



University of Alaska

Total Compensation Review: Project Update

September 14, 2018

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Project Overview

Project Overview

At the direction of the UA President, UA Human Resources is leading a total compensation review to ensure that the university's faculty and staff receive salary and benefits that provide market competitiveness, internal equity, and retention

Elements of the review:

- Faculty salaries
- Staff salaries
- Executive (Officers and Senior Administrators) salaries
- Benefits
- Pay equity

Compensation Guiding Principles

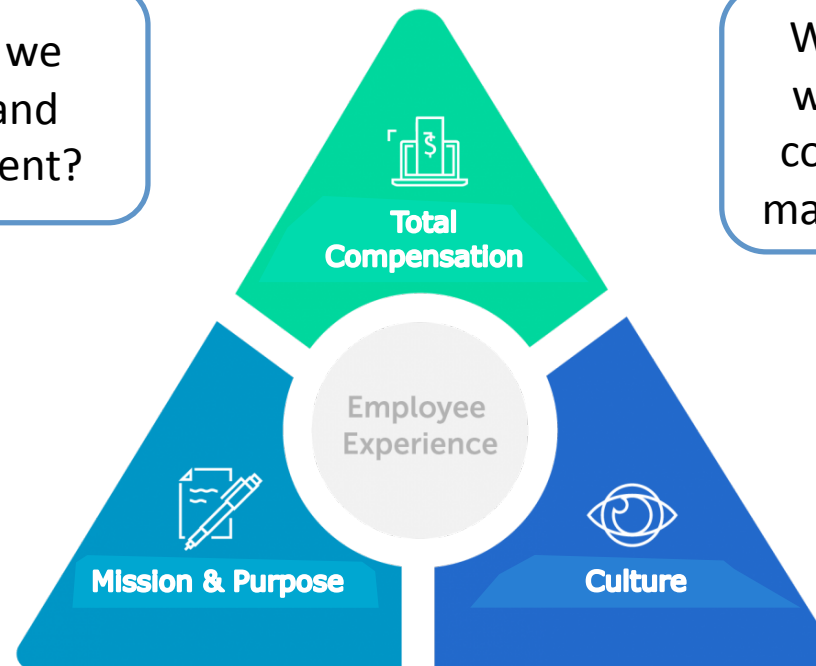
(DRAFT)

- As a mission focused institution, the university's emphasis as an employer is on recruiting, retaining and developing people who embrace the mission; the compensation system supports the mission and is not a deterrent or distraction to our employees' contributions to the mission
- The compensation system will uphold the university's role in the state as a leading employer. In its duty as an employer, the university will strive to be:
 - Competitive: Offering market-driven salary and benefits programs
 - Consistent: Providing a dependable framework for compensating employees in a fair and equitable manner
 - Creative: Within the confines of its budget, the university will offer a flexible and inspired suite of benefits to employees
 - Collaborative: Working with our employees to ensure our programs meet their needs and interests

Employee Value Statement

How do we
attract and
retain talent?

Where do we
want to be in
comparison to
market salaries?



What are all the
reasons to
work for UA?

Methodology for Geographic Salary Adjustments

Our vendors (Gallagher and Lockton) used the “cost of labor” geographic factor to adjust actual market salary data to University of Alaska campus locations.

- Cost of labor refers to the difference in wages for a job from one geographic market location to another. It reflects the local labor supply/demand.
- Cost of labor geographic salary adjustments were applied using the Economic Research Institute (ERI) Geographic Assessor.¹
- University of Alaska campuses were allocated into three regional geographic locations reflecting similar costs of labor.

Market Competitiveness

Market competitiveness relative to market median

+/- 5% of market median	Highly Competitive
+/- 10% of market median	Competitive
+/- 15% of market median	Possible Misalignment
</>15% of market median	Misalignment

Faculty

Faculty

Where we are:

- The market analysis for represented 2 and 4-year faculty is complete
- Type A (urban community college) and Type B (rural community college) campuses considered for 2-year faculty

What we know:

- 4-year program faculty are highly competitive overall
- 2-year faculty (to include both Type A and Type B campuses) are competitive overall

Next steps:

- Review specific faculty ranks by discipline that are misaligned with market median
- Complete market analysis for non-represented faculty (FR/FNs)
- Review possibility of an aligned formal faculty salary structure to include process and guidelines

Faculty Compensation

Methodology for Benchmark Peer Groups

Identifying and selecting peer institutions

The objective in developing each peer group was to ensure that, on the whole, each peer group included a representative cohort of comparable public (and/or private for lower division) institutions based on:

- Carnegie Classification
- Operating Budget*
- Student Enrollment
- Faculty FTE

* Source of operating budget is the CUPA Data-on-Demand institutional basic data. The last year CUPA collected the operating budget data for survey participants is 2013-14.

