Handout to UC
6/23/2014
Item 5

Pay Tools Portfolio 2013-2014: A Brief Guide to Optimize Impact (*updated 26 November 2013*)

Type of Salary Increment	**Final Deadline (Dean/Director to campus)**	Employee Category/ Criterion	Amount of Increment	Comment re: flexibility versus standardization (amounts, methodology, timing).
Pay Plan	See comment	Faculty & Staff/ Merit	1%	**Flexibility level: low.** Standardized, via Budget Office.
High-Demand	Rolling, but: **Drop-d date = 31 March**	Faculty/ Market	Varies	**Flexibility level: high.** Base adjustments effective mid-stream in FY 2014. Parameters in implementation memo from PMD/DB align with past experience.
Promotion (new/revised as of FY 2010)	Budget-lock = early- or mid-April (see comment)	Faculty/ Promotion [Staff promotions separately handled]	New initiative doubled bumps and created annual index	**Flexibility level: low-medium.** You may top off via other tools. Budget Office will communicate budget-lock date. Promotion bumps for FY 2015: C-basis 6.7K/8.8K, A-basis 8.0K/10.5K for associate/full. Central campus paid cost of doubling.
Post-Tenure Increment (new as of 2010)	**Drop-d date = 14 March**	Faculty/ Market	5-7% (for central campus contrib. of half)	**Flexibility level: medium.** Spread sheets will provide pre-calculations; you may top off, if appropriate. Analysis: market in relation to performance. Cost-share: Central campus pays half (up to 3.5%). Eligible: full profs 5 yrs after promotion. Implementation memo from PMD follows past practice.
Compression-Equity (new in 2010; **sunsets after last 2013-2014 cohort)**	**Drop-d date = 14 March**	Faculty/ Equity	5-10% (for central campus contrib. of half)	**Flexibility level: medium.** Spread sheets will provide pre-calculations; you may top off, if appropriate. Analysis: compression-linked equity in relation to performance. *(Note: This tool contrasts with "standard" equity.)* Cost-share: Central campus pays up to half (up to 5%). Implementation memo from PMD follows past practice.
CCF: Critical Compensation Fund (new as of 2012)	Rolling, but: **Drop-d date = 31 March.**	Faculty & Staff/ Market or Equity	Varies; minimum = 2% (or a $ amount)	**Flexibility level: medium-high. Applies to all employee categories.** Base adjustments effective mid-stream in FY 2014. See implementation memo from HR. **This year, you must meet global $ target and head count parameters, and allocate at least 50% (ASEC recommends 70%) to non-repeaters.**

For link to updated implementation memos: click on "faculty and staff" at Provost web site: http://www.provost.wisc.edu/

Pay Tools Portfolio 2013-2014: Key Points to Optimize Impact *(updated 26 November 2013)*

1. **Values:** While developing new pay initiatives, we have been mindful of our balanced values.

On the one hand, people work at universities because they are passionate about knowledge and universities – the thrill of research and discovery, the light-bulb moments of teaching and learning, the vibrant mix of generations, the call of service. If maximizing pay were the only value or the highest value, one would work in a sector other than higher education.

On the other hand, we are a community of accomplishment, and people justifiably want to be acknowledged and paid fairly for their achievements. We compete to recruit, develop, and retain talent in a competitive market, and morale matters. Therefore, we must be mindful of market and equity and build pay tools beyond the weak or nil pay plans of recent years.

2. **Sequencing strategy for optimal decision making:** In the case of faculty, we have multiple tools in our portfolio.

To optimize impact – reach of persons included, total justifiable dollar adjustment, strategic targeting of funds – it can make sense to build a strategy of sequential consideration. One may wish to begin with tools that have more restrictive parameters, and then consider those with more flexibility. The promotion adjustments, post-tenure increments, and compression-equity adjustments have prescribed cohorts and/or dollar parameters. The CCF and High-Demand tools have more flexible parameters. See the grid. What's most important is not the specific content of your coordinating or sequencing strategy, but that you have a strategy.

3. **Timing and margin of error:** The pay tools generally allow for a rolling horizon for recommendations by deans/directors.

