

IOWA STATE UNIVERSITY

Compensation Workshop

Office of the Senior Vice President and Provost
University Human Resources
April 19 & 20, 2022

Pop Quiz

- What is a representative range of pay opportunity for a job?
 - ✓ Market
- What happens when a new hire is offered a salary at nearly the same as current employees with more experience?
 - ✓ Compression
- What type of pay adjustment would be used to address a pay disparity based on a protected class?
 - ✓ Equity
- What helps align expectations and outcomes of individual performance?
 - ✓ Performance-based compensation program

Agenda

- Compensation Philosophy & Strategy
- Overview of Terminology
- Merit Performance Based Increases
- Salary Adjustments (Market, Equity, Retention)
- Compensation Options and Process
- Questions & Discussion

Compensation Philosophy & Strategy

- **Compensation Philosophy** - Ensures that a compensation program supports an organization's culture, business strategy, and objectives.
- **Compensation Strategy** - Principles that guide design, implementation and administration of a compensation program at an organization.
 - The strategy ensures that a compensation program supports an organization's mission, goals and business objectives.
 - May specify what programs will be used and how they will be administered.

Overview of Terminology

- **Performance based, meritorious salary adjustment**
 - An adjustment made in recognition of work performance that meets or consistently exceeds performance standards documented through an established evaluation process.
- **Market based salary adjustment**
 - A salary adjustment to base pay to align with external data related to the job (not related to performance) using Iowa State University recognized market data.

Overview of Terminology (continued)

- **Equity based salary adjustment**
 - A salary adjustment to correct an internal pay disparity *related to the job being performed* (not related to performance) **OR**
 - A salary adjustment to correct an internal pay disparity *related to a protected class*.
- **Retention based adjustment**
 - A salary adjustment considered when attraction and/or retention issues for a job are substantial, and any additional unfilled positions present a substantial adverse impact to critical business operations or to a major project.

Overview of Terminology (continued)

- **Pay or Salary Compression**

- Salary compression is when faculty or staff who have been in a job for a long time make less than new hires or other current employees in the same position for less time.
- With compression, there are small differences in pay that ignore experience, skills, level, or seniority.
- You see pay compression happen when starting salaries for new faculty and staff in a particular job classification or faculty rank are set too close to the wages of their existing peers.

Merit Performance Based Increases

- Merit Performance Based Increases are **performance based**, meritorious salary adjustment.
- An adjustment made in recognition of work performance that meets or consistently exceeds performance standards documented through an established evaluation process.
- Merit Performance Based Increases are typically given on July 1st and are based on annual institutionally set parameters.

Why Performance-Based Increases?

- ISU established a performance-based compensation philosophy over 10 years ago.
- A performance-based compensation program helps to align expectations and outcomes of individual performance and recognize where performance has been differentiated.
- The Compensation Administration Policy (located in the ISU Policy Library) outlines various elements of compensation which apply to Faculty, P&S, Contract Employees, and Postdocs.
 - <https://www.policy.iastate.edu/policy/salaryadjustments>

Why Performance-Based Increases? (continued)

- Our philosophy regarding compensation is NOT based on “step,” across-the-board (ATB), longevity, cost of living or other increases indicative of minimum entitlements, as these may have an adverse impact on pay equity (not associated with protected status) by negating appropriate variation among individuals.
- Units are encouraged to consider the variety of compensation tools outside of the annual performance adjustment process to maintain market competitiveness.
 - *Best practice is to work with your budget/fiscal staff to plan proactively through a multi-year and all funds approach to address market, equity, retention, and/or salary compression throughout the year.*

Salary Adjustments – Faculty

- As the *Faculty Handbook* (FH 4.1) states, every effort is made to maintain faculty salaries at a level competitive with those of peer universities throughout the country.
- Requests for faculty salary adjustments will be considered in response to a demonstrable salary issue (i.e., market, equity, retention, or compression issues) and with a compelling justification included.
- Salary adjustment requests considered separate from performance, may be initiated at any time throughout the year except for the period of June 1 - July 31 when processing of merit performance-based salary adjustments regularly occur.
- Salary adjustments are recommended by the Dean and require approval of the Associate Provost for Faculty.

Market Salary Adjustment – Faculty

- **Market** (or market rate) is the rate of pay with which Iowa State University competes in fields or disciplines in local, regional or national markets.
- A **Market Salary Adjustment** may be requested to correct a market disparity.
- Salary compression would be evaluated under the scope of market within a department/unit; thus the salary compression factor would be the rationale for requesting a market increase for a faculty member.

Market Salary Adjustment – Faculty (continued)

- To determine ISU faculty pay relative to market data, a Department Chair/School Director or Dean must engage their respective HR Partner who will use market data provided by Institutional Research
- Market salary adjustments may not be granted retroactively.

Market Salary Adjustment – P&S

- Market for P&S jobs is represented by the paygrade
 - Third-party salary surveys inform data
 - Market grade placement reviewed regularly and adjusted as needed
 - Used to inform pay decisions
- Market is a range of values – represented by the pay grade
- Salary placement within the range is based on experience, proficiency, performance over time, etc.