Faculty Compensation

Salary Surveys and Peer Group Participation

A summary of the data sources and number of institutions in each recommended peer group is provided below:

University of Alaska Institution	No. of Institutions in Recommended Peer Group Participating in the CUPA-HR* Faculty Survey (4-year and 2-year)	No. Participating in OSU** Faculty Salary Survey
University of Alaska Anchorage	70	Not applicable
University of Alaska Fairbanks	68	19
University of Alaska Southeast	67	Not applicable
Two Year Program Faculty - Type A	49	Not applicable
Two Year Program Faculty - Type B	23	Not applicable

* College and University Professional Association-HR (CUPA-HR)

** Oklahoma State University

Faculty

FOUR YEAR PROGRAM FACULTY (9 MONTH) ACROSS DISCIPLINES

% Market Competitiveness Comparison (Current Actual Salary v. Market Median **)				
RANKS	All Four Year Program Faculty*	UAF*	UAA*	UAS*
Professor	-4.2% (Highly Competitive)	-9.5% (Competitive)	+1.7% (Highly Competitive)	+15.0% (Misaligned)
Associate Professor	+0.8% (Highly Competitive)	-2.7% (Highly Competitive)	+3.8% (Highly Competitive)	+7.2% (Competitive)
Assistant Professor	-0.8% (Highly Competitive)	-2.2% (Highly Competitive)	-0.3% (Highly Competitive)	+2.4% (Highly Competitive)
Instructor	+0.4% (Highly Competitive)	+4.1% (Competitive)	-9.4% (Competitive)	-
Post Doctoral Fellow	-18.4% (Misaligned)	-18.4% (Misaligned)	-	-
Overall % Comparison	-1.5% (Highly Competitive)	-4.9% (Highly Competitive)	+1.4% (Highly Competitive)	+7.3% (Competitive)

* CUPA-HR teaching faculty salary data used to benchmark the U of A faculty designated as research faculty

** Permissible factors accounting for divergence from market median can include such non-discriminatory factors as length of service, academic discipline, geographic differential, and experience. Additional review is underway.

Faculty

TWO YEAR PROGRAM FACULTY (9 month)

% Market Competitiveness Comparison (Current Actual Salary Median vs. Market Median)		
COMBINED RANKS & DISCIPLINES	Type A Campus locations vs. Market Median	Type B Campus locations vs. Market Median
Overall Market Competitiveness:	+2.9% (Highly Competitive)	+8.7% (Competitive)

CUPA-HR 2 YR does not provide data by rank for Community College

- Combined market median for all disciplines used to compare against the current median of all actual pay

Staff

Staff

Where we are:

- Benchmarking for 80% of staff positions (~2,100) in relation to the national market is complete

What we know:

- Overall, staff salaries are highly competitive in relation to market median (-2.7%)

Next steps:

- Review specific positions that are misaligned in relation to the market
- Review hard-to-fill or unique positions
- Review the salary structure needed to include the remaining 20% of positions
- Review/align the job families in relation to the current market

