

University of California, Merced
Listening Session Feedback: Compensation Philosophy & Strategy
March 2014

Background and Purpose

The University of California, Merced is undertaking an ambitious initiative, the 2020 Project, to increase the capacity of the campus to serve 10,000 students by the year 2020. This will require new teaching and research facilities, housing, athletics and support space, nearly doubling the size of the current campus. This expansion will also require hiring new faculty and staff and possibly defining new roles.

Campus leadership is aware of compensation-related concerns centering on classification and competitive pay practices. The hiring projections over the next few years and the anticipated budgetary pressures will likely exacerbate the current compensation issues. As a result, it was determined that a compensation philosophy and strategy was needed to help guide campus decisions regarding hiring, conducting equity reviews for existing staff, assessing staffing needs, and addressing staff complaints, prioritizing all within a budgetary framework.

Listening Session Feedback

In an effort to better understand the details of the issues and identify root causes, it was decided that a series of listening sessions with employees and managers should be conducted. The intended outcome of these sessions was to identify the areas in need of improvement focusing on practices, programs and application of policies. The sessions also presented an opportunity to hear details about the employment relationship that employees valued and that the Campus could leverage in retention and recruiting efforts.

Twelve listening sessions were conducted with managers and employees on the Merced Campus and at the Fresno location. Employees and managers were asked to provide feedback on a variety of related topics, including the following:

- Career Tracks, its benefits and purpose
- Career opportunities within Merced and across UC
- Pay practices at Merced compared to other UC locations and the marketplace
- Other components of the employment arrangement that are valued
- The Merced employment proposition for hiring and retaining staff
- Reasons for leaving Merced

Participants were encouraged to speak openly and frankly, and assured that their comments would not be attributed to an individual or group. The following summarizes the comments received during these sessions, categorized into common themes.

Comments from Managers and Employees

1. Position evaluation and job review processes

- Career Tracks mapping, job evaluation, reconsideration requests, reclassification reviews, seem secretive and the decisions aren't adequately explained to managers or employees.
- There are perceptions that there may have been some favoritism in assigning grades, and providing equity or salary increases.
- The evaluation process comes across as a "Black Box model" with no explanation of the methodology, rationale or analysis, only an answer.
- Many jobs at Merced are hybrids, meaning that a person has multiple roles, and that didn't seem to be considered in the evaluation process.

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- When jobs were being evaluated, the Compensation team didn't seem to reach out to managers or employees to understand their job functions, skill requirements or scope, particularly when job descriptions were old and outdated.
- Career Tracks communications and training of managers and employees was inadequate.
- When jobs were evaluated, credit was not given for managing students.
- It took many months and up to three years (in one situation) for a reclassification review, and the manager had to argue his points the entire time.

2. Salary review processes

- New hires are brought in at higher salaries but with less experience than existing staff.
- Processes to authorize salaries above the 25th percentile and to conduct equity reviews seem biased and in favor of some; the process is not transparent and seems arbitrary.
- Equity reviews don't seem to account for scope of responsibilities or contribution of the incumbent.
- The pay differential between first line supervisor and represented staff has diminished due to regular Union wage increases and irregular, infrequent salary programs for supervisors and non-represented staff.
- It appears that equity increases in HR were processed, but others have more difficulty in getting approvals, if at all.
- A broader equity review should be conducted to analyze salaries of centralized (at Merced) functions and the same functions embedded in departments.
- Lateral movements seem to be discouraged if a salary increase is proposed, even for equity.

3. Competitive compensation practices

- The community college and CSU Stanislaus and Fresno seem to pay more -- sometimes considerably more -- than Merced for jobs that are less complex or smaller, and offer benefits, e.g., the Fee Waiver benefit at CSU, that UC does not offer.
- Merced is seen as a training ground for competitors, particularly the community college which appears to pay more.
- Highly skilled or technical staff are very scarce and difficult to retain. Many technical staff are drawn by jobs in Silicon Valley and the Bay Area at higher pay, so Merced's competition is beyond the immediate area.
- The only employees receiving regular increases are the represented employees.
- Telecommuting, flex schedules and other similar programs would help make Merced more attractive and competitive.
- Need to be able to recognize strong contributors with a cash award or bonus plan.

4. General Human Resources

- Policies and programs should support opportunities for growth and development within Merced and UC.
- Communications are lacking, in general. Specifically, Fresno, at times, is left out of campus-wide communications.
- Need to review hiring and budget policies regarding how positions are posted and headcount is budgeted. Postings for open positions displayed a salary range that showed the 25th percentile as the maximum salary.
- Many who were raised in the area expressed pride that they found employment with a prominent employer, but some "trailing spouses" felt they had limited employment options.

