Compensation Review Committee
Interim Report

DATE: March 4, 2019 – amended April 3, 2019

TO: President Cynthia Pemberton

FROM: Amanda Van Lanen, Chairperson

Committee Members: Julie Crea, Leif Hoffmann, Jenni Light, Cindy Patterson, Kevin Reynolds, Allen Schmoock, Jeannette Seward, Vikki Swift-Raymond, Kim Vogel

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In Fall 2018, the CRC was convened to continue the charge provided by in Fall 2017 (Appendix A). The first part of the charge requests that the committee review key materials to develop recommendations on compensation for the President. The second part of the charge asked the committee to recommend a compensation philosophy to the president.

Since convening, CRC has reviewed the Idaho Division of Human Resources *FY 2020 Change in Employee Compensation and Benefits Report.* The DHR states that "the State of Idaho must establish a competitive compensation plan to meet state statutory requirements. Idaho's robust economy finds private and other public sector employers, including the State, competing to recruit and retain employees." With a statewide unemployment rate of 2.6%, the fourth lowest in the nation, a competitive compensation plan is necessary to attract qualified and talented employees into government service.

Last fall, the State of Idaho surveyed employees about benefit preferences. The report compiled by Korn Ferry was included in the *FY 2020 CEC Report*. Of the 65% of state employees who responded to the survey, 48% answered "disagree/unfavorable" to the question "I believe I am paid fairly for what I do," and 53% answered "disagree/unfavorable" to the question "I believe my pay is fair compared to other orgs." Conversely, when asked if the organization provides benefits that meet my needs and if the benefits provided by the organization are competitive, 77% and 66% of respondents, respectively, answered "agree/favorable." The trends represented by these results mirror those of the survey conducted by CRC last year, although LCSC employees have a greater perception of unfairness. When asked about their perception of pay vs. other organizations or colleges, 70% of CSO, 60% of PSO, and 88% of Faculty responded that pay was unfair. Similar numbers reported pay as "low," whereas 54% of CSO, 64% of PSO, and 50% of Faculty reported benefits as "good."

CRC has also reviewed Governor Brad Little's State of the State Address, delivered January 7, 2019, and the Governor's FY 2020 Budget Highlights in which he recommended a 3% merit-based CEC "with flexibility for directors to address agency needs."

In his 2019 State of the State Address, Governor Little stated that education was his top priority and proposed several budget items relating to "K-Career" education. While the governor's focus on K-12 teacher pay raises and early literacy programs is commendable, higher education is also important for educating the next generation of Idahoan's and preparing them for the workforce. The average K-12 teacher salary in Idaho in 2018-19 is $49,740. [1] Governor Little has recommended raising starting K-12 salaries to $40,000. By comparison, the average salary for an assistant professor at LCSC is $45,001 and the average salary at all faculty ranks is $54,343, only 9% higher than the average K-12 teacher salary.

Lewis-Clark State College makes a vital contribution to the overall economic success of the State of Idaho through our educational programs that train the next generation of leaders and innovators. The State Board of Education recognizes that an educated workforce is necessary for Idaho's continued economic success, and through the complete college Idaho initiative, it has set the goal of having 60% of Idahoans age 25-34 complete a post-secondary degree or certificate. Governor Little reiterated support for this goal in his state of the state address and recommended increased funding for Opportunity Scholarships. While funding such as Opportunity Scholarships make it possible to obtain higher education, higher education would not exist without dedicated staff and faculty who work with students on a daily basis. LCSC is an active partner in working toward this goal, and best way for LCSC to maintain its educational mission is to retain and recruit a qualified workforce that is committed to excellence and service.

As such, CRC has drafted a Compensation Philosophy (Appendix B – amended April 3, 2019) which summarizes the committee's compensation priorities. We believe that all employees deserve fair, market-based compensation. Our location on the border of Washington presents unique challenges. Currently, minimum wage in Idaho is $7.25/hour, while minimum wage in Washington is $12/hour and will be increasing to $13.50 in January 2020. This makes it difficult to recruit employees for many positions.

Previous Year (2018) Compensation Review Committee Recommendations

Last year, CRC submitted its report to the President on February 27, 2018. Recommendations centered on the broader issues of compression and fairness in pay. CRC distributed an employee questionnaire which received 200 responses. Survey results showed that employees had negative perceptions about the fairness of pay and that compression was a top concern. The survey Appendix C provides a list of the 2018 CRC recommendations and administrative actions taken.

