



CAMPUS MEMO

TO: Dr. Michael Nietzel, President

FROM: Greg Burris, Vice President for Administrative & Information Services and
Chair, Ad Hoc Process Improvement Committee

CC: Ad Hoc Process Improvement Committee

DATE: April 3, 2006

RE: **Recommendations – Salary Objectives**

Four charges were given to the Ad Hoc Process Improvement Committee (PIC) – three via your memo dated July 27, 2005, and one delegated to the committee subsequent to that memo. The first two charges were addressed via memos to you dated December 14, 2005, and January 30, 2006. This memo is intended to make recommendations addressing the third charge – salary objectives. Specifically, the committee's third charge, as modified and clarified by you on December 7, 2005, is:

Develop two recommended salary objectives – one for classified staff (typically selected from a local pool of candidates) and one for faculty, unclassified staff, and administrators (typically selected from a larger geographic region – regionally, nationally, or internationally). These objectives should be adjusted based upon the cost-of-living index, if possible. One method to be considered is determining the median salaries at our peer institutions, adjusting them based upon their respective cost-of-living indexes, and comparing them to our median salaries adjusted by our cost-of-living index.

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The Ad Hoc PIC consists of the original members of the Process Improvement Committee plus two additional faculty representatives assigned by Faculty Senate, two additional staff representatives assigned by Staff Senate, and the Director of Institutional Research. The full membership of the Ad Hoc PIC includes the following members: John Black, Greg Burris, Tom Kane, Paul Kincaid, Paul Langston, Lisa McEowen-LeVangie, Lyn McKenzie, Skip Phelps, Pete Richardson, Mark Richter, and Don Simpson. I would like to publicly recognize the collegial manner in which this group worked to develop these recommendations, and thank them for their commitment of time and effort.

The committee began by attempting to determine the appropriate salary benchmarks to use for each University constituency (faculty, unclassified staff, classified staff, and administrators) and where the University's salaries are today in relation to the selected benchmarks. The committee then determined the recommended salary objectives for each of the University's workforce constituencies. This report includes the committee's factual findings, as well as its recommendations.

Findings

- The committee evaluated Missouri State University staff salaries against the following salary surveys:
 - College and University Personnel Association (CUPA) surveys
 - CUPA-A Represents the data from the annual Administrative Compensation Survey
 - CUPA-B Represents the data from the annual Mid-Level Administrative/Professional Salary Survey
 - CUPA-C Represents the data from the annual National Faculty Salary Survey
 - Associated Industries of Missouri (AIM) Salary Survey
 - Chamber of Commerce statewide and local surveys

- The committee compared Missouri State University faculty salaries to a subset of the College and University Personnel Association (CUPA) National Faculty Salary Survey (subset of public, Masters-level universities) by rank within discipline. The committee compared salaries based upon both the median and mean salaries.
- The committee compared Missouri State University classified staff salaries to the Associated Industries of Missouri (AIM) salary survey, the Chamber of Commerce local survey, and the Chamber of Commerce statewide survey. The AIM survey included 57 organizations, the Chamber of Commerce local survey included 15 organizations, and the Chamber of Commerce statewide survey included 342 organizations (with the majority having more than 1,000 employees). Within the Chamber of Commerce local survey's 15 participating organizations, only four have 1,000 or more employees (with Missouri State University being one of the four).
- The committee compared Missouri State University unclassified staff salaries to positions in a subset of the CUPA Mid-Level Administration/Professional Salary Survey (subset of public, Masters-level universities), which includes mostly mid-level professional positions, a subset of the CUPA Administrative Compensation salary survey (subset of public, Masters-level universities) which includes both higher-level academic and nonacademic administrative positions, and the Chamber of Commerce statewide and local surveys.
- Approximately 1,300 institutions – public and private – participate in the annual CUPA survey. However, we compared ourselves to only a subset of these institutions (i.e., public, Masters-level institutions). For example, 813 institutions participated in the CUPA faculty survey (of which 184 were public, Masters-level institutions), 1,387 institutions participated in the CUPA Administrative Compensation survey (of which 186 were public, Masters-level institutions), and

1,164 institutions participated in the CUPA Mid-Level Administration/Professional survey (of which 160 were public, Masters-level institutions). Obviously, not every institution participates in each of these surveys, but the committee reviewed all available data from the same category of institution – public, Masters-level universities. For the faculty survey, the committee reviewed salary data from public, Master’s institutions, restricted to salaries reported in the same disciplines as reported for Missouri State University.

