HR Design Recommendations  
Compensation Work Team  
Submitted: May 15, 2012

Work Team

<table>
<thead>
<tr>
<th>Work Team Name:</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Team Lead:</td>
<td>Dan Langer</td>
</tr>
<tr>
<td>Work Team Facilitator:</td>
<td>Bruce Harville</td>
</tr>
<tr>
<td>Work Team Members:</td>
<td>Trisha Bauer, Catharine, DeRubeis, Mary Beth Ellis, Adam Gamoran, Mike Imbrogno, Arnie Jennerman, Bob Mayville, Michael Mirer, Meghan Owens, Andrea Poehling, Amber Reierston, Steve Stern</td>
</tr>
</tbody>
</table>

Scope

The UW-Madison current compensation system differs for different employee groups. This is for both starting pay and compensation adjustments. The compensation team was charged with developing a strategy to identify the factors that should drive starting pay and adjustments. The approach intends for the university to be a competitive employer with a diverse workforce receiving equitable compensation, and align with university values and HR Design goals. The team’s approach recognized the various employee types affiliated with the university, outlining variations within this narrative.

A compensation philosophy should articulate how the pay strategies and programs support the organization’s business strategy, competitive outlook, operating objectives, and human resource needs as outlined below.

1. To identify the purpose of compensation
   a. Recruitment (who do we want to recruit)
   b. Retention (who do we want to retain)
   c. Motivation (what qualities, behaviors or outcomes do we want to reward)

2. To define the role of the market in determining compensation
   a. To identify relevant markets
   b. To define the competitive market position of the organization in relation to base pay, variable compensation, and benefits opportunities
   c. To define how the organization plans to pay and reward competitively, based on business conditions, competition, and ability to pay.

3. To define compensation equity and how it is measured/evaluated
4. To articulate the university’s total compensation strategy and the role of its various components (base, annual, benefits, and nonpay components)
5. To identify what the organization’s pay programs and total reward strategies are (“the portfolio”).
   a. Base program
   b. Annual adjustments
   c. Variable programs

Summary of Current State

1. Market is not formally and consistently used to determine compensation.
2. Compensation, for many employees, is tied to the State of Wisconsin employment system, which does not accommodate the complexities of UW-Madison.
3. Some employees are confused by how their compensation is determined for promotion and other adjustments.
4. Performance is not formally and consistently used as an element to determine current compensation, except for traditional merit increases.
5. Some positions have compensation ranges and some do not.

Current Strengths

1. Because compensation is awarded based on the title the employee holds, the current structure provides some measure of consistency.
2. Compensation review and adjustment tools are in place for some segments of the employee population.
3. Current pay system requires periodic promotional evaluation for unclassified employees regardless of funding availability.
4. Because there are limited tools to provide for discretionary increases, equity exists across campus regardless of funding available in a particular unit.
5. Despite the complexity and inflexibility of the current system, there is usually a way to address and respond to exceptional circumstances.

Current Issues

1. Current compensation policies contribute to a sense of a class culture or caste system on campus.
2. It is easier to provide raises for faculty and academic staff than for classified staff.
3. The current pay system does not consistently recognize job hazards, job risk, and job complexity.
4. The current system is complex. Excessive effort is required to navigate the current system.
5. Because of the need for workarounds, exceptions to standard procedures are frequent.
6. The many workarounds create risk for the university to be vulnerable to legal challenges.
7. Complexity of the current system makes it hard for staff to understand how their compensation is determined, which may impact employee engagement and morale.
8. Compensation compression may create disparities between newer and more senior employees.
9. In some campus units cultural issues lead to reluctance to practice differential pay based on individual employee performance.
10. Lateral job-hopping is required for some staff just to get raises. Compensation should not be the only driver.
11. The current system is inconsistently linked to the marketplace.
12. The current system encourages employees to seek outside opportunities to demonstrate their market worth.
13. The current system does not allow for recognition of outstanding performance.
14. The current system offers employees no flexibility in how elements of total compensation (salary/benefits) dollars are paid. A flexible system could allow employees to purchase more or less fringe benefits.

Executive Summary of the Recommendation

The UW-Madison current compensation system differs for different employee groups. This is for both starting pay and compensation adjustments. The compensation team was charged with developing a strategy to identify the factors that should drive starting pay and adjustments. The approach intends for the university to be a competitive employer and align with university values and HR Design goals. The team’s approach recognized the various employee types affiliated with the university, outlining variations within this narrative.