Next Steps

CRC will share the proposed Compensation Philosophy (Appendix B) with employee constituent groups to solicit feedback. The committee will provide an amended philosophy and additional feedback on compensation policy from constituent groups by April.

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[1] Kevin Richert, "Idaho's average teacher salary nears $50,000, increases by 3.4% this year," *Idaho Statesman*, January 18, 2019, https://www.idahostatesman.com/latest-news/article224776710.html.

The Office of Institutional Research & Effectiveness is developing an employee satisfaction survey, and CRC recommended the following questions for inclusion:

- How satisfied are you with your pay?
- How satisfied are you with your career progression thus far?
- How satisfied are you with benefits offered by LCSC?
- How satisfied are you with non-monetary benefits offered by LCSC?
- How satisfied are you with the process used to determine annual raises?

Adding questions about pay and benefits will build on the work done with last year's CRC survey.

2019 Compensation Review Committee Recommendations

Thank you for the opportunity to lead the committee that represents all employees in their quest for fair and representative remuneration. On behalf of the committee, I urge the administration to incorporate the following recommendations as it plans for the future of Lewis-Clark State College.

1. Compression remains a top concern for LCSC employees. We strongly support efforts to implement a market-based compensation plan that includes metrics such as time-in-service, education, and prior experience in addition to merit. Employees continue to have concerns about the fairness of the evaluation process. Although efforts have been made to communicate institutional standards to supervisors, these perceptions will continue as long as merit remains the only metric for employee compensation adjustments.
2. Transparency about how compensation decisions are made is important to campus. As part of our charge, CRC has drafted a Compensation Philosophy which summarizes compensation priorities. We recommend that the administration adopt the philosophy and continue to maintain open dialogue with employee constituent groups as compensation decisions are made.
3. In order to address compression, faculty recommend the following:
    a. Bring all compressed faculty with over 15 years of service up to 80% of their compa-ratios over the next four years.
    b. To address future compression, implement a new policy that provides a 3.5% pay increase, in addition to CEC, when faculty successfully pass their five-year reviews after reaching their terminal promotion.
    c. Ask the state to consider funding at least half the cost of faculty promotions.
4. Last year's CRC survey showed that while employees appreciate non-monetary benefits, they are not a substitute for structural changes to compensation. That said, employees recommend the following non-monetary incentives:
    a. Allow employees to work four 10-hour days during the summer. This could be accomplished by closing campus on Friday during the summer. To make up for being closed on Friday, campus could stay open later in the evening. Alternatively, employees could rotate days off. For example, in an office with two employees, one would work Monday-Thursday, and the other would work Tuesday-Friday. This would enable offices to stay open and provide necessary service, while allowing all employees to have three day weekends. Offices with

only have one employee are less likely to deal with customer service, so closing those offices one day a week would not be an inconvenience.

   b. Allow employees to work summer hours year-round.
   c. Create flexible scheduling by allowing employees to work from home. LCSC has a policy on telecommuting (3.138), but supervisors may not be aware of this policy.
   d. Explore the possibility of adding emeritus status for PSO and CSO as a way to honor retiring staff. Boise State University currently offers this status to their staff.
   e. Longer fitness center hours, especially during the holidays when campus is closed.
   f. Provide LCSC departmental shirts. Wearing LCSC shirts is a marketing tool and represents school spirit.
5. Provide a timeline for non-monetary items that were recommended in the 2018 CRC report and have been listed as “under consideration.” Those items include:
   a. Allowing a guest to use the fitness center if accompanied by a valid LCSC activity card holder.
   b. Award a free parking pass for one year and/or some type of LCSC apparel to employees celebrating 5, 10, 15, 20, or 25 year work anniversaries.
   c. Provide time off for volunteering for civic events other than the NAIA World Series and Art Under the Elms.
6. Consider last year’s request to allow two children to have the dependent benefits for LCSC tuition at the same time.

Appendix A:
Note: The 2018-2019 CRC committee was charged with continuing the work outlined in the AY2017-2018 charge. A copy of the AY2017-2018 charge is included below.

Presidential Program Guidance (PG) Initiatives FY2018 (AY2017-2018)
PG-18-09: Faculty and Staff Compensation

OPR: Vice President for Finance and Administration (VPFA) – Develop a philosophy that documents Lewis-Clark State College's position about employee compensation, and work with constituents to deploy multi-year compensation objectives that reflect the mission and strategy of the college.

