President’s Commission on Full-time Faculty Compensation

Affordable

Internally Equitable

Externally Competitive

Just & Livable

FAIR COMPENSATION

April 16, 2015
3:30 – 5:00 pm
Agenda

- Original Charge to the Commission
- Original goals Recommended by Commission
- Commission’s Current Charge
- Updates Since & Questions from Last Meeting
- Compensation Concepts
- The $250,000 Question
- Next Steps
Original Charge to the Commission

“to recommend to me a multi-year plan to increase faculty compensation in order to keep us competitive with our peer group of colleges and universities. In order to do so it is important that we have a clear sense of the complexities involved in considerations of compensation and the ability to set priorities for addressing the major factors we confront, including but not limited to: benchmarking, equity, merit recognition, and disciplinary-based market pressures.”

“As I have mentioned in various venues over the past few months, we are undertaking this initiative during a time when we do not foresee any immediate increase in revenue to the University. So you have your work cut out for you: how to be fair, appropriately competitive, and prudent in the commitment of University resources.”
Original goals Recommended by the Commission

- Bringing academically qualified & satisfactorily performing members of the faculty to the minimum of the established range (Raising to the Minimum - $600k invested in last two years);

- Addressing equity within rank in our colleges and schools;

- Addressing equity across colleges and schools;

- Raising the competitiveness of salaries at all ranks across schools/colleges to market standards
Commission’s Current Charge

With the salary framework and resulting minimum adjustments completed, the President’ Commission on Faculty Compensation needs to recommend the next Goal for faculty compensation analysis and adjustment.

- Addressing equity within rank in our colleges and schools;
- Addressing equity across colleges and schools;
- Raising the competitiveness of salaries at all ranks across schools/colleges to market standards
Updates Since & Questions from Last Meeting

- Enrollment Update;
- Communication with Faculty, Board, etc.;
- Questions on Last Meeting or Posted Materials;
- Other
  - Chronicle Faculty Salary Tool – a less than ideal tool
  - Comparison groupings do not allow for multiple parameters to be set, as was done for the University’s original compensation study:
    - E.G.: Large-master’s, New England, Private combined
Chronicle Faculty Salary Tool: Comparison to only Large master’s does not capture differences between state and private schools, or regional
Chronicle Faculty Salary Tool: Comparison to only 4-year private does not capture regional or large master’s.
Chronicle Staff Salary Tool: similarly the staff tool does capture the regional or state vs. private differences.
The formula commonly used by compensation professionals to assess the competitiveness of an employee’s pay level involves calculating a “‘compa-ratio’”. Compa-ratio is the short form for Comparative ratio.
Compensation Concepts

Compa-ratio

Compa-ratio is calculated as the employee’s current salary divided by the current market rate as defined by the company’s competitive pay policy. Compa-Ratios are position specific. Each position has a salary range that includes a minimum, a midpoint, and a maximum. These three values represent industry averages for the position. A Compa-Ratio of 1.00 or 100% means that the employee is paid exactly what the industry average pays and is at the midpoint for the salary range, A ratio of 0.75 means that the employee is paid 25% below the industry average and is at the risk of seeking employment with competitors at a higher pay that is perceived equitable. A ratio of 1.15 compa-ratio would mean the employee is paid above the industry average.
Compensation Concepts

Compa-ratio

- The *individual compa-ratio*, which describes the individual's position in the pay range against the pay policy reference point for the range and can be used to reposition an individual's pay in the range if it is too high or low.

- The *group compa-ratio*, which quantifies the relationship between practice and policy for the whole organization or a defined population group (function, department, occupation or job family). It is a calculation of the sum of actual pay as a percentage of the sum of job reference point rates. This ratio has an important part to play in the overall pay management process. It can be used to establish how pay policy has been implemented overall and identify differences between parts of the organization which may indicate problems in the policy itself or in the way it has been implemented by managers. It can also be used to plan and control pay budgets.
Compensation Concepts
Compa-ratio

Compa-ratios establish differences between policy and practice. The reasons for such differences need to be established. They may be attributable to one or more of the following factors:

• differences in aggregate performance levels or performance ratings;
• differences in average job tenure - average tenure may be short when people leave the job through promotion, transfer or resignation before they have moved far through the range and this would result in a lower compa-ratio. Or a higher ratio may result if people tend to remain in the job for some time;
• the payment of higher rates within the range to people for market reasons, which might require recruits to start some way up the range;
• the existence of anomalies after implementing a new pay structure;
Compensation Concepts
Compa-ratio

- the rate of growth of the organization - fast-growing organization might recruit more people towards the bottom of the range or, conversely, may be forced to recruit people at high points in the range because of market forces. In a more stable or stagnant organization, however, people may generally have progressed further up their ranges because of a lack of promotion opportunities.

Some compensation differences may be entirely justified, others may need action such as accelerating or decelerating increases or exercising greater control over ratings and pay reviews.
Compensation Concepts
Example: Internal Equity: Rank/Schools/University

Equitable

Inequitable

College A
College B
College C

UNIVERSITY OF HARTFORD
Compensation Concepts: Example

External Competitiveness: Rank/Schools/University

<table>
<thead>
<tr>
<th>Competitive &amp; Equitable</th>
<th>Non-Competitive &amp; Inequitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant</td>
<td>Associate</td>
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<td>1.1</td>
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</tbody>
</table>

- College A
- College B
- College C
## Compensation Concepts
### Example: Merit Pool Distribution

#### Sample 2% Merit Pool Distribution

<table>
<thead>
<tr>
<th></th>
<th>Unsatisfactory Performance (&lt; 5% of Faculty)</th>
<th>Satisfactory Performance (25% of Faculty)</th>
<th>Fully Satisfactory Performance (60% of Faculty)</th>
<th>Exceeds Fully Satisfactory Performance (&lt; 10% of Faculty)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Above Midpoint</td>
<td>0%</td>
<td>1.00%</td>
<td>1.75%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Salary Near Midpoint</td>
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<td>1.25%</td>
<td>2.00%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Salary Below Midpoint</td>
<td>0%</td>
<td>1.50%</td>
<td>2.25%</td>
<td>3.00%</td>
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<tr>
<td>Salary Below Minimum</td>
<td>0%</td>
<td>1/2 Way to Minimum</td>
<td>All Way to Minimum</td>
<td>Above Minimum</td>
</tr>
</tbody>
</table>

#### Key to this concept is the willingness and ability of institutions to make valid, reliable, & stakeholder owned performance decisions.
The $250,000 Question

If the University had $250,000 to invest in faculty salary adjustments in next year's budget, where would you wish to see the first dollar go? The second dollar?

In other words, what do you think our priorities should be as we continue to commit institutional resources to faculty salaries (or compensation overall)?
The $250,000 Question

Focus

LAST MEETING INPUT:

- **FOCUS 1**: Address compression and disenfranchisement caused by significant investment to achieving minimum to some during a period without significant merit pools available to all;

- **FOCUS 2**: Address differences in competitiveness across Schools and Colleges within the University by allocating greater resources to those with lower compa-ratios;

- **FOCUS 3, 4, 5...**
The $250,000 Question
Prioritization

OPTION A

INVESTMENT

FOCUS 1
FOCUS 2
FOCUS 3
FOCUS 4
FOCUS 5

OPTION B

INVESTMENT

FOCUS 1
FOCUS 2
FOCUS 3
Next Meeting
Friday May 15 – 12:00 to 2:30 pm

GOAL: Concrete recommendations for:

- Addressing equity within rank in our colleges and schools;
- Addressing equity across colleges and schools;
- Raising the competitiveness of salaries at all ranks across schools/colleges to market standards