

## Staff Compensation & Classification Working Group Report

Charge: The ad hoc working group was appointed by the Director of Human Resources to review existing compensation/classification practices and offer recommendations on staff salary structures and compensation guidelines. The staff compensation structure at Colorado College will address the following goals:

- Recognize and reward performance
- Attract and retain qualified and talented staff
- Address market gaps and compression issues
- Acknowledge market fluctuations for various industries
- Incorporate the college's commitment to self-sufficiency/living wage principles
- Discuss the applicability of CPI or COLA and association to performance
- Identify practices that are applicable to the college mission and economic realities

### Members

Pam Butler, Human Resources

Jim Grey, Advancement

Jane Newberry, Athletics

Matt Reuer, Environmental Science

Chad Schonewill, Information Management

Tricia Waters, Psychology (Faculty)

Lee Dougherty, Facilities

Dan Johnson, Economics & Business (Faculty)

Ellen Rennels, Admissions

Sandy Papuga, History

Patti Spoelman, Learning Commons

Will Wise, Facilities

### Meeting Dates

September 3, 17, 24

October 8, 22

November 5, 19

December 3

January 7, 21 (sub-group only)

February 4, 18

April 1

### **I. Compensation Guidelines**

In 2002, the Colorado College Human Resources Department drafted staff compensation guidelines, for the department's reference only, based on existing practices for initial hire placement, non-exempt job classification changes, transfers (lateral, downgrade, upgrade), and annual increases. In keeping with the college's culture, there are minimal guidelines or formal policies. Very few compensation policies are disseminated to the campus. Guidelines are viewed as bureaucratic and not enforced, resulting in wages exceeding the maximum of the non-exempt grades and no maximum for exempt positions. Adjustments to the salary structure might also differ between exempt and non-exempt staff, such as a fixed adjustment to the non-exempt grades (not tied to market) compared to market-based adjustments for exempt staff.

**Recommendations:** Develop comprehensive guidelines aligned with a new salary structure and that will ensure salary decisions are consistent and transparent. The guidelines should encompass common employment actions such as new hire salary placement, promotional increases, temporarily assuming "acting" or dual roles, lateral move or transfer to a different position, expansion of responsibilities within the current job, linking pay and performance, range adjustment policy, individual increase policy, and job titling standards. We recommend more robust and transparent compensation policies which clearly reward performance and responsibility.

### **II. Salary Structures – Non-exempt & Exempt**

The history of the non-exempt salary structure and its limitations were discussed. The current non-exempt salary structure was developed in 1993. Over time, the lower grades were eliminated for a variety of reasons, such as the response to the college's decision to align with the El Paso County self-sufficiency wages. Jobs evaluated at the lower grades were no longer used or adjusted.

The college utilizes the Mountain States Employers Council (MSEC) salary survey data and rate structure adjustments each year to increase the hourly minimum for each grade. While the non-exempt salary structure may be adjusted annually, salary compression is occurring as new hire salaries are approaching the salaries of existing staff. Increasing the salary structures less than the cost of living will also eventually result in salaries which are below the self-sufficiency wage. Hiring at the minimum rather than placing a new hire at an appropriate point in the range also creates problems, such as reduced capacity to attract qualified staff. While the minimum hourly wage is applied for most new hires, wages and future increases do not cease at the maximum.

Salary increases occur when the position grade is adjusted higher because of additional duties. There aren't any provisions in the current structure and guidelines to differentiate pay by recognizing additional responsibilities or accomplishments advanced movement or levels within current grades. Thus pressure exists to revise job descriptions with the purpose of advancing to a higher grade and in some cases the increase in duties are questionable.

An exempt salary structure does not exist. The CUPA-HR salary market data is used to determine appropriate new hire wages and salary adjustments when additional responsibilities/job changes occur. Lacking an exempt salary structure diminishes the ability to ensure consistency, equity, and a comparable salary framework (minimum, midpoint, maximum).

