

IOWA STATE UNIVERSITY

Professional and Scientific Council

Council Motion: To send the 2019 Compensation and Benefits Report and the Compensation and Benefits Recommendation for FY2020 to University Administration

Submitted by: Compensation and Benefits Committee
January 3, 2019

Whereas: Professional and Scientific employees comprise the largest employee group and are essential in fulfilling the mission of Iowa State University.

Whereas: A competitive salary is essential for the University to attract and retain high-quality and dedicated employees.

Whereas: The Professional and Scientific Council and its Compensation and Benefits Committee are charged with informing the University's administration regarding the needs of P & S employees.

Whereas: Competitive compensation tied to performance is a recurring request.

It is moved: That the Compensation and Benefits Recommendation for FY2020, along with the accompanying 2019 Compensation and Benefits Report, be sent to senior University administrators to inform decision-making regarding FY2020 budget plans and revenue requests.

Distribution: Wendy Wintersteen, President
Jonathan Wickert, Senior Vice President and Provost
Martino Harmon, Senior Vice President for Student Affairs
Pam Cain, Interim Senior Vice President for University Services and Interim Chief Financial Officer
Kristi Darr, Interim Vice President, University Human Resources

IOWA STATE UNIVERSITY

Professional and Scientific Council

Compensation and Benefits Recommendations for FY 2020

The Professional and Scientific Council hereby presents its Compensation and Benefits Recommendations for Fiscal Year 2020 (FY20). The intent of these recommendations is to provide input regarding the University's budget priorities and funding requests for FY20 and beyond.

The underlying premise is that competitive salaries are essential for the University to effectively carry out its mission on behalf of students and the people of Iowa. The accompanying Compensation and Benefits Report provides background information and reasoning.

1. The Council recognizes and strongly supports the University's stated policy that annual salary adjustments should be based on employee performance, and recommends that said policy be actively pursued to provide meaningful distinctions between employees while also ensuring that every employee performing at a satisfactory level receives at least an increase equivalent to the Consumer Price Index (CPI).
2. The Council recommends an average salary increase of at least 3-5% for employees performing at or above satisfactory level, and that the minimum salary increase for satisfactory employees be at least equivalent to the CPI for the year.
3. The Council recommends, given the current trend of flat or declining government funding, that the University develop and clearly articulate a broad strategy for improving and developing new revenue streams, while continuing to advocate for meaningful increases in legislative appropriations.
4. The Council recommends that University administrators satisfy these salary needs before pursuing funding for other projects and new initiatives.

IOWA STATE UNIVERSITY

Professional and Scientific Council

2019 Compensation and Benefits Report

Introduction

The Compensation and Benefits Committee of the Professional and Scientific Council presents the following report for consideration by the senior administration of Iowa State University (ISU). The committee seeks to inform the Administration's decision-making in five significant areas to ensure that current Professional and Scientific (P&S) employees are appropriately rewarded for their efforts and the university can attract outstanding talent to expand and improve the current base of P&S employees. These areas include responses to results from the campus climate survey, compensation, adequate performance-based pay increases, annual and uniform employee evaluations to establish and support such increases, and the need for a larger salary pool, likely from new revenue streams, to support pay increases. These areas must be addressed to ensure the continuing effectiveness of the university.