- Note: Each of the salary surveys used is actually a “weighted” survey. Per CUPA, “the salary reported by an institution for a given position is counted once for each incumbent. For example, if a position has five incumbents, the salary for that position is counted five times when calculating a weighted average salary. Per the Chamber of Commerce, “a weighted average gives weight to all the incumbents in the job. It is the average rate for each organization multiplied by the number of incumbents reported in the position, divided by the number of all reported incumbents.” Thus, organizations that report more individuals in a specific position will have a greater impact (i.e., greater weight) than organizations that report fewer individuals in that same position. While all of these salary surveys are weighted in this manner, we will not specifically reference them as “weighted surveys” elsewhere in this report.
- Missouri State University’s average faculty salaries are 89.9% of the CUPA public, Masters national average faculty salaries in Missouri State University disciplines. See Appendix A for the percentages by rank.
- Missouri State University’s average staff salaries (mostly unclassified positions, but including a few classified positions that can be matched) are 86.9% of the CUPA Administrative Compensation Survey (subset of public, Masters-level institutions) comparable positions and are 91.9% of the CUPA Mid-Level Salary

Survey (subset of public, Masters-level institutions) comparable positions. See Appendix A for details.

- Missouri State University's average staff salaries (mostly classified positions, but including some unclassified positions that can be matched) are 83.5% of comparable positions in the Chamber of Commerce statewide survey. See Appendix A for details.
- A comparison of Missouri State University's faculty and staff average salaries to the proposed Benchmark Peers' average salaries indicated that Missouri State University's salaries are, in general, below the average salary in comparable positions of the proposed Benchmark Peers. See Appendix A for details.
- Average staff and faculty salaries (by rank) of the recommended Benchmark Peer institutions exceed the CUPA national average for public, Masters-level institutions. See Appendix A for details.
- The committee evaluated The Council for Community and Economic Research's report showing cost-of-living data comparing Springfield to national norms. The committee also compared Springfield's cost-of-living to the geographic locations hosting the proposed Benchmark Peer institutions. Of the 12 proposed Benchmark Peers, Springfield has a lower cost-of-living index than all but one (Arlington, Texas). In fact, Springfield's cost-of-living index is significantly lower than the average of the locations hosting the proposed Benchmark Peers. Appendix B, entitled "Proposed Benchmark Peers – Cost of Living Index Comparisons," shows Springfield's cost-of-living index relative to these other locations.
- The committee recognizes that it is more difficult to compare staff (including administrators) salaries to benchmarks than it is to compare faculty salaries to

benchmarks due to the greater variance in staff responsibilities per title. Even if staff positions have the same title, they often have significantly different levels of responsibilities from institution to institution. However, the committee recognizes that the variances in the scope of the staff positions will be reflected in all the salaries reported to the survey for particular positions – some of the positions matched by other institutions reporting to CUPA will include more responsibilities and may have higher salaries, while others positions matched to the same survey job will include fewer responsibilities and may report lower salaries. The full range of individual jobs in the marketplace (more difficult to less difficult, higher and lower paying) should be reflected in the reported salaries within the surveys. However, cost center administrators are urged to carefully evaluate the closeness of job matches when making salary decisions. While there are a fewer number of “good fit” position matches available for unclassified staff positions than faculty or classified staff positions, there are a number of staff positions that have no comparable matches in salary surveys at this time (e.g., Academic Student Services Associate, Dance Program Musician, Access Control Specialist, and Academic Scheduling Coordinator). This problem will be addressed through implementation of the new compensation system which will use job evaluation and slotting of equivalent positions into pay ranges that will be tied to market salaries through benchmark positions.

- The committee investigated the demographics of the University's existing workforce in order to consider the potential impact of future employee turnover on the University's ability to increase salaries. The results included the following:
 - 38% of the full-time workforce is faculty (807 faculty within the 2,139 full-time employees); 36% (763) of the full-time workforce is classified staff; and 26% (565) of the full-time workforce is unclassified staff.
 - Almost 10% of the full-time staff (classified and unclassified) are currently age 60 or above (128 of the 1,332 full-time staff).
 - Almost 17% of the full-time faculty are currently age 60 or above (136 of the 807 full-time faculty).