Summary elements within the compensation strategy which are new include, but are not necessarily limited to:
1. Compensation be market based across all job types
2. Performance management be formally in place on a regular, periodic basis for all job types
   a. This recognizes the process is in place for some job types currently, such as faculty
3. Formal systems are established across all job types to apply adjustments to compensation as circumstances dictate based on performance and/or job responsibilities.

Recommendation Description

See Compensation Team Phase I Report following

How does the recommendation address significant current issues?

The recommended system would use relevant labor markets as a major input to determine compensation. It would also rely heavily on a functioning performance management system. Both recommendations have the potential to simplify the system and make it more transparent to staff.

Efficiency:
1. More flexible compensation tools to simplify administration and less effort to adapt to the current rigid system.
2. Clarifying how employees are compensated and linking compensation to job performance should improve organizational performance and efficiency.
3. Formal compensation analyst personnel will provide more efficient determination of market-based compensation

Flexibility and Responsiveness:
4. Linking employee pay to the marketplace will make the system more responsive to institutional needs.
5. Flexible compensation tools will allow us to more accurately meet resource needs.
6. A new system should be flexible enough to adjust as needs change.

Alignment:
7. Flexible compensation tools to support recruitment of needed staff.
8. Compensation linked to employee performance to encourage employee participation and employee development over the employee lifecycle.
9. Compensation that recognizes employees based upon the marketplace for their current competence, which should also encourage staff to develop skills to advance their compensation and at the same time benefit the organization.
10. Compensation analyst infrastructure will assist in aligning compensation structure with other universities and/or private sector as applicable for the university to remain competitive for talent.

Consistency:
11. The compensation system tools should be available for all employee categories. The particular tools should be applied in a way that is appropriate for the job responsibilities. In the current system, different tools are available for different employee categories.

Transparency:
12. The current system is very complex. It is difficult for employees to understand how their compensation is determined. Clear compensation practices tied to identifiable markets and employee performance should improve employee understanding of how their compensation is determined.
13. Clear compensation policies properly applied could leverage compensation as a tool to help encourage employee job performance.
14. An accountability chart will be utilized and maintained so that all stakeholder groups are aware of their role and how compensation is administered (a preliminary example can be found on Appendix A).

**How does the recommendation promote our workforce and community of the 21st century?**

Right Talent:
1. The focus on market-based pay methodology should allow campus to be competitive for the best available talent and lead to attracting the right human resources to meet the business needs.
2. Performance-based pay will reward staff for developing and maintaining skills and competencies relevant to the job and needed by the organization.
3. Confidence in competitive and performance-based market tools for pay will encourage employees to concentrate on longer term career accomplishment that serve the university, rather than focusing solely on short-term thinking or on departure to another position off or on campus as the only way to improve compensation.

Adaptability:
4. Significant linkages to the market supported by consistent market analysis conducted by a central campus office will help the system adapt to changing market conditions.
5. The compensation tools developed should have a built-in capability to adjust as markets and the structure of positions change as the university innovates and changes.

Engagement:
6. Focus on the work done, fair pay linked to the marketplace, and clarity in how employees are paid should encourage and improve employee engagement.
7. Compensation that is linked to and rewards employee performance should improve employee engagement and motivation.
8. Applying the accountability chart (Appendix A) is a recommended component of employee engagement.

Diversity:
9. A compensation system driven by markets and employee performance is intended to lead to a fairer system, which supports employee diversity.
10. The system should provide flexibility to allow for unanticipated conditions, such as equity adjustments.
11. Market-determined ranges will allow a flexible determination of compensation based on individual job attributes, which is currently unavailable for some employees (i.e. nonexempt classified employees).
12. **What major alternatives were considered?**

---

3 | hr design compensation recommendations may 15 2012.docx
1. A recommendation to implement an across-the-board cost-of-living pay increase for all employees was rejected because it was not deemed appropriate for some employee categories or some subset of employees.
2. Imposing ranges on categories of workers who currently do not have them.
3. Allow exempt employees to earn overtime as a compensation tool.
   a. Overtime is currently used to compensate some employees whose ranges are out of sync with the market. Because the recommended system should address this problem through market review and adjustment mechanisms, the work team recommends that exempt employees should not be eligible to earn overtime.

Were there dissenting opinions?

1. Some employee categories or types of workers should be eligible for across-the-board cost of living pay increases in lieu of performance-based compensation.
2. Ranges should be applied to some positions that currently do not have them.

What are the dependencies and interdependencies with other work teams?