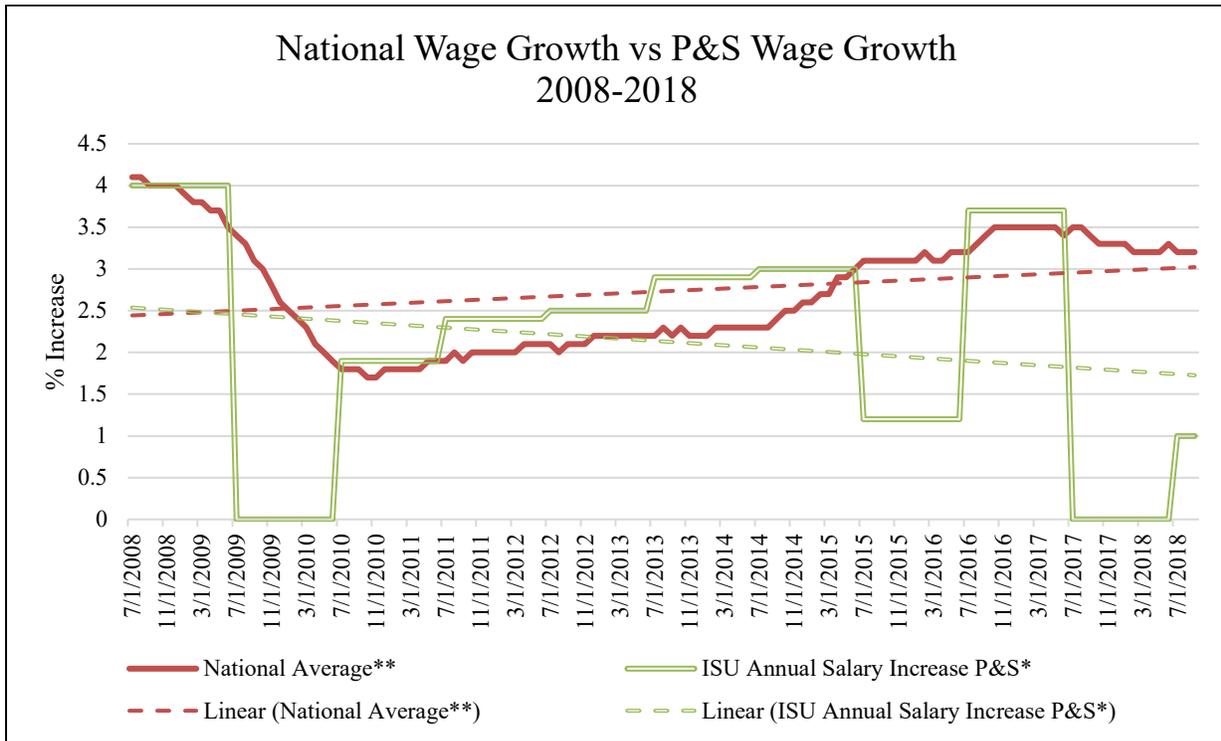
Campus Climate Survey

The climate survey completed in 2017 and reported in May of 2018 has provided important data for understanding the current campus climate as it relates to ISU staff. ISU staff had the highest response rate among the groups surveyed, with over 1800 staff responses for an approximate response rate of 40%. According to the survey, 50% of staff members have considered leaving Iowa State University. The top three reasons for desiring to leave all relate to employee compensation, including low salary and pay rate, limited opportunities for advancement, and increased workload. Also according to the survey, only 23% of staff respondents perceive their salaries and childcare benefits are competitive.

Compensation

Compensation is a major component of employee satisfaction and retention. Based on data from the campus climate survey, low salary or pay rate was the number one reason staff considered leaving ISU. A comparison of wage growth between ISU P&S staff and the general economy in Table 1 shows a troubling trend for ISU salaries over the past 10 years. Since the end of the recession in 2009, average U.S. wage growth rates have followed an upward trend. However, despite several years of modest increases in wage growth rates for ISU P&S staff from 2010–2015, the wide swings in wage growth and particularly the years of 0% salary increases negate the few years of growth and yield an overall downward trend.

Table 1

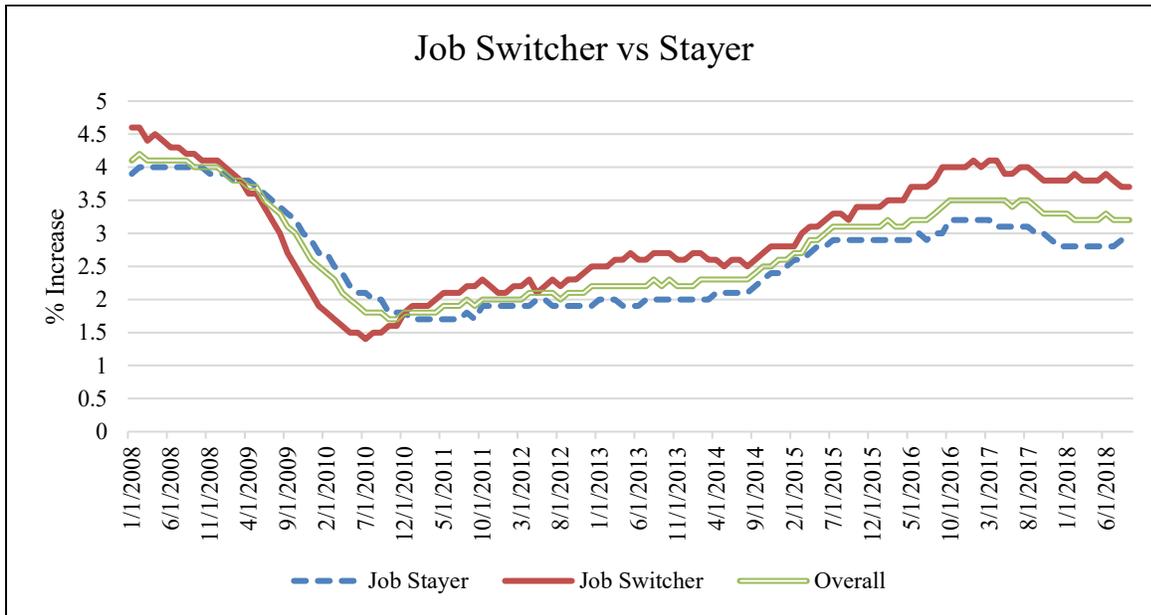


* Data sourced from Iowa State Board of Regents, Comprehensive Human Resources Report
<http://www.iowaregents.edu/reports/page-of-reports/>

**Data sourced from Federal Reserve Bank of Atlanta
<https://www.frbatlanta.org/chcs/wage-growth-tracker?panel=1>

The lack of consistent salary increases negatively affects employee morale, performance and retention. Additionally, based on general wage growth data across the U.S., a comparison of job-stayers (those who stay with the same job and employer from year to year) versus job-switchers (those who change jobs and/or employers) shows that job switchers have achieved a higher percent increase in salary from year to year since 2011, as shown in Table 2. This is a change from previous years, when job-stayers achieved a higher wage growth rate for several years. The reality of low initial salaries and unpredictable salary increases diminishes the university’s ability to attract well-qualified or exceptional applicants for open positions.