There are drop-dead dates for recommendation, generally in March. See the grid on other side. Smart strategy, however, is to allow for a margin of error by aiming, at college/division level, for a decision making due date several weeks in advance of the drop-dead date. This allows time for cross-unit negotiations in the case of shared appointments, and for other problem solving.

4. **Communication:** The governance bodies emphasized the need to communicate more effectively about CCF to employees.

We need to be very responsive to this desire for transparency about process and results. As you communicate, here are some points to remember:

(a) we are moving toward a new HR system and a portfolio driven model of pay, which means that adjustment tools, considered over time, are not one-offs for a few, but rather a pathway (through learning, experimentation, critique, and shared governance) toward a better system of tools for all achievers;

(b) the CCF parameters incorporate critiques and suggestions from governance on how to improve the CCF process;

(c) the improvements include a requirement that CCF dollar targets must be met regardless of funding source; and include the ability to award CCF adjustments to some Category A academic staff at or near the salary maximum.

For link to updated implementation memos: click on "faculty and staff" at Provost web site: http://www.provost.wisc.edu/

Handout to UC
6/23/2014
item 5

Preliminary Report on Faculty Pay-Merit Initiatives After Five Years
July 2014

1. This cumulative summary is based on actions approved through new pay-merit tools adopted since 2009-10. A more complete five-year report by our APIR colleagues will be available later this year.

2. In addition to the tools adopted in 2009-10, we adopted a Critical Compensation Fund (CCF) tool in 2012, and again in 2013-14. The CCF is for all employee categories; figures below are annualized and refer to tenure-track faculty only.

3. In addition, we re-conceptualized the High-Demand Fund as an ongoing competitive cost of doing business within a portfolio of tools, rather than as a one-time "band-aid" tool by the state in years of nil or weak pay plans. This tool has amounted to about \$2 million/200 adjustments per year.

4. The three salary adjustment initiatives adopted in 2009-2010 were:

   (a) promotion (doubled increment levels in FY2010, and annual indexing for new promotion adjustment rates in subsequent years);

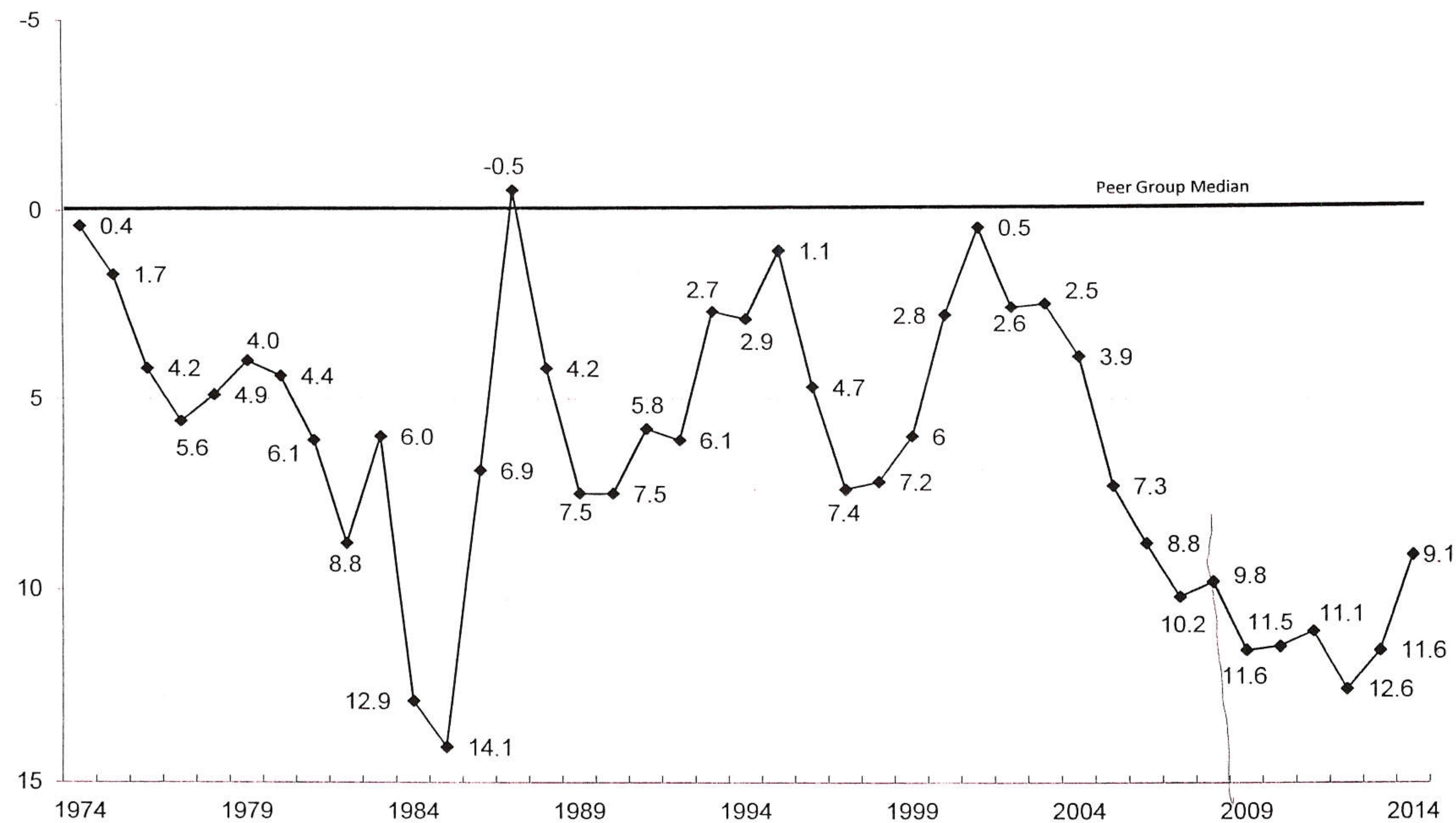
   (b) post-tenure increment review (performance in relation to market, considered at 5 years after promotion to full professor);