A step structure was often discussed and supported by some members of the Working Group as it may promote stability and consistency, accommodate multi-year budget planning, and allow for individual planning/anticipation for future salaries. The Colorado Springs School District 20 step structures were reviewed which includes automatic salary increases applied every year for all grades. It was agreed, however, that an annual step system doesn't recognize pay increase opportunities for variable job responsibilities within the same grade, and it wouldn't accommodate the critical components of a salary increase pool that should be utilized (i.e. merit, cost of living adjustment, and across the board). The working group recommends a model to enable progression within a position without having to change grades that is based on meeting established job requirements. Within this model is to create a 3 tiered levels in which an employee could progress within the current position over the course of one's career without changing jobs (e.g. entry level, proficiency level, and expert level). Another model discussed is to create four quartiles within each pay grade/band that will allow an employee to move into a higher quartile based on having met certain job proficiency requirements. Pay increases may also be assigned differently by quartile.

**Recommendations:** Develop a salary structure that will include non-exempt and exempt positions with specific minimums, midpoints, and maximums, that considers a blended methodology (combines traditional narrow structures with broad-bands into broader pay ranges). Fewer pay grades will result from the blended model, but a larger salary range will exist for each grade and less movement between grades will occur. The band structure will support variable starting salaries and advanced movements/levels based on increased job responsibilities.

### **III. Market Analysis**

The two primary market resources are the Mountain States Employers Council (MSEC) for non-exempt positions and the Colleges & Universities Professional Association for Human Resources (CUPA-HR) for exempt positions. HR conducts an annual review and analysis on all staff positions with respect to the market data. Over 80% of Colorado College positions match to comparable positions in the MSEC and CUPA-HR surveys. The annual analysis of non-exempt positions entails comparing every wage to the market and factoring in hire date, annual increases, and performance that may affect movement in a grade. A similar approach is conducted for exempt positions based on similar institutions (private independent), budget, enrollment, and the 12 institutions identified by the Colorado College as our peer institutions. Specific occupations/job families

affected by market fluctuations are identified, and market gap adjustments have been made when there has been adequate budget from the approved annual salary increase pool.

**Recommendations:** Consider additional survey sources beyond MSEC and CUPA-HR that may be relevant to determining appropriate benchmarks for jobs to the market and determine market variations. Create guidelines that differentiate which markets to analyze for positions (i.e., the recruitment area for most non-exempt positions is local, therefore, the relevant market will be localized). Expand market analysis to determine jobs that cover the greatest number of employees, jobs that represent the diversity of levels and assignments at the college, and jobs that are within specific job families.

#### **IV. Job Classification**

Since five of the working group members are also currently serving on the Job Evaluation Committee, they led discussions on key issues related to the current classification system for non-exempt staff and the lack an established and consistent classification system for exempt staff:

Staff and supervisors request reclassification for reasons other than genuine job changes (perceived as reward for longevity or performance, or comparing personal sense of who “works harder”). Supervisors need more than job reclassification to motivate/reward/retain good talent, and staff need to know they have opportunities to grow within their job without rewriting it every few years.

Point factors can be too rigid or too vague at times to be reliable guidelines in properly classifying a job, and employees often feel that the point factor system lacks transparency. The committee members also felt that some job descriptions had been artificially inflated in order to bump points in some areas after staff/supervisors had learned how to “play” the system.

**Recommendations:** Develop or refine the existing job evaluation system to be consistent with the compensation philosophy and place jobs into families to promote career progression. Determine appropriate evaluation methodology and create a tool/mechanism for internal benchmarking of all jobs and which will be aligned to the new salary structure.

#### **V. CPI**

There were several discussions on the meaning of CPI, since it is used synonymously with COLA (Cost of Living Adjustment) and inflation. Other CPI concerns included:

- (1) When and why it became a component of the salary increases for staff
- (2) Whether all staff receive it or if it is based on a performance standard
- (3) Should it be included when salary increases are projected and allocated since CPI is not a factor for most higher education institutions
- (4) What happens when CPI exceeds the college’s salary increase budget projections.

Interpreting and applying CPI consistently for staff and faculty has remained an expectation by the group; however, maintaining the current practice prevents any changes and advancements for the staff compensation objectives. Discussions with the faculty on the Compensation Committee and faculty meetings at large about CPI, its meaning, and its application resulted in an understanding that faculty will continue to place greater emphasis on CPI for annual salary adjustments than the proposed staff model. In the fall, the CoBGS proposal below was presented to staff with overwhelming support.

