across the classification structure, a minority of employees are eligible for pay progressions or increases based on competencies or benchmarks, which creates an environment where units are compelled to modify position descriptions in order to gain a pay increase for employees. The lack of increases within a pay band also leads to retention, pay compression and pay inversion issues within all employment categories.

Due to lack of pay plans and structural adjustments over the last few years, salary compression and inversion have become a growing issue. After staff have progressed through the promotional ranks within a title series and received the pay plan mandated increase, their salaries remain unchanged unless they seek an outside offer. Currently, our salaries for faculty are behind market by as much as 20% and for unclassified and administrative staff lag from market is up to 14%.

In July 2013, the UW Guidelines will not specifically address compensation factors that have existed in the OSER compensation plan or union contracts. Employees may be paid on varying pay cycles, receive overtime, compensation time, night or weekend differential, summer payments, overloads, etc.

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RECOMMENDATIONS

Merit

Recommendation	Priority
1. Modify the State Statute to include pay for performance.	July 1, 2013
2. Each UW Institution should set up published guidelines for allocation of pay for performance (including a schedule or timeline for process) to ensure process is administered fairly.	July 1, 2013
3. Each UW Institution would have the flexibility to fund and implement supplemental pay plans. This will include review of salaries below the minimum, compression, inversion and retention issues in order to retain quality Faculty and Staff.	July 1, 2013

Competitive Pay

Recommendation	Priority
With the ability to create a supplemental pay plan the following recommendations will provide UW Institutions the ability to compete in the marketplace. However, this may create inequities that will need to be addressed with budget flexibilities.	
1. All pay ranges/salary grades should be defined as broadbanded, meaning, an appointing authority would have the ability to appoint a new hire or transfer within the appropriate pay range and in accordance with the specific UW Institution published guidelines or policy.	July 1, 2013
2. Pay ranges for the UWS should be evaluated on a regular basis (i.e., during the biennial budget process) to ensure the ranges remain competitive with peer groups and national market data. <ul style="list-style-type: none"> a. For transparency purposes, each UW Institution should publish the peer groups and market data. b. As market data indicates a needed corrective action should be taken via a supplemental pay plan process. 	July 1, 2013 (a) Phase 2 (Dec 31, 2013) (b) Phase 2 (Dec 31, 2013)
3. Each UW Institution should create published guidelines for the review of pay equity, compression, and instructional workload policies. These should be administered fairly, consistently and with transparency.	July 1, 2013
4. Each UW Institution should have a process that establishes the use of market data, internal data and the prospective employee's experience and educational background as factors in determining compensation for new hires.	July 1, 2013
5. Each UW Institution may wish to establish published guidelines for an institution specific "UW Institution minimum" due to relevant market data. Any established pay range specific to a School or College within an Institution must be within the UWS defined ranges.	July 1, 2013
6. Each UW Institution should establish guidelines and maintain salary ranges for Graduate Assistants according to relevant market data.	July 1, 2013
7. Each UW Institution should establish published guidelines on student hourly pay.	July 1, 2013

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Career Progression

Recommendation	Priority
1. Each UW Institution should have published guidelines for pay progression which may include implementing competency models; pay increases for educational attainment; certificates and additional duties.	Phase 2 (July 1, 2014)
2. Each UW Institution should maintain their current Faculty and Instructional Staff promotional system	Phase 2 (July 1, 2014)
3. Each UW Institution should develop a promotional system (ie, change in title) for employees.	Priority 3
4. Each UW Institution may establish an apprenticeship programs to offer opportunities to staff to promote within an institution	Priority 3
5. Each UW Institution shall develop a career ladder for employees.	Priority 3
6. UW Institutions should create published guidelines for periodic review of promotional increments in relation to market factors, relevant peer groups, and internal compression and inversion issues.	July 1, 2013

Equity

Recommendation	Priority
1. Each UW Institution should develop its own market comparables by identifying peer groups in local, regional or national markets. Findings will be published as guidelines for compensation.	Phase 2 (Dec 31, 2013)
2. Each UW Institution should create published guidelines for the review of equity adjustments based upon job responsibilities, experience, education, skills and performance. <ul style="list-style-type: none"> a. When determining internal equity factors for consideration include performing similar duties; working within the same unit or different units. Other considerations include education or experience required, scope and responsibility; public contact. b. External equity factors include peer institution; same discipline; geographic location; different geographic locations and organizational size. 	July 1, 2013
3. Eliminate the ability to pay below the stated UWS minimums for Limited Term Employees (LTEs)	Phase 2 (Dec 31, 2013)