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- Many employees stated that they have taken great pride in building the campus and that they're creating a legacy for the next generation of campus workers.
- Many employees were attracted to Merced by the prospect of a start-up campus, and the opportunity to assume expanded roles to grow and develop their careers. They acknowledged that this isn't typical in the marketplace.
- Many employees also acknowledge that the start-up environment requires a particular type of person to meet the challenges, and felt that their colleagues were one of the reasons they stayed.

Observations

First, it should be noted that the comments displayed above are the sentiments, perceptions and experiences as related by the individuals. Although there was a fair amount of energy behind some of the more pointed comments, all exchanges were balanced and respectful.

Staff and managers continue to have a lot of questions concerning Career Tracks, despite being implemented well over a year ago. It is clear that the program was not properly communicated, with expectations, timelines, purpose and desired outcome not clearly explained. Many stated that they didn't understand the purpose or the benefit of Career Tracks and that there were no explanations for the classification, grade or level assigned to them. There was a letter notifying them of the change, but there does not appear to be any further efforts to educate. While it is normal for some pushback and expression of concern when making such significant changes to the compensation programs, the experience at Merced stands out when compared to the implementation at Office of the President and Berkeley, the other two locations with Career Tracks.

Merced staff are also aware that their pay is generally lower relative to their peers at other UC locations who are doing similar work. Data indicates that approximately 40% of non-represented staff are paid at or below the 25th percentile of their respective salary range. In the past, it appears that managers attempted to deal with budgetary pressures by recruiting for positions and displaying the 25th percentile of the grade range as the top compensation for the position. In addition, if an offer placed the salary above the 25th percentile, exception approval was required. Since the midpoint of a salary range approximates the median pay in the open market for a fully qualified individual, this recruiting practice may have resulted in either lesser qualified employees being hired, or more qualified candidates not applying or declining offers. In some cases, qualified employees accepted the lower pay because of a scarcity of jobs and/or they hoped for future salary increases to bring their pay to levels they felt were more competitive.

Staff are also aware that they're being given an opportunity to learn and grow because Merced is in start-up mode, that the jobs contain additional responsibilities that wouldn't normally be provided at a more mature campus. Quite a few staff were very aware that the jobs at Merced were larger, more complex and more demanding than their counterparts at other locations, within and outside UC. They're also aware that the pay at Merced for these larger jobs is lower than their counterparts. Here again, it's not unusual for some concerns being expressed about pay, but the volume and consistency of the messages were greater than normally found.

Staff were also concerned that new hires with less experience were being brought in at salaries equal to or greater than theirs. The compression issue between longer-serving staff compensation and new hire salaries is not uncommon in UC. This has been caused by infrequent and inadequate salary increase

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programs for non-represented staff over the last seven years. Further, represented staff have had regular wage increases resulting in further erosion of the pay differential between their pay and that of their first line supervisors. The regular pay increases provided to unionized employees is a point of contention with the non-represented staff, particularly for those at the lower grades. While the market has continued to advance, except for perhaps one year during the recession, UC compensation for non-represented staff has stagnated. This creates a host of employee relations issues affecting retention and hiring ranging from low morale, disengagement and productivity declines to erosion of brand and reputation in the marketplace. Given the hiring needs associated with the 2020 Project and the need for the Merced campus to have a solid employer reputation in the labor market, developing a strategy to deal with these compression issues and the new hires is essential.

Recommendations

Upon dissecting the comments and feedback it became apparent that concerns could be addressed through a series of carefully managed initiatives, and once announced by the Chancellor, employee focus could be restored to supporting the campus vision and mission. It is my assessment that the foundation is still sound and the underlying team-oriented spirit of the Merced employees intact. They take great pride in their accomplishments and the campus they've built and want to see the campus nurtured and grow. But, they want to feel that their efforts are acknowledged and rewarded, and that the underlying employment arrangement is respected. As usual, all it will take is time and money, along with earnest outreach and engagement. The following are suggested initiatives:

1. **Training on compensation should be required for all managers and a separate training module designed for employees.** Every new hire should be required to attend orientation including a module on compensation. Training should target basic terminology and concepts and provide detail on Career Tracks, how jobs are evaluated and the market defined and assessed. These sessions should be conducted live and in person, so employees can interact with the leader and ask questions. Training sessions, resource materials, forms and process descriptions should be made available online to all staff. Merced is welcome to use materials designed by Office of the President for these purposes.
2. **Re-open the Career Tracks reconsideration process after the training has been delivered and after implementation of the Business Partner role in HR.** This will provide staff and managers with another opportunity to address unresolved issues and questions. A current job description and organization chart must accompany the reconsideration request and the Compensation staff must ensure that they understand the duties, skills and responsibilities of the job under review. Meetings between the manager and Compensation staff, and including the employee where appropriate, are strongly encouraged to ensure a detailed understanding of the complexity, scope and the other important job-related factors. If an employee requests reconsideration but the manager doesn't support the request, it is recommended that the manager discuss his/her rationale with the Campus Chief Human Resources Officer (CHRO) to ensure equal and consistent treatment.