- Missouri State University has a significantly higher percentage of full professors than the national average at this time. (Per the faculty salary data shown in Appendix A, 41.7% (227 of 544) of Missouri State University's ranked faculty are full professors compared to 29.8% (1,460 of 4,894) for similar universities participating in the national CUPA survey.

Recommendations

- Proposed Overall Salary Objective: Missouri State University's average salaries for all positions will equal or exceed their respective comparison salary survey averages. More specific salary objectives are outlined below.
- The committee recommends the following salary surveys serve as the benchmarks for their respective University constituencies:
 - Faculty – CUPA-C National Faculty Salary Survey subset of similar institutions (public, Masters-level universities)
 - Unclassified Staff (including administrators) – CUPA-A Administrative Compensation Survey subset of similar institutions (public, Masters-level universities) and CUPA-B Mid-Level Administrative/Professional Salary Survey subset for similar institutions (public, Masters-level universities)
 - Note: For unclassified staff positions not included in this survey, other surveys may be used to benchmark
 - Classified Staff – Chamber of Commerce Statewide Survey – subset of organizations with 1,000 or more employees
 - Note: For classified staff positions not included in this survey, other surveys may be used to benchmark
- As noted in the references above, the committee recommends the comparison group within the three CUPA surveys be the subset consisting of public, Masters-level institutions. While this means that the comparison group will be similar

each year, it will not always be exactly the same. Each survey is completed voluntarily by potentially three different institutional representatives. Therefore, there could be years when one or two of the surveys might be completed but not the third survey. This will lead to slight variances in the composition of the comparison group for each survey. The variance is not expected to be significant due to the total number of participants (approximately 200) in the public, Masters-level institution subset.

- For faculty, the committee recommends a **salary objective** at or above 100% of the average of a subset of similar institutions (i.e., CUPA-C National Faculty Salary Survey subset of public, Masters-level institutions), for each rank as aggregated across disciplines. Because variation in salaries across disciplines exists, progress toward meeting the overall salary objective will occur as departmental salaries, by rank, progress toward CUPA averages that are matched according to department and rank. The committee recommends this objective be set by rank because (a) the CUPA salary data is available by rank and (b) the committee recognizes that the University's mix of faculty by rank is significantly different than the national average mix by rank (e.g., Missouri State University has a significantly higher percentage of full professors than the national average at this time). The macro-level comparison being recommended by this committee is to indicate, in general, how close or far Missouri State faculty are, as a whole, to or from the CUPA average across ranks (within the disciplines at Missouri State University). The committee recommends that Financial Services annually evaluate and report Missouri State University's salary pool dollar amount as a percent of total budget compared to similar percentages of the selected Benchmark Peers.
- For classified staff, the committee recommends a **salary objective** at or above 100% of the equivalent position's average salary within the Chamber of Commerce Statewide Survey (subset of organizations with 1,000 or more employees). The committee feels this survey best reflects the average salaries

paid in the local/statewide market from which these positions are typically recruited. The committee feels that organizations employing 1,000 or more employees more likely possess the scope of positions and complexity of responsibilities most equivalent to corresponding positions at Missouri State University.

- The committee acknowledges that neither the AIM salary survey, the Chamber of Commerce local survey, nor the Chamber of Commerce statewide survey is a perfect yardstick against to measure the University's classified staff salaries. However, the committee feels the Chamber of Commerce Statewide Survey is a more appropriate measure because it includes a larger sample of large organizations. While the committee acknowledges that this statewide survey includes salaries from the two other major urban areas within the state (St. Louis and Kansas City) and are higher than the Chamber of Commerce local survey, this survey also includes salaries representing various rural areas of the state. Given that the AIM survey includes a relatively small number of large organizations (only 19 with 500 or more employees), the committee recommends use of the larger Chamber of Commerce Statewide Salary Survey for this purpose.
- For unclassified staff (including administrators), the committee recommends a **salary objective** at or above 100% of the equivalent position's average salary within the CUPA-A Administrative Compensation Survey subset of similar institutions (i.e., public, Masters-level institutions) or CUPA-B Mid-Level Administrative/Professional Survey subset of similar institutions. The committee recognizes that not all of the University's unclassified positions will be represented within the CUPA surveys.
- The committee recognizes that not all of the University's staff positions will be represented within the Chamber of Commerce Statewide Survey or the two CUPA staff surveys. In order to tie all staff positions to market pay rates, as part