#### **Recommendations:**

1. Increase staff salaries according to changes in the cost of basic goods and services (CoBGS – flat dollar amount given to all employees, calculated based on CPI), instead of the current practice of applying a percentage amount equal to CPI. Reasons include:

- Reflects changes to the cost of basic goods and services utilized by staff at the lowest salary level.
  - Changes will reflect the cost of **living**, not the cost of **lifestyle choices**.
  - Ensures all staff will be able to afford basic goods and services, protecting low income staff.
  - Increases likelihood CoBGS can be given to all staff each year relative to CPI (smaller budget impact).
  - Places greater emphasis on market adjustments and performance for moderate to high income staff.
2. Utilize a consistent annual salary adjustment model for all staff (i.e. how CoBGS would be calculated)
    - Calculate annual CPI changes using the faculty model. Faculty currently utilize a point-to-point December-to-December CPI change for the Denver-Boulder-Greeley Metropolitan Statistical Area, a regional inflation estimate. Some support utilizing the Compensation Committee's recent recommendation to move to using the September-to-September CPI change with a 12 month rolling average.
    - Apply the CPI change to the minimum Grade 7 salary level (or whatever terminology will be in place for the minimum wage in the college's salary structure). This flat dollar amount will then be given to all full-time staff.
    - Salary adjustments for part-time staff will be given on a prorated basis.
    - Annual CoBGS adjustments should be given across-the-board and independent of other salary adjustments.
    - The CoBGS adjustment shall always be zero if the CPI change is less than or equal to zero.
  3. Allocate a greater proportion of the staff salary pool to other needs, such as (specifics not discussed in detail).
    - Market gap adjustments
    - Merit adjustments
      - One time bonuses
      - Merit adjustments added to base
      - Special merit adjustments
      - Progression within a position (level 1, level 2, level 3)
    - Across-the-board or structural adjustments

NOTE: General agreement merit increases should be tied to performance evaluations with strong views that the evaluation and salary increase process be clear, concise and communicated in advance.
  4. How to allocate the salary pool after CoBGS is applied will be determined by a staff committee. Note that the total dollar amount of the annual salary pool adjustment will continue to be determined by the Budget Committee.

## **VI. Self-Sufficiency/Living Wage**

The past decision to recognize the self-sufficiency wage by the college was discussed. Briefly, in 2002 an ad hoc committee on fair labor, comprised of faculty, staff, and students, was formed to review data and provide a report and recommendations to the president. The Colorado Fiscal Policy Institute produces a report every 3 years on the self-sufficiency standard for Colorado by county and measures how much income is needed for a household to meet basic needs without public or private assistance. Annual salaries are determined for individuals and various household compositions, such as two dependent children and one spouse. The self-sufficiency wage does not take into account the skill level or occupation of the individuals in the household.

The ad hoc committee report recommended the college use data for 2 adults and 2 children (preschool and school age) in El Paso County. To match the new base wage standard, the college raised its minimum wage, eliminated two non-exempt grades, and adjusted salaries as needed. Since that time, a review of the self-sufficiency wage in comparison to the minimum wage adjustment is included in the annual salary administration process. The 2008 report reflected a significant increase for the data selected and which

exceeded the college's salary increase budget planned for staff. Another dilemma in the same year was the increase in the Consumer Price Index (CPI), as it neared the budgeted salary increase. The result was very little consideration for merit and market gap adjustments.

**Recommendations:** The work group embraces the importance of a self-sufficiency wage and the affect it may have on staff earning a lesser wage and not being able to pay for basic living needs. While meeting basic needs may be more urgent than access to education and training, true long-term self-sufficiency increasingly requires investments that enhance skills and experience. Further, the household composition size is a personal matter and does not contribute to the salary determined for jobs in the market. Thus, the recommendation is to recognize the adult self-sufficiency wage based on an individual wage earner (not the two adult, two children household recommended by the previous working group) and tie this estimate to the college's minimum wage.

## **VII. Annual Reports & Salary Increase Projections**

In the fall, CUPA-HR and MSEC issue updated data which is used to compare college staff wages and structures to market. These sources (as well as World At Work data) also provide a salary percentage increase projection for the following year which is considered in the overall college budget projections. The market data analysis is shared with the staff members of the Compensation Committee. In recent years, the staff members submit a written recommendation to the Compensation Committee Chair. HR summarizes the market analysis and offers recommendations in a memo to the Vice President of Finance and Administration. Before the economic challenges in 2008/09, the salary pool was typically divided into sections; CPI, merit, and special merit/market adjustment. The decision and methodology on the salary pool percentage is a concern. The annual recommendations from the Compensation Committee have historically favored CPI or across-the-board adjustments prior to any merit and special merit, leading to equal distributions among staff despite variable performance.