Elements of the following work teams need to be in place before the compensation work team’s recommendations can be implemented:

1. Employee Categories and Titling: Formalized prior to establishing compensation ranges. Further, the titling team is expected to contemplate the proper number of promotion “steps” in which cumulative performance may be assessed and a promotion with pay adjustment granted, within any given employee title. A three-step system may lead to a flattening out of pay at too early a career stage to be consistent with competitive, performance, and market-based pay.
2. Performance Management: The compensation team’s recommendation of performance-based pay will require a new performance management system. The new system will in turn require broad legitimacy, objectivity, and transparency in the workplace culture in order for it to work effectively. During transition it is anticipated the university will be relying on current performance management processes.

The recommendations of the following work teams should be considered in tandem with the compensation work team’s recommendations:

1. Benefits: A total compensation package will consider benefits as well as compensation.
2. Diverse Workforce: The compensation team recommends a compensation system driven by markets and employee performance, which is intended to make the system equitable for all and to encourage a diverse workforce.
3. Recruitment and Assessment: A compensation system driven by markets and employee performance is intended to ensure UW-Madison has competitive practices.
4. Competencies: The compensation team’s recommendation of performance-based pay may increase emphasis on employees attaining certain competencies.
5. Employee Development: The compensation team’s recommendation of performance-based pay is intended to influence employee development.
6. Workplace Flexibility: A total compensation package will consider workplace flexibility as well as benefits and compensation.
7. Transition and Succession: If transitioning out of a position includes a decrease in responsibilities, the compensation work team may be asked to consider whether a change in compensation is appropriate.

What development or implementation challenges do you anticipate?

1. Campus and public engagement processes will require significant coordination and communication to promote understanding and move the project forward in a timely manner.
2. There is also concern our campus colleagues may perceive that all factors were not considered in our work team’s recommendation.
3. Performance-based pay may not be appropriate for all employee categories or types of work.
   a. Where work is more prescribed the measures are more standardized.
4. Staff may not trust that a performance management system will have sufficient rigor to drive compensation decisions.
3. Any performance-based compensation plans need to come after performance management practices are designed and/or in place. During transition it is anticipated the university will be relying on current performance management processes.
5. Another concern is that not all faculty and staff supervisors will assume responsibility to fairly, objectively and consistently implement formal performance evaluation processes.
6. Adequate financial resources may not be available to address current compensation recommendations. (See “...Impact of Recommendation” item #1 below regarding new minimums).
7. An imbalance of infrastructure, engagement commitment, and/or financial resources will have an impact on implementation.
8. It is likely that proposed changes will not all be implemented by 7/1/2013.
9. Current statutes restrict providing performance-based compensation to faculty and academic staff.

**What change management challenges are anticipated?**

1. Robust training and communications must be implemented. Information should not simply be pushed out to constituents. Administrators and employees must be engaged in how the changes will affect their work and lives.
2. Employees may believe that the university will use a new compensation strategy as a means to save money by paying employees less.
3. Staff may perceive that there are winners and losers in the proposed system.
4. During a transition, managing the legacy and new systems will present challenges.
5. The university must anticipate and respond to the concerns of governance units, bargaining units, employee groups, and other interested parties, and encourage these groups to support the new system.
6. The side effects of new flexibilities may not be evident when the system is implemented.
7. The university must manage employees’ expectations for receiving compensation adjustments Funding and performance management training need to be respectively available and operational before compensation adjustments can be made.
8. The university should expect some resistance to moving to a compensation system that includes performance-based components.
9. The university must reconcile how the proposed compensation tools blend with existing compensation tools (e.g. the Stern Portfolio).
10. Transparency is necessary as the system is implemented and for the long term.
11. The system should be revisited and refreshed over time as the institution changes, evolves and innovates.

**Challenging impacts of recommendations**

1. All employees will be affected by changes in the compensation system. In particular, those individuals whose work is directly related to administering aspects of the compensation structure (e.g., human resources management, financial management) will experience significant changes in their jobs.
2. If market establishes new salary minimums, there may be an immediate financial impact to move those individuals who are below the new minimum up to the minimum.
3. Recommended changes will require significant modifications or changes to HRS.
4. The structure and focus of the Office of Human Resources must be examined to support the compensation work team’s recommendations, especially those recommendations related to market- and performance-based pay.
5. New inequities may arise that will need to be addressed.