LCSC Strategic Plan Goal(s)/Objective(s) supported by this PG: Goal 1 ("sustain excellence in teaching and learning"); Objective 1E ("recruit/retain highly qualified faculty/staff").

Guidance: The Office of the VPFA will review the employment environment in the region, as well as within comparison institutions of higher education. Using State-of-Idaho guidelines along with best practices associated with modern compensation principles, LCSC's compensation philosophy will:

- Identify the college's pay programs and total reward strategy.
- Identify how remuneration supports the college's strategy, competitive outlook, and operating objectives.
- Attract qualified people to join the college.
- Motivate employees to perform at their highest level.
- Retain employees – especially those in niche skill sets and/or programs prioritized in LCSC's strategic documents.
- Define LCSC's competitive market position in relation to base pay, position in range, and a package of benefits. The Office of the VPFA will develop the compensation plan with input and collaboration provided by a permanent Compensation Review Committee (CRC). The CRC will consist of representatives from each employee group, and other members appointed by the President. The committee will serve as a sounding board and communication vehicle for initiatives related to compensation. Due to the steep learning curve, committee membership will last two years, with one-half the committee replaced each year.

<u>Part 1: Analysis of annual compensation reports/plans/data, and preliminary report to the President.</u>

The CRC will review key reference materials to explore options and develop recommendations to the President on a holistic approach to compensation issues. Specific materials to be reviewed include the following:

- Division of Human Resources (DHR) annual report to the Governor on State Employee Compensation & Benefits. This report, mandated by statute (Idaho Code 67-5309C), is submitted to the Governor and to Legislative Services on or about December 1st each year to support policy-makers' decisions on compensation matters (salary/benefits).

- LCSC's annual compensation plan for the current fiscal year. Each State agency is required to provide a compensation plan to the Division of Financial Management (DFM) which describes the allocation of "Change in Employee Compensation" (CEC) dollars within the agency for the upcoming year.
- The current employee benefits package/policy promulgated by the DFM at the close of the previous year's legislative session.
- Average Salaries for LCSC employees vis-à-vis employees at similar institutions. Reference materials for comparison include:
    - Average Salaries by rank (e.g., assistant, associate, and full professor), at State Board-approved peer institutions.
    - Average Salaries for similar job descriptions for exempt ("professional") staff from the annual CUPA-HR salary surveys
    - Average Salaries for LCSC classified staff compared to State pay grade ("Hay") tables showing minimum, midpoint, and maximum pay points for each grade.
- Upon receipt, the Governor's CEC recommendation for the upcoming fiscal year (FY2018) [normally released in the Governor's "State-of-the-State/Budget" address to the Legislature at the opening of the legislative session each January].
- Upon receipt, the final CEC appropriation bill passed by the Legislature/Governor at the end of the 2018 legislative session (typically in April).
- Upon receipt, the Office of Group Insurance (OGI)-DFM benefits summary which is promulgated at the end of the legislative session for the upcoming (FY2017) year.

<u>Timing (Part 1)</u>: The CRC should complete its initial analysis of the available information, above, in time to present an <u>interim</u> report to the President and VPFA by <u>February 2018</u>, on key points on monetary and non-monetary compensation issues that should be considered for inclusion in LCSC's testimony to State policy-makers during the 2018 Legislative session.

<u>Part 2: Recommendations on Compensation Philosophy to the President</u>.
The Office of the VPFA will develop a long-range Compensation Plan, per the PG Guidance earlier in this document. The Office of the VPFA will use the CRC to evaluate the proposed Compensation Plan against the following guidelines:

- Is the plan equitable?
- Is the plan perceived by employees as "fair"?
- Does the plan meet the standards for federal and state legality, as well as State-of-Idaho and State Board of Education guidelines related to compensation?
- Is the plan fiscally sustainable?
- Does the plan keep LCSC competitive in relevant employment markets?
- Can the philosophy and operational objectives be communicated clearly to campus constituents?

Timing: VPFA's report/recommendations due to President by April 30, 2018.

Appendix B:

Lewis-Clark State College Compensation Philosophy (amended April 3, 2019)

Lewis-Clark State College's mission is to prepare students to become successful leaders, engaged citizens, and lifelong learners. The best way the college can deliver quality programs is to retain and recruit a qualified workforce that is committed to excellence and service. We are compelled to provide fair compensation that reflects employee performance and is market-based.