Table 2



Data sourced from Federal Reserve Bank of Atlanta
<https://www.frbatlanta.org/chcs/wage-growth-tracker?panel=1>

Performance-Based Pay

The Salary Adjustment Policy mandates annual performance-based salary adjustments. Anecdotal evidence suggests that adherence to this policy is not promoted or implemented consistently (if at all) across university departments and units. Without performance-based salary increases, employees lack material incentive to continuously improve performance and efficiency. Lack of an adequate employee evaluation process contributes to this problem.

Employee Annual Evaluation

Accurate performance-based salary increases can only be determined through an effective evaluation process. The University, as described in the Salary Adjustment Policy, already recognizes this, at least in part: “The adjustment must be documented by a written performance evaluation and will be effective on July 1.” However, written performance evaluations are not consistently completed, tracked or retained, and the current format collected by University Human Resources does not result in data that differentiates staff performance levels. An improved performance evaluation process would provide the documentation needed to support performance-based salary adjustment.

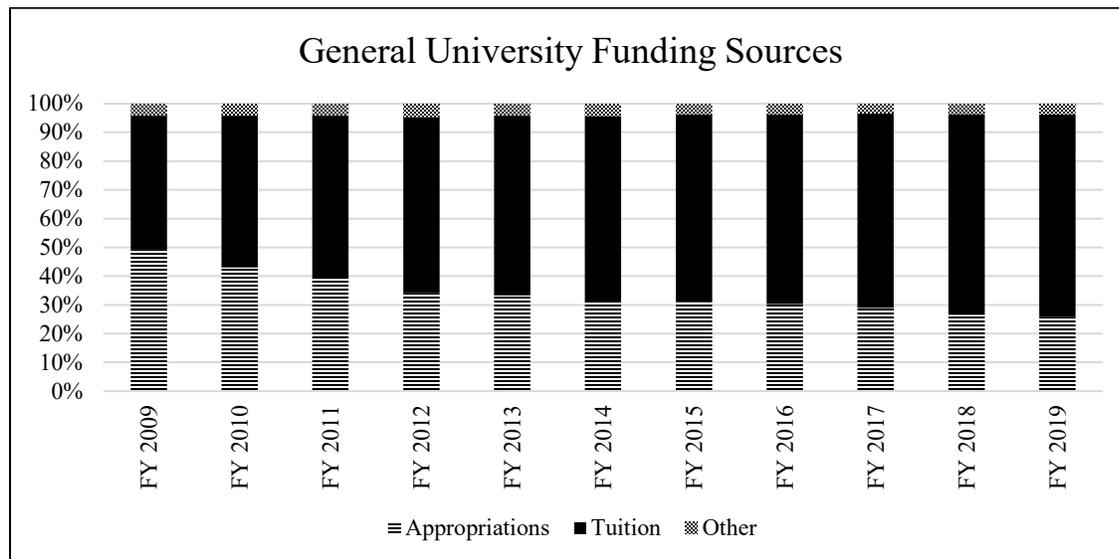
University Revenue

Despite the Salary Adjustment Policy that salary increases should reflect employee performance, the reality in the last decade or more of "lean budget times" has been that salary increases are

almost totally determined by University revenues. With average annual increases ranging from zero to four percent in the past ten years, virtually no distinction has been made between average and highly-effective employees. To make meaningful performance-based increases possible, the University must have a larger pool of funds. Retention of current employees and the recruitment of new highly qualified staff is vital for the future of the University. Without adequate funding for employee salaries we risk falling further behind our peer institutions.

The University has been largely unable to draw on adequate legislative appropriations for salary increases. As Table 3 outlines, the percentage of University funding coming from legislative appropriations has declined over the past ten years. The University has submitted a plan for tuition increases over the next five years, which the Committee views as a positive step toward greater revenues. Given the range of budget pressures, however, there is no certainty that proposed tuition increases will take effect, let alone be adequate to ensure competitive salary increases. Ongoing and even increased attention to improving and developing adequate revenue streams will therefore be necessary if the University is to achieve its goal of competitive performance-based salary adjustments and ensure employee retention.

Table 3



Data sourced from Iowa State Board of Regents, Budgets
<http://www.iowaregents.edu/reports/page-of-reports/>

Summary

Professional and Scientific staff—more than 3,000 strong—represent the largest employee group at Iowa State University. P&S employees are dedicated to their work and are critical to the University’s fulfillment of its mission to students and the people of Iowa. Given the current fiscal and economic outlook, the University will only be able to provide adequate financial incentives to retain and attract exceptional personnel if it makes a concerted effort to expand revenues and prioritize salaries. Without such efforts, inadequate performance-based salary adjustments will likely continue to diminish the number of P&S employees and, by extension, the effectiveness of programs and projects across the University.