**Positive impacts of recommendations**

1. Better reflects relevant markets in the compensation of all employees.
2. Increased opportunities for employees to receive pay adjustments for superior performance.
3. Improved retention of high-performing employees.
4. Improved employee understanding of how their compensation is determined and how they can increase their compensation.
5. More opportunities and incentives for employees to develop their skills and competencies.
7. Better matching of employees to positions for which they can provide the greatest value to the university.
8. Increased personal growth and job satisfaction for employees.
9. Improved overall morale.
10. Increased efficiency and effectiveness across the university as it changes and innovates to meet the challenges of the 21st century.

Open Questions

1. How will the university balance the resources of units able to compensate employees at higher rates with units having fewer resources?
2. Is it acceptable to have an employee at the top of her/his range not receiving a pay increase even if s/he is a high performer?
3. What will be the compensation impacts if market and/or performance indicate reduced compensation is appropriate? The team did not recommend pay reductions, but rather recognizing future pay increases may be more limited should market indicate such and, respectively addressing performance issues as circumstances would deem appropriate.
4. What will trigger a market study? Put another way, how does the university ensure that market studies are conducted on a regular basis?
5. Is it appropriate to use a performance-based compensation system for all job types?
6. Does length of service factor into compensation? If so, how?
7. Who will address the applicability of the compensation strategy to trades?
8. How well will the university emphasize that one of the anticipated results of the compensation strategy is that internal retention offers are expected to be addressed as a result of market- and performance-based tools, along with other elements of the strategy?
9. How will the open questions surfacing from the various forums that may not have been incorporated into this strategy be addressed?
10. How will this strategy be reconciled with the recommendations of the other work teams?

Attachments Follow

1. Compensation Team Phase I Report
2. Appendix A – Illustrative Accountability Chart
3. Appendix B – Overall Sequence of Compensation Team Activities and Components of Compensation
The Human Resources Strategy assembled the following representatives in December, 2011 to develop the Compensation Strategy proposal of the Human Resources Design:

<table>
<thead>
<tr>
<th>Last Name</th>
<th>First Name</th>
<th>Title</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauer</td>
<td>Trisha</td>
<td>UW Human Resources Manager ADV</td>
<td>Graduate School</td>
</tr>
<tr>
<td>Bollhorst</td>
<td>Michelle</td>
<td>Scribe</td>
<td>Office of Human Resources</td>
</tr>
<tr>
<td>DeRubeis</td>
<td>Catharine</td>
<td>HR Specialist</td>
<td>Academic Personnel Office</td>
</tr>
<tr>
<td>Dorschel</td>
<td>Kurt</td>
<td>Consultant</td>
<td>Huron Consulting</td>
</tr>
<tr>
<td>Ellis</td>
<td>Mary Beth</td>
<td>Department Administrator</td>
<td>L&amp;S</td>
</tr>
<tr>
<td>Gamoran</td>
<td>Adam</td>
<td>Professor &amp; Associate Dean</td>
<td>Sociology &amp; Education</td>
</tr>
<tr>
<td>Harville</td>
<td>Bruce</td>
<td>Facilitator</td>
<td>Office of Quality Improvement</td>
</tr>
<tr>
<td>Imbrogno</td>
<td>Mike</td>
<td>Food Service Assistant</td>
<td>Wisconsin Union</td>
</tr>
<tr>
<td>Jennerman</td>
<td>Arnie</td>
<td>Director of Administrative Services</td>
<td>University Health Service</td>
</tr>
<tr>
<td>Langer</td>
<td>Dan</td>
<td>Associate Dean</td>
<td>School of Business</td>
</tr>
<tr>
<td>Mayville</td>
<td>Bob</td>
<td>IS Supervisor 2</td>
<td>DOIT</td>
</tr>
<tr>
<td>Miron</td>
<td>Michael</td>
<td>Student</td>
<td>Student</td>
</tr>
<tr>
<td>Owens</td>
<td>Meghan</td>
<td>HR Specialist</td>
<td>Classified Human Resources</td>
</tr>
<tr>
<td>Poehling</td>
<td>Andrea</td>
<td>Administrative Program Specialist</td>
<td>Secretary of the Faculty</td>
</tr>
<tr>
<td>Reiseron</td>
<td>Amber</td>
<td>Payroll &amp; Benefits Specialist</td>
<td>L&amp;S</td>
</tr>
<tr>
<td>Stern</td>
<td>Steve</td>
<td>Associate Vice Chancellor &amp; Professor</td>
<td>History &amp; Provost's Office</td>
</tr>
</tbody>
</table>