Lewis-Clark State College Compensation Objectives:

1- Reward meritorious service: Faculty and staff should be compensated according to performance in line with Idaho Code §67-5309A.

2- Retain qualified employees by addressing market inequalities: Retain quality performers by keeping LCSC's compensation in line with the market averages that include factors unique to the institution. Priority action should address meritorious employees who have a greater number of years of service and are paid below the market average for the position.

3- Recruit qualified employees: Hire talented individuals who bring a fresh perspective, unique skills, and broad experience that can infuse the campus with a forward-looking perspective. Talented new employees should be hired at a compensation level commensurate with the job description and fair market value.

Appendix C: Update on 2018 CRC Recommendations

Recommendation	Outcome
The college should fully fund faculty promotions and should continue its past practice of using institutional resources to cover the cost of those promotions.	This practice is ongoing and has been implemented for FY2019.
Re-evaluate job descriptions to ensure they reflect the work that is actually expected of the employee.	Currently in progress as supervisors complete performance evaluations. A handful of positions were reclassified last year due to changes in job duties, and many of these included pay increases. Re-evaluation will be ongoing as HR continues to have discussions about a market-based pay structure.
Implement a market-based compensation plan that, by its nature, provides a remedy for employees with compressed wages.	A working group has been formed to explore a market-based compensation plan similar to U of I. This group continues to meet regularly and is compiling data with the goal of implementing the plan in the near future.
Address issues of fairness in determining who receives raises.	Language and use of rankings has been clarified.
The administration should consider using a portion of the state's 2018 allocation to establish a baseline salary or college minimum wage for employment.	A working group has been formed to explore a market-based compensation plan similar to U of I and to explore the possibility of moving higher education out of the state classification system.

Questionnaire results show that employees do not want non-compensation benefits to be a substitute for structural changes to compensation. With that said, a majority of employees appreciate and enjoy campus incentives. Employees proposed the following non-compensation benefits:

Allow two children to have the dependent benefit for LCSC tuition at the same time.	Educational Privilege policy is being updated, but this particular issue has not been discussed.
Allow a guest to use the gym if accompanied by a valid LCSC activity card holder.	Under consideration.
For employees celebrating a 5, 10, 15, 20, or 25 year work anniversary, award a free parking pass for one year and/or some type of LCSC apparel.	Under consideration.
Close campus during the July 4th holiday week.	Not considered due to state policy.
Provide subsidized child care on campus.	Not considered at this time.

Work with the University of Idaho to allow distance learning for advanced degrees at discounted rates for employees and spouses.	U of I is not interested in changing this policy at this time.
Provide time off for volunteering for civic events other than the NAIA World Series and Art Under the Elms.	Under consideration.
As a wellness benefit, allow employees extra time for working out or attending wellness classes.	This occurred during the summer months. LCSC’s Health & Wellness Committee is drafting a memo to administration to make this a regular (year-long) benefit.
Extend fitness center hours during breaks and summers.	Need approval and buy-in from Athletic department, as they staff the fitness center.

Appendix D: Environmental Scan

- From December 2017 to December 2018, the consumer price index rose 1.9 percent.[2]

- Unemployment rate in Idaho as of December 2018 was 2.6 percent, the fourth lowest in the nation. The national unemployment rate is 4 percent.[3]

- Minimum wage in Idaho is $7.25/hour; minimum wage in Washington is $12/hour and will rise to $13.50/hour in 2020.[4]

- Classified statewide average compa-ratio was 88.9%.[5] LCSC average classified compa-ratio 87.64%

- JFAC adopted a projected general fund revenue increase of 7% for FY 2020. This was less than the governor's projected 8.2% and more than the Economic Outlook & Revenue Assessment Committee's projected 5.7%[6]

- JFAC voted to accept the CEC's recommendation on state employee benefits.[7]

- JFAC voted to adopt a 3% merit-based raise or a minimum of $550 increase for each state employee. This varies from the Governor's request for a 3% merit-based raise and the CEC's recommendation for a 2% merit raise plus a flat $550 increase for every state employee.[8]

- In 2018 LCSC had 57 successful job searches and three unsuccessful searches (two faculty and one classified staff).

- In 2018, 49 employees voluntarily left LCSC. Eight cited compensation as the main reason for leaving.

- LCSC has a total of 98 employees with 11 or more years in current position below their respective compa-ratios. Of those 13 are CSO (10% of all CSO staff), 54 are faculty (28% of all faculty), 31 are PSO (19% of all PSO staff).