   (c) compression-equity initiative (performance in relation to compression-equity, considered at 10, 15, or subsequent 5-year intervals past promotion to full professor (this initiative has sunset after a 5-year window, i.e., after the current 2013-14 cohort whose adjustments are effective in FY 2015).

Summary of Faculty Salary Adjustments as of July 2014

Type of action	**Cumulative Headcount**	Current Cohort (FY 2015)
Promotions to associate professor	362	
Cohort 2013-14, effective FY 2015		66
Promotions to full professor	362	
Cohort 2013-14, effective FY 2015		70
Post-tenure increments (5 years after full)	104	
Cohort 2013-14, effective FY 2015		23
Compression-equity (10, 15, . . . after full)	310	
Cohort 2013-14, effective FY 2015		74
Subtotal, faculty adjustments excluding CCF	**1138**	233
Subtotal, dollars allocated excluding CCF	**\$9,564,268**	\$2,072,935
CCF: faculty adjustments, FY 2013 and 2014	**CCF n = 1004**	
CCF: dollars, tenure-track faculty only	\$7,260,567	
Total dollars allocated including CCF	**\$16,824,835**	

UW-Madison Faculty Salary Deficit
Pay Increase Needed to Bring Faculty Salaries to Peer Group Medians



Notes: Based on the annual AAUP Faculty Salary Survey. Faculty on 12-month appointments are included, but their salaries have been converted to 9-month rates. Medical schools are excluded. UW-Madison's peer group for purposes of salary comparisons was established by The Governor's Commission on Faculty Compensation in 1984. The peer universities include the University of California-Berkeley, University of California-Los Angeles, University of Michigan, Ohio State University, University of Texas-Austin, University of Illinois, Purdue University, Indiana University, University of Minnesota, Michigan State University, and the University of Washington-Seattle. The average salaries reported to the AAUP are affected by several factors, including faculty turnover and promotions, salary adjustments for promotions, competitive market adjustments, and equity adjustments, in addition to the announced annual increases

University of Washington-Seattle did not submit data for 2013-14 data. Values included are from 2012-13.