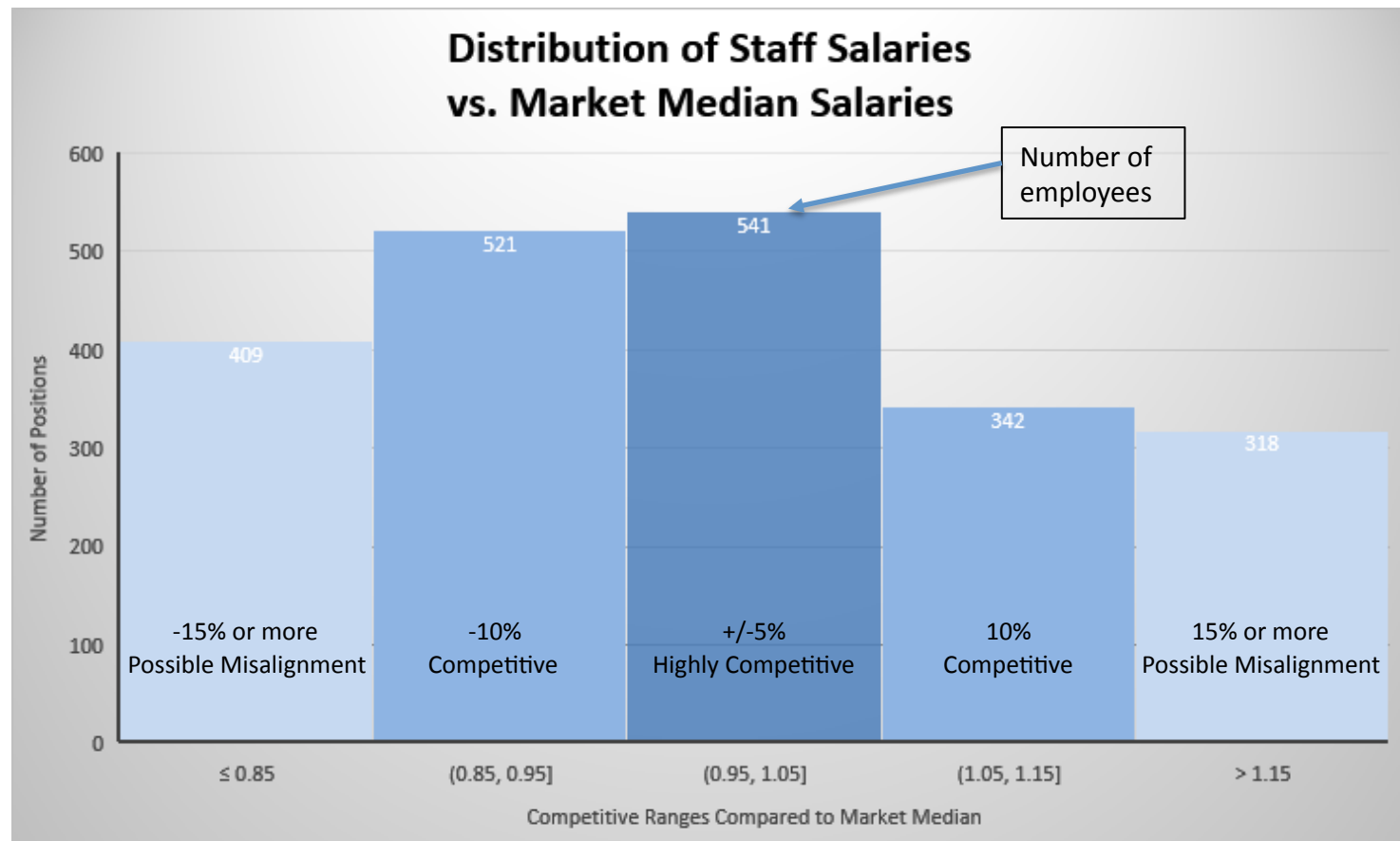
Staff Compensation

Methodology and Survey Sources

UA worked with Lockton to review current job families, salary structure information, organizational hierarchy, and staff reports to provide insight into job and organization structure

- Salary data were collected from the following education-specific surveys, using national data cuts to ensure the most comprehensive data set:
 - CompData Colleges and Universities Survey
 - CUPA-HR Staff in Higher Education Survey
 - CUPA-HR Professionals in Higher Education Survey
 - Western Management EduComp Survey
- The 3% annual adjustment (aging) was applied to each survey source

Staff



Executive

Executive

Where we are:

- The market analysis for executive positions is complete

What we know:

- Overall, executive salaries are 13% below market median, resulting in compression, and potential recruiting challenges and risk of loss

Next steps:

- Strengthen market benchmarking methodology to clarify which positions are classified as executive for institutional consistency
- Adopt new salary range structure to include administrative guidelines for placement based on market, education, experience, and performance