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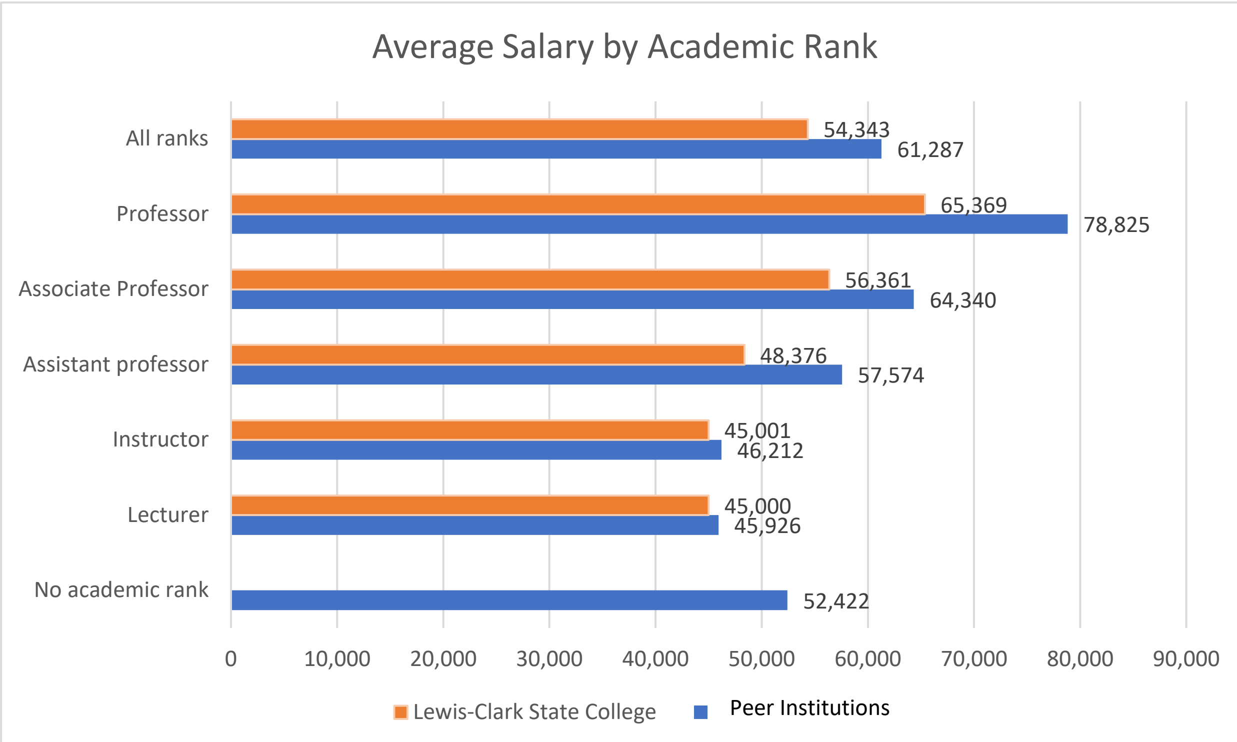
[2] Bureau of Labor Statistics https://www.bls.gov/opub/ted/2019/consumer-price-index-2018-in-review.htm
[3] Bureau of Labor Statistics https://www.bls.gov/web/laus/laumstrk.htm; Bureau of Labor Statistics https://data.bls.gov/timeseries/lns14000000.
[4] National Conference of State Legislatures, http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx#Table
[5] Idaho Division of Human Resources, *FY 2020 Change in Employee Compensation & Benefit Report*, p. 8.
[6] Betsy Z. Russell, "Statewide decisions in JFAC this morning set track toward budgeting for $60M less than Gov. proposed," *Idaho Press*, February 12, 2019. https://www.idahopress.com/eyeonboise/statewide-decisions-in-jfac-this-morning-set-track-toward-budgeting/article_1bbcc3e7-d4b3-54d7-b522-8d3f1a7d5810.html
[7] Russell, "Statewide decisions in JFAC," *Idaho Press*, February 12, 2019.
[8] Russell, "Statewide decisions in JFAC," *Idaho Press*, February 12, 2019.

- Average salaries of full-time instructional staff (academic and CTE), equated to 9-month contract total for academic year 2017-2018.[9]



[9] IPEDS, Integrated Post-Secondary Education Data Systam, https://nces.ed.gov/ipeds/use-the-data