of the development of a new compensation system, positions will be slotted into pay grades based upon a job evaluation that creates an internal hierarchy of positions based on the value of the position to the University, ranked in terms of knowledge (the education, experience, skills, and abilities required to do the job duties) and the scope, impact, and difficulty of the position. Pay ranges will be developed based on market salaries of benchmark positions within each pay grade. All staff positions will therefore be tied to market salaries, either directly with corresponding positions in salary surveys (benchmark positions) or indirectly through assignment to a pay grade and range based on the job evaluation.

- The committee recommends the average (or mean) salary be used for these comparisons. While the committee did consider the advantages and disadvantages of using mean vs. median salaries in setting salary objectives and comparing University salaries to salary survey reports, the committee is concerned that the CUPA “median” values are not true medians since institutions provide only aggregate – not detailed – salary data to CUPA. Thus, the CUPA “median” (as verified by CUPA) is actually a median of the reported averages.
- The Ad Hoc PIC does not propose the University’s salary objectives be set based upon the salaries paid at the proposed Benchmark Peers (see Appendix B for a list of the proposed Benchmark Peer institutions). The committee feels the sample size of these Benchmark Peer institutions (twelve have been proposed) will be too small to provide a meaningful benchmark, the set of Benchmark Peers may change over time, and half of the recommended Benchmark Peers (i.e., doctoral institutions) are not in the CUPA Public Masters subset survey report. However, the committee does recommend that once a set of Benchmark Peers is officially accepted, two reports be generated annually. The first recommended report would list the average annual salary increases at our Benchmark Peer institutions compared to the average annual salary increase at Missouri State University. The second recommended report would be similar to the report included in Appendix A, reporting and comparing Missouri State University

salaries, the appropriate salary survey values, and the Benchmark Peer values (for those positions available in the CUPA-A, CUPA-B, and CUPA-C surveys – the Chamber of Commerce-Statewide survey does not permit a comparison to the Benchmark Peers). These two reports will serve as macro-level indicators to gauge how well the University is closing the gap between current salary levels and the recommended salary objectives over time relative to its Benchmark Peers. The committee recommends that the Director of Institutional Research and Human Resources Compensation Manager work together to report these values each year in August/September once all salary survey data has been received. The committee recommends the values provided in Appendix A serve as the benchmarks. [Appendix A is based on FY05 salaries and 2004-05 salary surveys.](#)

- The salary comparison methodology recommended for use for staff salaries is similar to the methodology proposed for faculty salary comparisons, however, there are a few unique considerations.
 - The committee recognizes and acknowledges there is a greater range of responsibilities per position within staff positions than most faculty positions. For example, an Associate Professor of History at one institution is likely to have similar responsibilities to an Associate Professor of History at another similar institution. However, a Director of Institutional Research at one institution could have significantly different responsibilities compared to a Director of Institutional Research at another institution. The average pay index for unclassified positions may not adequately reflect the scope of job responsibilities for a single position at a university if the position requirements for jobs labeled with the same title do, in fact, vary significantly.
 - The composition of positions included in the gap analysis of staff positions may vary from year to year as salary surveys add new positions available for matching to Missouri State University positions. The nature of some Missouri State University positions may also change over time and, therefore, some jobs that were matched to survey positions in the previous gap analyses may no longer be an appropriate match to survey positions and no longer included in the gap analysis.