**Recommendations:** Determining the appropriate components to be considered in the salary pool was discussed at all meetings. A variety of ideas/options were generated as noted in other sections of this report. While the group is in agreement to continue to utilize the CUPA-HR and MSEC market data, they suggested additional market data be obtained from specific local markets (state, city, school districts) and national markets of the peer institutions. Some expressed the view if the college mission is to be the best liberal arts college and attract qualified staff as it is for faculty, comparable salaries for staff should be offered.

## **VIII. Performance Management**

Recognizing individual performance was discussed often as an important feature to advance merit pay. However, concerns were expressed about the variations with the college's current staff performance appraisal practices that impede consistent and impartial evaluations. Specifically, different forms and written requirements differ primarily with staff in academic departments versus administrative departments, supervisory approaches to the evaluation activity and performance standards vary, and constant turnover of department chairs.

A related concern is the inability of staff to develop a clear career path at Colorado College, where additional responsibilities and experience are rewarded by greater compensation. The equal distribution of salary adjustments does not reward top performers or encourage them to remain with the College relative to local and regional employers.

While the working group agreed rewards (whether that be an increase in base pay or a one-time bonus) should exist for merit, a single method was identified to measure performance effectively (clearly and consistently) across different jobs, divisions, and supervisors. There was unanimous agreement recognizing and rewarding merit through compensation will be critical and extremely difficult (as well as controversial/sensitive).

**Recommendations:** Develop a performance-based pay matrix which can be customized to reflect desired degree of differentiation and to accommodate budget constraints. Require a single form/evaluation tool be used and ratings applied consistently for all staff positions.

#### **IX. Compensation Philosophy**

The latest college's compensation philosophy was updated by the Compensation Committee in 2004. However, it is not a document that guides compensation decisions nor it is prominently displayed, distributed, or discussed. In subsequent years following the latest philosophy, HR requested the Compensation Committee review and update the document. In 2004, HR requested the Segal/Sibson company to review the current compensation and benefit plans and provide their assessments which included an updated draft compensation (and benefits) philosophy statement. No action was taken to modify the 2004 philosophy statement.

Sibson advised the group the critical component for an effective compensation program is to have a clear compensation philosophy. Without it there will continue to be inconsistencies and discrepancies in administering a compensation program.

#### **Recommendation**

Through the extensive research and discussions by the group, new and pertinent aspects for an updated compensation philosophy statement have been identified and mentioned throughout this report. As a result, the work group proposes an updated compensation philosophy statement be drafted (by HR) referencing this report and they will serve as a advocate to further discussion, distribution and understanding of it.

#### **X. Future Activities**

At the recommendation of the HR Director, the Sibson company was invited to present compensation models and best practices with the group in February and facilitate discussions and recommendations. Group consensus resulted from the presentation to have a single salary structure for non-exempt and exempt staff, a structure that will allow movement within grades based on performance and growth/development in the position and may have different levels within each grade, address and alleviate concerns and restrictions to have "pay for performance", revise/replace job classification point factor system with job family classification approach, and use a consistent annual salary adjustment model for all staff that addresses CPI and performance.

In March, the Sibson consultant team met with Vice President (VP) Moore and HR to provide their suggested approach based on input and assessment from their meetings with the group and HR to redesign our compensation program. Their approach is broken down into program design components and the implementation process. VP Moore agreed with their approach and authorized HR to embark on an agreement with Sibson. He also stressed the work will take time and require careful development and research to produce a quality compensation program, and that continuous communication with the college will need to occur throughout the entire process – which he envisioned being the entire 2010-11 fiscal year.

With the group's report in hand, VP Moore will present to the president and senior staff to generate further discussion on the college's compensation philosophy.

During the 2010 summer, HR will provide Sibson with compensation (internal and external markets) and job classifications information. After reviewing these materials Sibson will begin developing the salary structure and bands, benchmark jobs, and refine the job evaluation system. Communication on the compensation project will begin at the start of the academic year and an anticipated completion of the entire compensation program by the end of the calendar year 2010 following by extensive communication to the campus on the implementation process.