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Payroll Structure

Recommendation	Priority
1. All staff should be paid on a biweekly schedule	Phase 2 (July 1, 2014)
2. Employees who are required to maintain a license or certificate for their position should have the cost of that requirement covered by the UW Institution.	July 1, 2013
3. Existing guidelines/policies for non-exempt staff related to overtime, holiday pay, call back/call in, standby pay, nighttime or weekend differentials should be adopted under the UPS structure in accordance with FLSA or other applicable law.	July 1, 2013
4. Each UW institution should have a published policy of granting salary advances to new Faculty and Instructional Staff on academic year schedules who make such a request, thus enabling the new staff to receive payment prior to the usual 6 weeks after beginning employment.	July 1, 2013
5. Each UW Institution should have the flexibility to pay Academic Year pay basis staff over 12 months or 9 months.	Phase 2 (July 1, 2014)
6. The payroll calendar structure in HRS should be revised to accommodate paying individuals, who earn salary on a monthly basis, to be paid for partial payments without adding additional workload on the HR staff at each Institution.	Phase 2 (July 1, 2014)

Alternatives Discussed:

- Under Merit, having a set schedule, as determined by each institution, to conduct performance evaluations and award merit pay. NOTE: the merit could, for budgetary purposes be phased in or in accordance with published Institution guidelines.

Dissenting Opinions: NONE

SUMMARY

The UPS Compensation team developed a compensation philosophy and incorporated the responses from employees and stakeholders at a system wide level in order to prepare this path for a more defined, transparent and equitable system for all employees. The panel agrees that an integral part of the UPS flexibilities includes giving UW Institutions the authority to set their compensation guidelines, administer supplemental plans and create meaningful comparison groups for determinations of pay equity, retention, compression and salary inversion.

Attachments

- Compensation Philosophy
- Compensation Definitions
- Template Matrix of Accountability
- Template Market/Peer Data Matrix

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Compensation Philosophy

The University of Wisconsin System has a growth agenda with three core principles: to grow people, jobs and communities.² In order to fulfill its mission, the UWS shall maintain a comprehensive compensation program directed toward attracting, retaining and rewarding a qualified and diverse workforce. Employee compensation shall be externally competitive, internally equitable, and shall reward contribution, recognize quality performance, and encourage growth and development.

UWS Compensation Objectives

1. Provide a comprehensive compensation package, including, base salary, supplemental pay, benefits and merit.
2. Recruit and retain a highly skilled and diverse workforce through a competitive salary package and reward them by providing opportunities to learn, grow, and develop professionally.
3. Encourage and reward excellent performance by individual staff or teams by recognizing efforts that meet the mission of the individual UW Institution through pay for performance, and recognizing University service when it is a contributing factor to performance effectiveness.
4. Encourage growth and development by providing for pay increases related to expanded duties and responsibilities and/or newly acquired skills and experiences.
5. Provide a living wage to all employees who work full time for the UW.
6. Pay part time employees a comparable rate to full time employees for comparable work and experience.
7. Provide flexibility appropriate to the dynamic challenges facing the University and to differences across the schools, colleges and UW Institutions.
8. Promote fiscally responsible pay decisions and ensure compliance with applicable legal requirements.
9. Ensure that jobs of like responsibility and labor market conditions are paid within comparable pay ranges/grades based on an evaluation of each job and relevant market data; and individuals with comparable backgrounds (experience, skills, ability, and education) are hired at comparable rates for the same or a similar job classification.
10. Assure transparency of system principles, goals, design, procedures, and relevant external market information to all units and individuals.
11. Review compensation practices as the workforce evolves over time to ensure that the intended objectives are met.
12. Establish primary responsibility for determining pay at the local unit, with central oversight to assure that pay practices are legal, consistent across the University, and financially responsible.

² Competitive University Workforce Commission Report 2010

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University Personnel System Compensation Definitions

Pay Bands - is a part of an organized salary compensation plan, program or system. In an organization that has defined jobs, pay bands are used to distinguish the level of compensation given to certain ranges of jobs.

Broadbanding – a pay band that allows for flexibility in pay within the assigned range for a title. These bands will also allow for flexibility per each UW Institution policy to provide for increases for additional duties and responsibilities without a title change.

