HUMAN RESOURCES UPDATES:
COMPENSATION STRATEGY AND PERFORMANCE MANAGEMENT
LEADERSHIP COUNCIL ~ 25 MARCH 2015
Compensation Strategy Update

A Three-Year Commitment to Achieving Greater Pay Equity, Greater Retention, and Greater Employer Competitiveness
Historical Challenges...

- Past practices/policies negatively impact long-term campus goals
  - Absence of market-based pay
  - Hiring at or below the 25th percentile of a salary range
  - Lack of transparency

- Results
  - UCM at low end of “normal” distribution
  - Salary compression
  - Retention challenges/flight risks
...and A Resulting Plan of Action

- A 3x3 compensation strategy: 3 years to achieve 3 stated objectives –
  
  - Increase the **average range of market percentile** for UC non-represented staff from the current 31% to at least 45%;
  
  - Address basic fairness at UC Merced;
  
  - To invest in job functions most critical for achieving campus priorities for Project 2020.
Analyzing the Data

- Data analysis began last Fall
- HR identified non-represented staff below the 10th percentile of their grade ("The 66")
- HR then assess all non-represented staff to identify salary placement relative to the UCM market.
- Result: a Composite Index that equalizes all employees based on where their pay falls (1) in relation to market and (2) in relation to salary grade midpoint.
- "The 66" have now become 200+ non-represented staff who represent the most critical inequities at UCM.
The Composite Index allows us to identify those staff members who pose the greatest flight risks at UCM.

Example 1: Low on percentile of salary range, and low on the market midpoint:

- If I am a PROJECT POLICY ANL 4 and am paid $57,500, I can see that I fall at the 3rd percentile of my pay range. It would appear as though I am paid very low when compared ONLY to the range to which my position is assigned. That range currently has a midpoint of $82,700.

- When I look at market data for this position, I can see that the market midpoint for the PROJECT POLICY ANL 4 position is $106,690.

- A $106,690 market midpoint vs. a salary range midpoint of $82,700 demonstrates that the current salary is well below both midpoints.

- Result: not only am I very low relative to our salary range (and salary range only), but I am also very low to market. In fact, my placement to market is more severe than our salary range alone illustrates.

- I pose one of the severest flight risks at the University.
Example 2: Adequate-to-high on the percentile of range, but low on the market midpoint:

- If I am a MARKETING SUPV 2 and am paid $73,000 per year, I can see that I fall at 48th percentile of my pay range. It would appear as though I am paid adequately when compared ONLY to the range to which my position is assigned. The range I am currently in has a midpoint of $73,800. Under a strict percentile of salary range ONLY, I would not be identified as an equity need.

- However, when I look at market data for this position, I can see that the market midpoint for the MARKETING SUPV 2 position is approximately 27% higher than our grade midpoint. The market mid-point is $100,500.

- Result: even though I appear to be paid relatively well when compared to our salary range (and salary range only), it is clear that our salary range for this position is actually below market. Therefore, I am probably not as well off as I thought when only looking at our salary range.

- I am a flight risk at the University.
Example 3: Low on percentile of range, but our salary range midpoint is higher than market midpoint:

- If I am an ADMIN SUPV 2 and am paid $60,600 per year, I can see that I fall at the 9th percentile of my pay range. It would appear as though I am paid low when compared ONLY to the range to which my position is assigned. The range in which I am currently has a midpoint of $82,700.

- When I look at market data, I can see that the market midpoint for the ADMIN SUPV 2 position is $73,700.

- A $73,700 market midpoint vs. a salary range midpoint of $82,700 shows that our salary midpoint is actually +12% higher than market.

- Result: even though I appear to be low relative to our salary range (and salary range only), our range is above market (midpoint to midpoint comparison); so I am not as bad off as I thought when only looking at my 9th percentile placement within the salary range.

- Corrective, equity action may be needed, but not to the extent that the salary range only assessment would portend. My flight risk is lower than the other examples.
Recollect Our Stated Objective

Within the entire organization, the goal would be an even distribution – with the overall average at roughly 50%

Three-year goal: 45%
2013-14 Average: 31%
Overall average: 50%
Moving the Curve: Year 1 Distribution Progress

38th Percentile
Next Steps

- Review departmental results with each respective leader
- Identify exceptions
- Present final list to the Chancellor for approval
- Finalize for payroll processing on or before May 15
- Notify affected staff members of their respective equity modifications
- Communicate across campus with complete transparency as to methodology and process.
Looking Ahead: Year 2

- Begin Year 2 with zero employees below 8% on the Composite Index

- However, some employees are negative within their percentile-of-range. This must be corrected.

- Greater integration of Compensation Strategy with approved Workforce Plans to identify UCM priorities

- Move conversation away from percentile-of-range and reset our dialogue focused on market-based pay

- Aligning Workforce Plans and market-based pay by leveraging Career Tracks Families to focus on core areas by family and by function

- Year 2 projected funds requisition: $500,000
Performance Management Update

Drivers: Merit-based compensation and the need for Year-Round Employee Development
Performance Management Developments

- Halogen has been selected as the e-appraisal product of choice
- Launch Deadline: May 2015
- Regular messaging occurring (formal & informal)
- Training is being developed to assist all users (managers and recipients) with the new application
- Consolidating on 1 form for non-represented staff in Year 1 (immediately); plan to migrate represented staff to the same form in Year 2 following notice and negotiation with our respective bargaining units
- Migration from a 5-point scale to a 4-point scale & why
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