Peer Group Median excludes UW-Madison

Academic Planning and Institutional Research, Office of the Provost, UW-Madison, arl, 4/8/2014

Handout to UC
6/23/2014
item 5

Critical Compensation Fund 2013-14:
Summary of Results
(23 June 2014)

Background

The Critical Compensation Fund (CCF) is a UW-Madison-specific compensation tool approved by the Chancellor in collaboration with campus governance and leadership. The 2013-14 CCF was the second year for the program, following the 2012 CCF. The CCF is the first pay tool in recent years designed to apply to <u>all</u> permanent employee categories. CCF is not a pay plan, however; adjustments under CCF were targeted to be awarded to 30 percent of employees. The "budget" for the 2013-14 CCF investment was one percent of base payroll ($8.25 million).

This second year of the CCF incorporated improvements based on feedback and analysis of the first-year program. Specifically, the second round included:

- <u>A longer and more flexible time window</u> (from November 14, 2013 until March 31, 2014) for local CCF decision-making and implementation (including the deans' approval processes), to respond to communication, engagement, and governance concerns;
- <u>A more robust campus/HR communication process</u>, to take optimal advantage of the lengthier decision window and respond to feedback from the first year of the CCF;
- Greater clarity about the requirement to meet dollar target allocations, <u>for both GPR- and non-GPR funded positions</u>;
- Ability for <u>category A academic staff at or near the salary maximum to receive CCF increases</u>;
- A requirement that <u>at least 50 percent of the allocated funds be awarded to employees who did not receive CCF awards last year</u>; and
- Greater flexibility by allowing a target of <u>awarding CCF increases to a range of 20-30 percent of all employees</u>, instead of a flat 30 percent, the target in the first CCF.

Results

Tables 1 and 2 below show summary CCF results, which are on the whole positive. Specifically:

- All eligible divisions awarded CCF increases. The Wisconsin State Lab of Hygiene and the Wisconsin Veterinary Diagnostic Lab did not participate because these divisions are governed by separate boards and therefore did not receive CCF allocations.
- Units were given an award percentage target of 20-30 percent of employees in each category, and 29 percent of employees (across all categories) received CCF awards.
- Campus leaders made a much stronger effort this year to spread CCF funds across all employee categories. As a result, CCF dollar targets were exceeded overall, for both GPR and non-GPR funding sources. This was achieved because divisions supplemented CCF allocations with their own funding.
- The percentage of CCF funds allocated to second-time awardees – about 16 percent – was well below the 50 percent threshold.

Table 1: Overall CCF Results

	All Employees	Academic Staff	Limited Staff	Faculty	Classified Staff
Number (headcount) of staff who received CCF awards	3,866	1,822	175	542	1,327
Percent of employees who received awards (30% target)	29.0%	28.9%	38.2%	25.0%	30.2%
Total amount awarded	$11.66M	$5.03M	$0.77M	$3.18M	$2.67M
Target award amount	$ 8.25M	$3.58M	$0.48M	$2.30M	$1.90M
Percent of Target amount awarded	141.3%	140.7%	159.8%	138.7%	140.9%
Percent of CCF funds to repeat awardees (50% cap)	16.2%	20.3%	22.3%	13.4%	10.0%

Table 2: Results by Funding Source

GPR	All Employees	Academic Staff	Limited Staff	Faculty	Classified Staff
Total amount awarded	$6.26M	$1.79M	$0.46M	$2.54M	$1.47M
Target award amount	$4.20M	$1.13M	$0.27M	$1.73M	$1.07M
Percent of target amount awarded	149.0%	158.5%	173.4%	146.6%	136.7%

Non-GPR	All Employees	Academic Staff	Limited Staff	Faculty	Classified Staff
Total amount awarded	$5.40M	$3.24M	$0.31M	$0.65M	$1.20M
Target award amount	$4.05M	$2.45M	$0.21M	$0.56M	$0.82M
Percent of target amount awarded	133.3%	132.5%	142.9%	114.7%	146.3%

Technical notes:

1. Headcount and $ data per Budget Office.
2. GPR = 101 + 402 funds; non-GPR = all others.
3. Percent of target amounts awarded based on actual (not rounded-off) amounts.

June 23, 2014