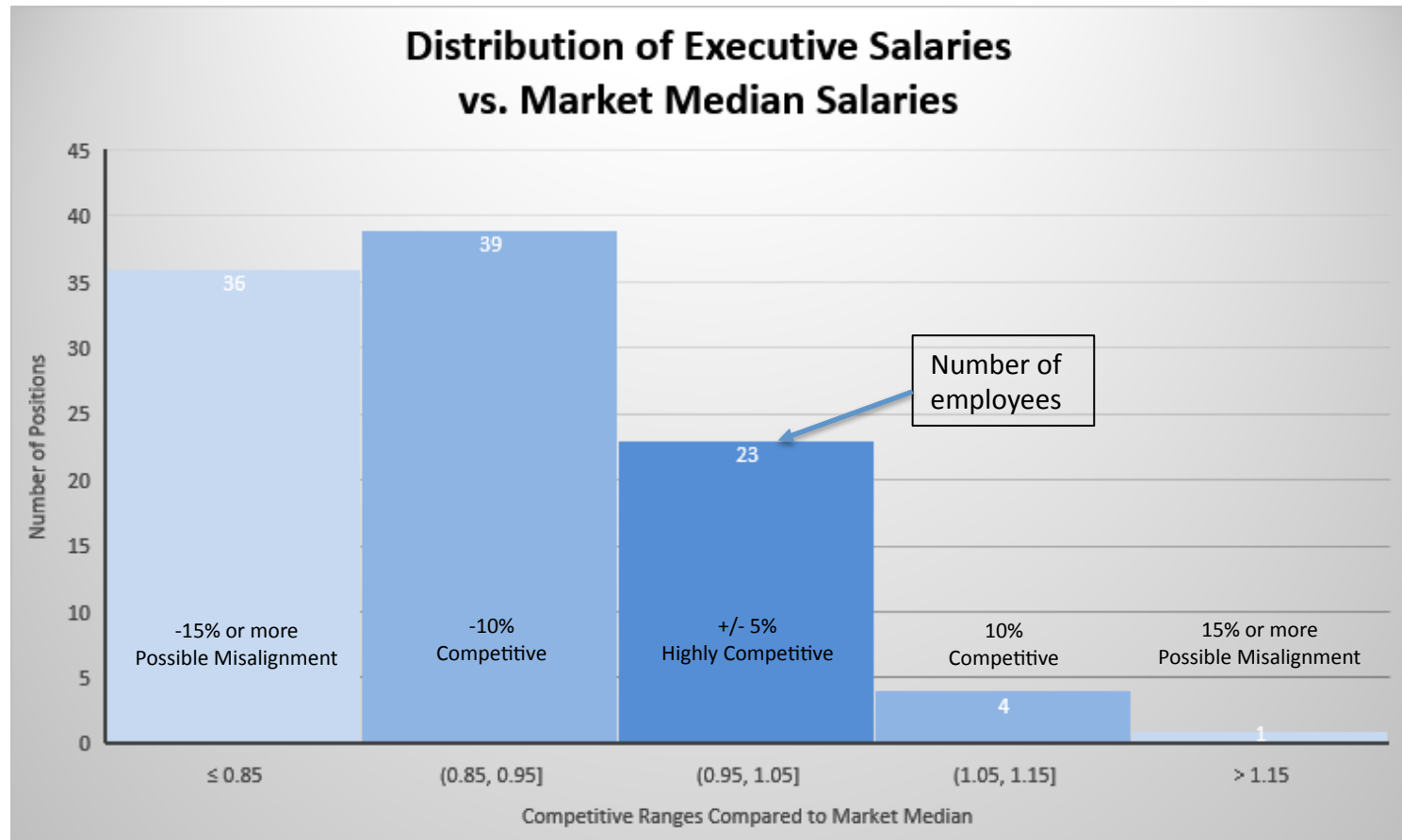
Executive Compensation

Methodology and Survey Sources

UA worked with Quatt Associates to review University of Alaska peer groups for both university-specific and system-wide executive positions

- Salary data was collected from the following surveys:
 - CUPA-HR Administrators in Higher Education Surveys
 - CUPA-HR Professionals in Higher Education Surveys
 - Western Management EduComp Survey
 - Economic Research Institute (ERI) Executive Compensation Assessor
 - Association of College and University Auditors Salary Survey
 - Quatt Not-for-Profit Survey
- The 3% annual adjustment (aging) was applied to each survey source.

Executive



Benefits

Benefits

Where we are:

- The peer analysis has been completed

What we know:

- Overall UA benefits are competitive except in:
 - Voluntary employee life insurance (low maximum, no dependent life)
 - Long term disability (low maximum benefit)
 - UA Pension (supplemental retirement)
 - PERS retirement

Next steps:

- Consider additional voluntary benefits
- Analyze cost impact to improve market competitiveness

Benefits Review

Methodology and Survey Sources

UA worked with Lockton to benchmark the Benefit Plan against the following peers:

- University of Alaska Peers
 - Montana University
 - University of Maine
 - University of Colorado
 - University of Houston
 - University of Massachusetts
 - University of Nebraska
 - Eastern Washington University
 - Montana State University
 - University of Oregon
 - Southern Illinois
 - Idaho State
 - University of Hawaii System
 - University of Iowa
 - University of Missouri
 - University of Idaho
 - University of Nevada - Las Vegas
 - University of Nevada - Reno
 - Colorado State
- State of Alaska
- 2018 CUPA Survey PPO & HDHP
- Lockton University and College Benchmarking (17 Universities)