Temporary rate adjustments – a temporary rate adjustment may be appropriate for a staff member who assumes additional duties on a short term basis or for the duration of a project. Temporary base adjustments should not be renewed for the same project annually and are not guaranteed to become a part of a person's normal base pay.

Overloads – With the consent of the employee, substantial additional work requirements are added to the duties of a full-time employee, in effect creating a workload exceeding 100% of the employee's time, and the need for the performance of the additional work is unusual, short-term or nonrecurring in nature;* or (b) A full-time employee of one UW System institution accepts an institution-approved part-time appointment to perform services at another UW System institution, in addition to his/her full-time position.

Relevant Market Data – The UWS pays in relation to the market, for some positions, in an effort to balance its ability to recruit and retain qualified applicants in relation to the budgetary resources available. As a general philosophy, UWS compares average salaries in the market to its pay range midpoints. The market is defined by the industry(s) and region(s) in which we compete for qualified applicants where warranted. Market adjustments may be recommended for jobs with high turnover or low supply of qualified applicants. Market adjustments are not always applied to all employees in the classifications or job families receiving the adjustments.

Market analysis process includes data collection and analysis of:

- Salaries paid to jobs recruited on a local, regional or national basis
- Supply of applicants with specialized or unique skills
- Staffing needs in terms of number of vacancies and length of time to identify qualified applicants

Pay Compression – salary compression is an internal problem created by external market conditions. The issue arises when internal “senior” faculty or staff salaries do not increase according to market salary data and new hires are appointed at a salary comparable to or higher than a senior staff member.

Pay Inversion – occurs when pay compression is unaddressed due to budget constraints and junior staff earns more than senior staff.

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Extraordinary Salary Ranges – these are pay ranges designed specifically by individual UW Institution for a position, a person or a title series based on market data.

Career Ladder – Structured sequence of job positions through which a person progresses in an organization.

Job Family - Job Families provide a structure for career planning and easier access to information about different job categories and their requirements. The system also provides a structure for evaluation of compensation practices and consistent alignment of positions across a UW Institution.

Pay for Performance – A method of rewarding employees for achievements, based on a structured and consistent process that links employee compensation to organizational objectives and employee performance.

Merit Pay – An approach to compensation that rewards higher performing employees with additional pay.

Living Wage – The minimum hourly income necessary for an employee to meet basic needs for an extended period of time.

Job Evaluation – A system of comparing jobs for the purpose of determining the value/worth of a job in relation to other jobs in an organization and establishing appropriate compensation levels for individual jobs or job elements.

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Appendix A UW- Compensation Accountability Chart

Compensation Component	Responsible	Accountable	Consulted	Informed
<ul style="list-style-type: none"> Maintain Compensation Philosophy 				
<ul style="list-style-type: none"> Maintain relevant market groups 				
<ul style="list-style-type: none"> Set compensation and administration guidelines 				
<ul style="list-style-type: none"> Set compensation levels for new hires 				
<ul style="list-style-type: none"> Set promotional increments for Faculty 				
<ul style="list-style-type: none"> Set promotional increments for Academic Staff 				
<ul style="list-style-type: none"> Conduct Equity studies annually 				
<ul style="list-style-type: none"> Ensure fairness in and consistency of application of compensation administration guidelines/policies 				
<ul style="list-style-type: none"> Ensure understanding of the compensation program within the appropriate peer or market group 				
<ul style="list-style-type: none"> Communicate with staff regarding compensation 				
<ul style="list-style-type: none"> Conduct market/competitive pay analysis. 				
<ul style="list-style-type: none"> Review non-merit base adjustments 				
<ul style="list-style-type: none"> Regularly monitor the effectiveness of the compensation program and practices, its continued competitiveness, and on-going equity. 				

Matrix Stakeholder Key						
CH = Chancellor	PR/VC = Provost or Vice Chancellor	D = Dean	DS = Department Chair or Director	HR = Campus Central HR Office	O = Other Management	UWS = System Administration

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Appendix B

UW (Institution) Relevant Market and Peer Group Reference Chart

The below chart categorizes the relevant markets and peer groups for each UW Job Family

Market and Peer Group Assessment				
Job Family	Similar Size and Type	Geographic Location	Higher Education	Typical Comparison Market
Executive	●	○	●	National Market Area Higher Education background (ie, Academic Administration)
Non-Exempt Staff	○	●	○	Local area and general employer (ie, clerical or administrative, etc)

● Very Important ● Somewhat Important ○ Not Important