

# MEMORANDUM

To: Deans

From: William P. Osborne

Date: May 18, 2004

Re: Compensation Planning

This memo outlines the recommended approach for Compensation Planning to be done at the academic unit level consistent with the Provost Office Compensation Planning document.

The submissions should be made by June 1, 2004, and have two basic parts: 1) the planning template (an excel spreadsheet), and a memorandum providing the necessary background information and narrative explanation of the plan.

## Template

The template has eleven columns that require the following information:

1. **Name** – each faculty member whose salary is expected to be adjusted as part of this process should be listed individually. Faculty members who receive adequate salaries or whose productivity does not warrant an adjustment through this process need not be included on the template.
2. **Rank** – academic rank (e.g. assistant, associate or full professor).
3. **Current salary** – base salary for the 2003-04 fiscal year.
4. **Merit** – defined as the individual's accomplishments over a specified time. A rating on a 1-10 scale (10 being the best) should be used. The rating should reflect the individual productivity of the faculty member and the quantity and quality of contributions to teaching, research, and service. It is up to the academic unit to determine how to evaluate merit, but the method used must be explained in the back-up documentation for the compensation plan. Acceptable methods include comparisons of accomplishments against departmental, comparator or national benchmarks, ranking of individual contributions within the department, or use of qualitative categories (e.g. outstanding, excellent, good, average, poor). Over time, the departments should work towards a system using benchmarks to assess individual accomplishments.
5. **Impact** – defined as the consequences of an individual's accomplishments. A rating on a 1-10 scale (10 being the best) should be used. The rating should reflect an assessment of the impact of the individual's work in the areas of teaching, research, and service. In addition, impact could include the effect on other disciplines,

contributions to the Unit's or UMKC's mission areas, the effect of the work on campus or community partners, the contribution to deliberate mentoring of others, or leadership contributions. As this process develops over time, we expect that the evaluative criteria will become more quantitative.

6. **Targeted Market Placement** – the percentage of the market salary rate for that rank that would be appropriate for an individual performing at the level indicated. Depending on the circumstances, it might be appropriate for the individual to be at or below the midpoint for the market salary rate, but outstanding performers may need to be compensated at the 75 or even 90 percent of the market salary rate. This number should be a percentage. The market salary rate will be available from the Provost Office (see <http://www.umkc.edu/provost/salary/compare>). We are using data collected by Oklahoma State, but if you have better data for your discipline you may use it. However, if you use different data, the accompanying memorandum should identify the data source, describe the nature of that source, and provide a copy of your data.
7. **Recommended Salary** – the salary that would be appropriate for this person in light of merit, impact and market rate. The number can be calculated by applying the target percentage to the difference in the market salary range for the discipline and the rank. Here is the formula:  $((\text{High salary} - \text{Low salary}) \times \text{targeted market percentage}) + \text{low salary}$ . For example, if the market for a full professor in the discipline is between \$60,000 and \$90,000, the recommended salary would be \$75,000 if the target was the midpoint  $[(90,000 - 60,000) \times .5] + 60,000 = 75,000$ . The recommended salary would be \$87,000 if the target was the 90% of the market range  $[(90,000 - 60,000) \times .9] + 60,000 = 87,000$ .
8. **Salary Funding From the Unit** – the amount of the recommended salary that can be funded by the unit. This may include an allocation of the 2% raise pool for FY 05, reallocation from open positions, or allocation of new revenue. Although the ability to fully fund needed salaries for faculty will vary from unit to unit, most funding for salary adjustments should come from the academic units. If funds are significantly less than needed for targeted salary adjustments, additional prioritization and reallocation may be necessary.
9. **Salary Needed** – the difference between the recommended salary and the salary to be provided by the unit. This number is automatically calculated by a formula in the spreadsheet based on the entries in columns 7 and 8. It is unclear how much funding will be available to supplement salaries, so compensation plans should not rely too heavily on supplementation from the Provost Office or other central sources.
10. **Compression** – whether this individual's salary is entitled to an equity adjustment based on compression in the department. At this point, just answer with Y for yes or N for no. In the future, we will incorporate a standard quantitative measure of compression, the Compa-ratio, into our compensation analysis.

11. **Priority** – the priority for moving this person’s salary to the recommended level. A rank of 1 is the highest priority, 3 is the lowest. The purpose of the ranking is to help in making decisions in light of available resources. This ranking can account for all of the circumstances, including the merit and impact of the individual’s work, how that work advances the goals of the department or unit, how that individual’s work advances the work of others in the unit, and the chances that the person may be recruited by another institution.

### **Supporting Memorandum**

The supporting memorandum should supplement the information in the template. It should address the methodology for merit and impact ratings, market data on salaries (if different than the OSU data provided by the Provost Office), and implementation of the salary plan in the units.

**Methodology for Merit and Impact.** The supporting memorandum should provide a detailed description of the method used by the academic unit to rate merit and impact of each person’s accomplishments. The memorandum does not need to provide the justification for the individual’s rating, but instead should focus on the method that was used, including reference to any applicable benchmarks, the use of a ranking system, or the use of categories. If a category system is used, the explanation should identify the distribution of faculty member whose salary is to be adjusted as compared with other faculty members within the unit. This may be as simple as identifying the number within that category out of the total (e.g. 3 “outstanding” performers out of a total of 21) or may include a distribution of the number of faculty members in each category used (e.g. 3 outstanding, 7 excellent, 7 good, 3 average, 1 poor). The memorandum might also provide relevant context about the selection of the individuals that are part of this plan (e.g. top five performers out of 20 faculty in the department).

**Market data.** If market data used are different than that provided by the Provost Office, the memorandum should identify the source, describe the nature of that source, and should provide a copy of the data (which may be a separate document).

**Implementation of salary plan.** The memorandum should include a section describing the actions taken by the academic unit to address adjust the salaries of individuals considered in the plan. It should detail the use of the 2% raise pool, reallocation of funds and application of new revenue. It should address the time-frame (e.g. three years) and the priorities to be addressed over that time-frame.