Benefits

University Compensation & Benefits		UA Benefits Compared to Peer Group	
Health Plan			
Plan Design Value		At or Near Peer Group	●
Employee Contribution		At or Near Peer Group	●
Education Benefit			
Eligibility		At or Near Peer Group	●
Undergraduate Benefit		Above Peer Group	●
Graduate Benefit		Above Peer Group	●
Max Credit Hours		Above Peer Group	●
Retirement			
TRS		At or Near Peer Group	●
PERS		Below Peer Group	●
Optional Retirement		Above Peer Group	●
UA Pension (Supplemental Retirement)		At or Near Peer Group	●
Other Benefits			
Leaves, Accrual & Plan Design		At or Near Peer Group	●
Life Insurance		Below Peer Group	●
Long-Term Disability		Below Peer Group	●

* UA's Benefit Plan benchmarked to Peer Institutions in *UA in Review*, State of Alaska, CUPA and Lockton College and University surveys.

- **Below Peer Group**
- **At or Near Peer Group**
- **Above Peer Group**

Pay Equity

Pay Equity

Where we are:

- A high-level review of compensation data is underway
- Working on regression analysis for staff, faculty, and executives
 - The statistical analysis includes reviewing the effect of the following elements on pay differentials:
 - Gender
 - Age
 - Race/Ethnicity
 - Faculty Rank
 - Terminal Degree
 - Tenure Track
 - Years of Service at UA (years since hire)
 - Years in Position/Rank (years in current position or current faculty rank)
 - Job Value (represented by Pay Grade Midpoint, or Market Median where available)

Pay Equity

Regression Analysis Methodology

- Gallagher's analysis will include all of the applicable variables to determine which have a significant impact on pay.
- **Statistical significance for inclusion** in the formula is defined as $p < .05$. This is the accepted level of statistical impact on the result.
- Variables that do not have a significant impact on pay will be identified and removed from the analysis until the best set of variables that impacts pay is identified.
- This analysis requires multiple “runs” of data to obtain the best set of variables that impact pay.
- We will also review the regression model **R square** to evaluate predictive strength of the regression model.
 - **R Square definition: the percentage of the response variable variation that is explained by the regression model.**
 - R square value of 1.0 (or 100%) indicates that the model explains all variability of the response data.
 - R square value of 0 (or 0%) indicates the model explains none of the variability of the response data.

Pay Equity

Regression Analysis Methodology

- Exclusions
 - 139 employees who chose not to self-disclose their ethnicity will be excluded from the regression analysis. However, employees with “Other” under the ethnicity category will be kept.
- Outliers
 - While the regression analysis identifies standard deviations, since we are using multiple variables to ‘predict’ the dependent variable, we cannot statistically exclude individual employees as ‘outliers’.
 - In order to identify systemic pay equity issues, we must use the full data set, including ‘outliers’.
- Regression Approach
 - Gallagher utilizes several regression models system wide, and groupings by campus/staff, both with and without market data as a variable.
 - Regressions use hourly pay for comparison in order to account for differences in annual hours.
 - Exception: When using market data (9/10 month), we will utilize current 9 month salary equivalent to run regression analysis

Pay Equity

What we know:

- Consultants are identifying positions that need additional analysis

Next steps:

- Conduct a detailed incumbent level comparative analysis to validate potential pay disparities
- Identify areas to address first (departments, discipline areas, job titles)
- Develop controls to mitigate risk and ensure consistency moving forward

Timeline

Project Timeline – Phase 1

ACTIVITY		Aug	Sep	Oct	Nov	Dec
Faculty	Complete market analysis for non-represented faculty (FR/FNs)					
	Review specific faculty ranks by discipline that are misaligned with market actual salaries					
	Review possibility for a aligned formal faculty salary structure to include process and guidelines					
Staff	Review specific staff classifications that are misaligned with market actual salaries					
	Review the hard-to-fill or unique positions to determine potential premium for competitive recruitment and retention					
	Review staff salary structure					
	Slot remaining 20% of positions to complete holistic view of UA's staff compared to the market					
Exec	Strengthen market benchmarking methodology					
	Adopt new salary range structure					
Benefits	Review recommendations and analyze cost impact					
	Incorporate recommendations into UA's strategic plan					
	Incorporate benefits statement with salary offerings to present total compensation					
Pay Equity	Conduct a detailed incumbent level comparative analysis to validate potential pay disparities					
	Identify areas to address (departments, discipline areas, job titles)					
	Develop a plan to ensure consistency moving forward					

Questions?