

## Background

In 2008, the University was advised that the legislature would only fund across the board pay adjustments for staff; it would no longer fund the cost of the annual step increases provided for in University Regulation. The Compensation Task Force was formed to review the impact of this change and to recommend appropriate changes to compensation practice and regulation. It was further requested that the Task Force attempt to identify cost saving or cost neutral options to help offset any costs associated with their recommendations.

The Task Force convened July 2008. The membership included representation from governance, administrative management and human resources throughout the UA system (see attachment). Initially, the Task Force was briefed on the legislative perspective and background by Pat Pitney, Vice President for Statewide Planning & Budget, and Pete Kelly, Director of UA State Relations. Statewide Human Resources provided information and data on both current UA staff compensation practices and structure, and compensation practices at other higher education and state institutions and agencies.

## Issues

Compression and Internal Alignment: If increases are limited to across the board (ATB) adjustments, over time, pay will be clustered at the bottom of the scale.

Recognition and Retention: Employees perceive step increases as a form of recognition for performance. If there is no form of salary or step progression, steps are discontinued this will affect morale.

In-grade Adjustments: Current in-grade adjustments are considered exceptional and have been an addition to regular step movement. If in-grade adjustments are continued as exceptional only, it will likely result in a lack of consistent application across all positions.

Performance Management: Regulation has allowed withholding of step increases based on performance. While current Regulations require annual performance evaluations, this does not occur in practice.

Cost Savings/Cost Neutrality: Current salary savings from vacancies, new hires at lower rates and leave without pay are balanced by the cost of

reclassifications and in grade adjustments. Therefore a new source of savings would need to be identified.

Administrative Impact/Cost: Need to minimize impact of changes to compensation process and structure on the ongoing cost and efficiency of payroll and administrative operations.

## **Values**

The Task Force identified the following primary values which inform their analysis and recommendations:

- Internal Equity – Pay parity across MAU/System regardless of funding source.
- Market/External Competitiveness – Commitment to market competitiveness in order to support recruitment and retention.
- Longevity – Recognition of the value of experience gained through years of service.
- Performance Management – A standardized system that promotes regular communication between employees and supervisors, supports career development and advancement, and provides a means and format for performance feedback.
- Performance Recognition – Performance based monetary and non-monetary rewards based on consistent and equitable standards and criteria.
- Retention – Commitment to a work environment and performance recognition practices that promote employee satisfaction, and support the development and retention of quality employees.

## **Recommendations**

The following recommendations are founded on three essential building blocks:

- Continuing annual across the board pay increases.
- Mandated performance management system.
- Regular market review and adjustment for staff positions.

The ~~above se-critical~~ elements have been addressed separately to emphasize their necessity are necessary to the successful implementation and application of all the following recommendations- that follow:

- ATB Adjustments: Provide annual ATB adjustments, as funded by the legislature, and based on cost of living and other appropriate factors.
- Market Review: Establish and implement a regular process of market review and adjustment for staff positions.
- Performance Management: ~~Develop and implement~~ Establish a mandated performance management system to promote communication, career development, and potentially to support a performance based salary adjustments process. The following are recommended as essential to the success of such a program:
  - Full endorsement by the President and Chancellors
  - Supervisor accountability for participating in training and conducting performance reviews
  - Implementation Work Teams with system-wide representation, including staff governance
  - A pilot program to test the system
  - Training for supervisors
  - Prior to applying the system to performance based salary adjustments:
    - One full cycle of successful application of system
    - Review of program by system-wide Work Team, including representation from governance
    - Modifications to policy and regulation to define and establish standards for system
- ~~implement a performance based salary adjustment process, based on the above performance management system.~~
- Salary Compression: With each ATB increase of 2% or greater, add a new starting rate 2% below the beginning of the new salary range. This provides two benefits:

- Helps address compression by providing a lower first step for new hires.
- Creates cost avoidance to support other recommendations.

Note: The starting step would not decrease in value. It would increase by 2%, which could be a lower percentage than the ATB adjustment employees receive.

- Salary Grid:

- Transition Steps: Integrate corporate the current Transition Steps (T3 and T4) into the regular salary ranges. While originally created as transition steps for the job family, they have become incorporated into regular use, with 25% of hires (12% of total staff) on these steps.
- Flexible Salary Structure: In-mModify<sup>ing</sup> the salary structure (grid) to implement these recommendations, to provide for a consistent, and flexible and efficient structure that will simplify accommodate performance adjustments and future salary future modifications, promote cost avoidance and better support implementation of performance based salary adjustments. efficiently and economically.

### **Compensation Task Force Membership**

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### HR Support to Task Force:

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