Where detailed information is lacking and a reasonable evaluation cannot be finalized, a desk audit may be necessary, conducted by the Compensation staff member. Where a pattern of unresolved issues or questions arise within a department or functional area, a more detailed review or audit of job functions should be conducted by the Compensation staff or someone appointed by the CHRO.

OP Compensation will also conduct an impartial, high-level review of Merced Career Tracks mapping decisions to compare against similar implementations at OP and Berkeley. While care will need to

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be exercised in the interpretation of data, these analyses may be able to identify other anomalies. These analyses will be shared with Merced leadership to determine if additional reviews are warranted.

In every case, the draft Career Tracks recommendation for leveling the position must be documented, providing a full explanation of the evaluation methodology and findings including the subject job's comparators, assessment of scope of responsibilities, skills, and other compensable factors. This documentation should be shared with the requesting manager.

3. **Assess the projected staffing needs of the organization, creating a staffing model, identifying the skills and abilities, and Career Tracks levels necessary for meeting the 2020 Project requirements.** The review should include an assessment of the proper mix of senior and junior level staff. In order to meet budget constraints, an analysis of the labor costs should be performed using the midpoint of each position's salary range or a different amount if details are known, e.g., ease or difficulty of recruitment.
4. **Assess the current staff against the 2020 Project staffing model,** placing each individual into the positions identified in step 3, above, validating that each staff member is capable of performing the requirements of the position being assigned. Where the current staff member is lacking skills but is deemed to be capable of development, a specific training plan should be implemented to improve his/her skills. Progress should be monitored with regular periodic feedback and assessment.
5. **A multi-year equity budget should be established, over and above the regular salary increase budgets,** to control costs, set expectations and manage the transition to more sustainable salary program. Longer term commitment to sustain and fund these budgets, along with clear communications to employees, will be essential to gaining their trust and commitment.
6. **Assess each employee's targeted compensation level.** Using the staffing assignments under step 4, above, each manager, in conjunction with his/her division or department head and working within a budget allocation, should assess each employee's relative performance and contribution, skills, depth and breadth of knowledge, and scope of responsibilities to determine where the individual's pay should be within the salary range and relative to his/her peers. The desired salary for each person may not be realized for two or three years, or more. It is imperative that the actions be prioritized so that the top contributors, those most critical to the success of the organization, or those positions most difficult to retain or recruit, receive greater, more immediate attention. Those whose performance is not up to standards or expectations should receive little or nothing until performance standards are achieved. Rank ordering employees by the criteria, above, should help managers determine the appropriate funding for each position.
7. **Post all open jobs using either the full range spread from minimum to maximum, or exclude salary range specifics** and state, "starting salary will depend on experience" or another suitable phrase. Opportunities should be advertised internally, encouraging qualified staff to apply or encouraging staff to refer qualified friends and family. Other approaches to recruiting should be considered that help address competitive wages, broadening the qualified applicant pool, and addressing equity and compression issues.

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8. **Create a broad communication campaign** focused on the HR initiatives in support of the 2020 Project and the plan laid out above. Initiatives and progress could be discussed in town hall meetings with all staff, including those in Fresno.

Conclusion

Merced employees seemed pleased that they were given an opportunity to share their experiences and thoughts about compensation. They want to be engaged and involved in building the campus. They understand and appreciate the job and career opportunities provided in this start-up and expansion mode. Employee concerns tended to center on the volume of work relative to the pay of comparable positions internally and externally, as well as other more readily fixable issues, e.g., Career Tracks and transparency around processes and decisions. However, if the Chancellor announces a plan to begin to methodically address the pay anomalies, there is ample evidence gleaned from the listening sessions that employees trust the Chancellor and leadership team and will re-engage. Employees understand the budget pressures facing the University and will likely exercise some patience regarding the corrective actions implemented by the Chancellor. Employees will also appreciate acknowledgement of their concerns and issues raised during these listening sessions.