- The committee recommends that, despite the relatively low cost-of-living index for Springfield compared to national averages and 11 of the 12 locations hosting the proposed Benchmark Peers, the University's salary objectives for faculty, classified staff, and unclassified staff should be set without adjusting for Springfield's lower cost-of-living index. The committee feels the University should aspire to offer salaries which, in combination with the relatively lower cost of living in Springfield and the surrounding area, will prove attractive to potential applicants. Missouri State University does not aspire to be an average institution; thus, the committee believes the University should not set its salary objectives to offer "average" compensation. The following are additional justifications for not adjusting Missouri State's salary objectives by a cost-of-living index:
 - There is no evidence that recruited faculty or staff weigh cost of living in their decisions to take a position at Missouri State University. Anecdotal evidence of those involved in the hiring process attested to cost-of-living not being a major factor in newcomer decision making.
 - Cost-of-living indexes tend to be skewed upward because small town and rural areas are under-represented in samples.
 - Retirement benefits are tied to salary level. Therefore, someone working at a higher salary in the Chicago metro area may retire to Springfield. However, someone working for a lower salary in Springfield may not be able to afford to retire in Chicago.
 - Cost-of-living indexes for where universities are located may not adequately reflect where faculty and staff actually live in relation to such universities (e.g., faculty and staff working in Washington D.C. likely commute to work from outside of the beltway where cost-of-living indexes are lower).
 - Housing prices impact cost of living indexes. Housing prices in the Springfield area are increasing at a faster-than-average rate.

- The committee supports the Compensation Committee's recommendation that the University subscribe to the CUPA "Data on Demand" service to obtain salary information on our Benchmark Peers and other groups.
- The committee recommends that annual salary "progress reports" be provided to Faculty Senate, Staff Senate and Administrative Council.
- The committee encourages the Compensation Committee to be sensitive to the impact of fixed cost increases on the workforce and, specifically, the significant impact these cost increases have on lower-paid employees. For example, across-the-board, fixed cost increases in the areas of healthcare and parking are more burdensome on the lower-paid portion of the University's workforce.
- The committee feels these recommendations are consistent with the working Compensation Philosophy that has been drafted by the Compensation Committee.

Please note that the Ad Hoc PIC is aware that the Compensation Committee has recommended the delineation between classified and unclassified staff be eliminated. However, the terms "classified staff" and "unclassified staff" have been used within this report to describe these two groups of employees in terms of the difference in geographic areas typically used to search for these types of positions. Normally, a national search is conducted for higher level unclassified positions, a regional or statewide search is conducted for lower level unclassified positions, and a local search is conducted for classified positions. In general, using the distinction defined in the Fair Labor Standards Act, the term "classified staff" corresponds to nonexempt employees and "unclassified staff" corresponds to exempt employees.

The Ad Hoc PIC recognizes it was the responsibility of the Compensation Committee to propose recommendations for a new compensation system to achieve these proposed salary objectives. The Ad Hoc PIC also recognizes that it is the responsibility of the

Executive Budget Committee and Administrative Council to determine ways to fund the resulting compensation system over time to achieve the salary objectives recommended in this memo (if accepted), and that there is no guarantee that these objectives can be met given the uncertainty of future state appropriations and other factors. This division of duties may, however, require some attention by you and others to ensure the recommendations from this committee, the Compensation Committee, and the Executive Budget Committee are well-communicated and coordinated.

While it may not be appropriate for salary-related performance measures to be included in the University's next long-range plan, the Ad Hoc PIC recommends progress toward these salary objectives be tracked annually within the University to assess the level of progress made toward achieving the proposed salary objectives. As stated previously, the committee recommends the Director of Institutional Research and the Human Resources Compensation Manager work together to establish these baseline values and annually report these data. See Appendix A for the recommended baseline comparisons.

The Ad Hoc PIC's final charge is to "coordinate the selection of the performance measures for the University's new strategic plan that external stakeholders and policy makers can use to evaluate the University's performance." Per my memo to you dated February 27, 2006, entitled "Recommended Dissolution of PIC and Ad Hoc PIC," the committee recommends the following course of action toward addressing its final charge:

- Dissolve the Ad Hoc PIC upon acceptance of this "salary objectives" report
- Form a new group consisting of the following Ad Hoc PIC members and 3-4 members of the University Planning Advisory Council (UPAC):
 - Tom Kane
 - Paul Langston
 - Pete Richardson
 - Don Simpson
- Charge this new group with recommending all performance indicators associated with the new long-range plan.

Please contact me if you have any questions or comments regarding this report.

Attachments:

- Appendix A: Salary Gap Analysis Summary, Baseline FY05
- Appendix B: Proposed Benchmark Peers – Cost of Living Index Comparisons