To: Marty Ytreberg, UI Faculty Senate Chair  
From: Norman Pendegraft, Chair  
University Budget and Finance Committee  
Re: CEC Allocation  

Attached is the committee’s report to the Senate regarding allocation of Change in Employee Compensation (CEC). The committee’s discussions were spirited and far ranging. I believe that the final report reflects the overall consensus of the committee.
University of Idaho
University Budget and Finance Committee
Report to Faculty Senate
on
Allocation of Continuing Employee Compensation
26 January 2015

Summary
Pursuant to your request of 24 Sept. 2014, the UBFC has discussed the allocation of Change in Employee Compensation (CEC). We first identified a number of possible policies that might be used. We used approval voting to select a shorter list. We examined those in more detail to determine our recommendations. Please note that the committee was not necessarily unanimous in its opinions, but the recommendations are a fair representation of the members’ opinions.

The committee’s recommendations include suggestions that portions of a CEC be allocated across the board, to merit, to relieving compression and inversion, and to raising the university’s lowest salaries. We also recommend that division heads be given some flexibility in the allocation and that some consideration be given to addressing compression and inversion over the long run.

Discussion
We begin our report with a brief review of the university’s budget for the current fiscal year ending 30 June 2015 (FY2015).

Total Operating Budget: $371M
Total Budgeted Faculty FTE: ~825
Total Budgeted Faculty Salary: $66M
Total Budgeted Staff FTE: ~1,316
Total Budgeted Staff Salary: $75M (includes TA/RA and IH)
Total Budgeted Salary: $141M
Cost of a 1% salary increase: $1.4M

In our first discussions, we identified several possible policies. CEC could be allocated according to: merit, compression, inversion, lowest paid staff (with several variations), peer comparisons, allocating more to staff than to faculty, investing in new faculty, retaining current faculty, using a rolling average, and longevity. Many of these overlapped. After some discussion we used approval voting to select a subset for more detailed examination. That resulted in four policies making the short list: merit, inversion, compression, and low pay. Subsequent discussions resulted in “across the board” being added to the list. After further discussion we lumped compression and inversion together because they represent similar issues. Ultimately, the committee decided to lump these together with merit believing that they are inseparable. We discuss each of these below.

The opinion has been expressed in the Senate that a disproportionate share of any CEC should be directed to staff. The committee did not share this opinion.

Merit
By merit we mean evaluation via annual performance reviews. (Concern was raised that in the past merit was not evaluated consistently across campus. The committee believes that this is an important issue but not within the purview of this assignment.) This policy may also address compression and inversion.
It was noted that in the past the legislature has occasionally mandated that CEC (or some of it) be used for merit. The opinion was expressed that the long-term health of the university depends on its ability to attract and keep good faculty, and that this need is partly addressed by the merit policy. Thus, we concluded that merit is a very important part of any CEC allocation.

Inversion and Compression

Inversion and compression are related and so are addressed together. By compression, we mean a situation in which an employee who has had good annual evaluations for many years is making only slightly more than someone in a similar position who has been employed a much shorter time. This is an issue for faculty as well as staff. Inversion is the situation in which a long-term employee is paid less than a newer employee. This is also an issue with faculty and staff. There are some departments that have assistant professors paid more than some full professors.

The committee examined data from six academic departments with salary plotted against time since last degree. There were many cases of compression and inversion. There are many possible explanations, so these data are not prima facie evidence of inequity, but nonetheless raise questions. The committee recommends that division heads be asked to examine cases of inversion or compression and either offer a justification for each case or a plan for relieving it over time. The committee also recommends that dealing with inversion and compression should be long term goals of the university’s allocation of future CEC’s. The committee notes that these are not problems that will be dealt with quickly. Because the issue is so important, the committee believes that the university should start now and continue to address the issue over the coming years.

Low Pay

The final issue on the short list was lowest paid employees. In particular, there was concern over those paid less than $27,600 for full time employment. That number being the “living wage” for a family of four in Moscow. It is important to note that some of these employees are low skilled workers at ag stations outside of Moscow, so the Moscow “living wage” is not necessarily the correct metric. (The committee chose the term “low pay” rather than “living wage” because the latter is a technical term with a specific meaning.) The committee obtained data from the HR department which is summarized in the Table 1 below.

<table>
<thead>
<tr>
<th>Salary Range</th>
<th>Number of Employees</th>
<th>Current Salary Total for Group</th>
<th>Annual Cost of Goal $22,000</th>
<th>Annual Cost of Goal $25,000</th>
<th>Annual Cost of Goal $27,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$22,000</td>
<td>2</td>
<td>$42,328</td>
<td>$1,673</td>
<td>$7,673</td>
<td>$11,673</td>
</tr>
<tr>
<td>$22,000 - $25,000</td>
<td>98</td>
<td>$2,319,400</td>
<td>$130,601</td>
<td>$326,601</td>
<td></td>
</tr>
<tr>
<td>$25,000 - $27,000</td>
<td>64</td>
<td>$1,664,840</td>
<td></td>
<td></td>
<td>$63,159</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$4,026,568</td>
<td>$1,673</td>
<td>$138,274</td>
<td>$401,433</td>
</tr>
</tbody>
</table>

Table 1: Total Cost of Raises by Group and Target Minimum

The committee recommends that some of a CEC be used to raise the salaries of those with the lowest pay. Since these employees are not distributed uniformly across units, the committee recommends that this portion of a CEC be managed centrally.

The committee understands that in recent years many such low paid positions have not been approved by the administration. The committee applauds that position and suggests that it be maintained.

Finally, the committee calls your attention to the fact that any part of a CEC allocated this way will exacerbate the problem of compression. Since it will raise the salaries of those in a
particular salary range but not the one above, it will reduce the difference between those ranges. Many of those in the next ranges will have greater time in rank and skills than those in the lower range and may feel that they have been selectively disadvantaged by this policy.

CEC Recommendations

The committee’s primary recommendation is summarized in the table below. The committee also recommends that

1. The portion of any CEC used to raise the lowest wage to $25,000 should be managed centrally.
2. Division heads should be directed to examine inversion and compression cases and, for each, justify the situation and, when applicable, offer a plan for relieving the situation.
3. CEC allocated for merit / inversion / compression and across the board should be allocated based on current salary before any low pay adjustment is made.

<table>
<thead>
<tr>
<th></th>
<th>1% CEC</th>
<th>2% CEC</th>
<th>2.5% or greater CEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>merit / inversion /</td>
<td>1%</td>
<td>remainder</td>
<td>based on current salary</td>
</tr>
<tr>
<td>compression</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>across the board</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>low pay</td>
<td>$140,000</td>
<td>-sufficient to raise all to &gt;=$25,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-to be managed centrally</td>
<td></td>
</tr>
</tbody>
</table>

Other Considerations

The committee reviewed a portion of the WSU Faculty Manual. It clearly delineates how raises for faculty are to be allocated at WSU. This may be of some interest to senators. [http://facseni.wsu.edu/faculty_manual/Faculty_Manual_2014%2808.20.14%29.pdf](http://facseni.wsu.edu/faculty_manual/Faculty_Manual_2014%2808.20.14%29.pdf) (see p61:6.Salary)

Across the board raises apply only to those meeting or exceeding expectations.

Any CEC will likely result in increases in rates charged by auxiliary services as they must fund their own raises.

Federal regulations require that all employees be treated the same way with respect to CEC.