Setting P&S Pay - Resources

- Engage with your HR Delivery partner first
- HR Portal and knowledge base articles
 - P&S Compensation Guidelines
 - Microlearning videos
 - Level guidelines
 - Understanding the P&S Classification Structure

Equity Salary Adjustment

- Equity Salary Adjustment is used to correct an internal pay disparity related to the job being performed (not related to performance) OR a salary adjustment to correct an internal pay disparity related to a protected class.
- Equity salary adjustments may not be granted retroactively.

Retention Salary Adjustment – Faculty

- A **preemptive retention** is used to identify high-performing faculty that are potentially at risk of being recruited by another institution.
- **Retention** is an effort to induce a high performing and valued faculty member to remain at ISU when the faculty member is actively being recruited away by another institution.
- A formal job offer is NOT required in order to engage in the retention process.
- In return for accepting a retention offer, the faculty member agrees to withdraw from consideration for the external position.

Retention Salary Adjustment – Faculty (continued)

- Retention Salary Adjustments are possible in both a preemptive retention and retention situation.
- Requests for retention salary adjustments originate with the department chair and involve the dean's office and support provided by the HR Partner.
- Retention offers are high priority and time-sensitive, thus the Office of the SVPP will allow mid-semester retention adjustments for both 9-month and 12-month faculty.
- Effective date is the first day of the following month from submission.
- Retention salary adjustments may not be granted retroactively.

Retention – P&S and Merit

- Both P&S and Merit retentions require an offer from an external organization
 - Counter-offers are not allowed within the University
- Managers are encouraged to proactively review staff salaries and place them competitively via market adjustments before they seek external employment
- Merit retentions are now possible (Feb 2020) and require Board of Regents approval

Scenario #1

- Dr. Mary Professor, who is a Professor in the Department of Kinesiology, mentions in passing to their department chair that they feel they are undervalued, underpaid, and unsure if ISU is the best opportunity for her career.
- ***As the Department Chair, how would you handle this situation?***

Scenario #1 – Best Practices

1. Acknowledge the faculty members feelings and inform them that you will be evaluating their concerns.
2. Connect with your HR Delivery Team to further discuss.
3. Evaluate if there is a market issue and evaluate salaries of all faculty in the department.
4. Evaluate if there is any equity concerns (protected class).
5. Evaluate what would need to be done based on performance for merit performance increases in the upcoming review cycle.
6. Move forward in a manner that would eliminate the need for the faculty member to begin looking at other institutions for employment possibilities.
7. Move the request forward with the support of the Dean to the SVPP office for final approval if needed.

Scenario #2

- Dr. Michael Professor, who is an Associate Professor in the Department of Computer Science, that reaches out to their department chair to ask:

“Why did the newly hired Assistant Professor get offered a starting salary that is almost as much as I am currently making as an Associate Professor after being at ISU for nearly 10 years?”
- ***As the Department Chair, how would you handle this situation?***

Scenario #2 – Best Practices

1. Acknowledge the faculty members feelings and inform them that you will be evaluating their concerns.
2. Connect with your HR Delivery Team to further discuss.
3. Evaluate if there is a compression impact and what effects that has on market by evaluating all faculty in the department.
4. Evaluate what would need to be done based on performance for merit performance increases in the upcoming review cycle.
5. Move the request forward with the support of the Dean to the SVPP office for final approval if needed.

Compensation Options and Timelines

Faculty Compensation Actions				
		Compensation Adjustment Requests		
	Merit Performance Increase	Market	Equity	Retention
Initiator	Department Chair/Director	Department Chair/Director	Department Chair/Director	Department Chair/Director/Dean
Process	Work within annual adjustment parameters	Work with HRD Team; seek appropriate college level approval; submission to Office of SVPP for final approval		
Initiation Window	July 1 st	August 1 st to May 31 st *		
9-Month Faculty Effective Date**	July 1 st	August 16 or January 1	August 16 or January 1	1 st day of next month following approval date
12-Month Faculty Effective Date**	July 1 st	1 st day of next month following approval date	1 st day of next month following approval date	1 st day of next month following approval date

**Salary adjustments cannot be processed/effective during the period of June 1-July 31 annually to allow for merit performance increases to be loaded. They can be discussed, evaluated, and submitted for review on any date, the effective date just cannot be between June 1-July 31.*

***Using standard effective dates assists with financial planning, payroll processes, and reporting.*

Compensation Options and Timelines

Staff Compensation Actions				
		Compensation Adjustment Requests		
	Merit Performance Increase	Market	Equity	Retention
Initiator	Department Chair/Director	Manager/HRD	Manager/HRD	Manager/HRD
Process	Work within annual adjustment parameters	Work with HRD Team; seek appropriate college level approval; submission to University Human Resources Classification and Compensation		
Initiation Window	July 1 st	All days, except July 1		

QUESTIONS?