The team approach to this challenge, included: but, was not limited to,

- Gathering information from a variety of reference sources (third party literature, regulatory information, campus data),
- Having informational sessions with human resources leadership
- Soliciting guidance from third party consultants having experience establishing compensation systems at multiple academic and nonacademic institutions
  - Engaging in a process to identify and rank components of compensation. This process considered the various “stages” in the employment relationship
    - Identifying a personnel need (PVL or CHRIS in current vernacular)
    - Attract, retain, develop and advance personnel
- Respecting the wide-range of employment and functional relationships which currently exist on campus across the current categories of:
  - Faculty
  - Academic staff
  - Limited appointments
  - Classified permanent, project and limited term employees
  - Student hourly employees
  - Student Academic support (Teaching Assistants, Project Assistants and Research Assistants)
  - Employees-in-training
- Developing a compensation strategy within the bounds of recognizing that other HR Design teams were addressing elements of the human resources strategy closely interconnected to compensation strategy such as benefits, employee categories, performance management, etc.

Summary elements within the compensation strategy which are new include, but are not necessarily limited to:

- Compensation be market based across all job types
- Performance management be formally in place on a regular, periodic basis for all job types
  - This recognizes this process is in place for some job types currently, such as faculty
- Formal systems are established across all job types to apply adjustments to compensation as circumstances dictate based on performance and/or job responsibilities.

The compensation team developed a proposed philosophy and strategy specific to compensation for the University of Wisconsin-Madison. Further, the team identified specific recommendations to be addressed.
The University of Wisconsin–Madison is the original University of Wisconsin, created at the same time Wisconsin achieved statehood in 1848. The primary purpose of the University of Wisconsin–Madison is to provide a learning environment in which faculty, staff and students can discover, examine critically, preserve and transmit knowledge, wisdom and values that will help ensure the survival of this and future generations and improve the quality of life for all.

In order for the University of Wisconsin – Madison to be a model public university in the 21st century, it must recruit and retain the best and most diverse faculty and staff. The compensation philosophy is meant to contribute to the methodology used to attract and retain a highly qualified, diverse workforce in a wide variety of occupations.

<table>
<thead>
<tr>
<th>Vision Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University of Wisconsin – Madison compensation program is intended to provide competitive and equitable salaries to attract, retain and engage highly qualified individuals into a wide range of occupations. To this end, the University of Wisconsin- Madison will:</td>
</tr>
<tr>
<td>• Have clear and accessible compensation program information available for its employees</td>
</tr>
<tr>
<td>• Provide a program that has the flexibility to allow for changes in the marketplace or other conditions</td>
</tr>
<tr>
<td>• Include compensation opportunities based on job responsibilities and that are competitive with the various markets in which the university competes for talent, and in consideration of the financial resources of the university</td>
</tr>
<tr>
<td>• Recognize and reward expertise, sustained contributions and performance</td>
</tr>
<tr>
<td>• Support career growth and development</td>
</tr>
<tr>
<td>• Include a process of continuous compensation program monitoring and review to optimize performance and avoid unnecessary complexities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University of Wisconsin – Madison will use an integrated approach to determine compensation structure and pay adjustments. The approach will take into account three key elements:</td>
</tr>
<tr>
<td>1. Compensation Drivers including market, equity, performance, cost of living/labor, experience/qualifications</td>
</tr>
<tr>
<td>2. Job categories such as job family, organizational unit and/or functional area</td>
</tr>
<tr>
<td>3. Tools including starting compensation, group adjustments, individual adjustments and time-limited adjustments (Page 14)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comparison Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Benchmarking to comparison markets will inform compensation structure and will be used as a reference for determining compensation for individuals. “Market” refers to the set of alternate employers who hire similar employees for the similar positions.</td>
</tr>
<tr>
<td>2. For positions found primarily in higher education, the market will be an appropriate, comparable group depending on the position.</td>
</tr>
<tr>
<td>a. For faculty and others engaged in research this will include international and national comparable institutions.</td>
</tr>
<tr>
<td>b. The principle of comparable markets will consider a broad, yet well-defined market for other positions of the university.</td>
</tr>
<tr>
<td>3. When comparing markets, to the extent practical, the total compensation (pay and benefits programs/services) package will be considered, not only base salary</td>
</tr>
</tbody>
</table>
### Compensation Positioning

1. Those positions having compensation ranges will be informed and competitive with the market median of the appropriate ranges and will be positioned to attract and retain key talent
   a. It may be necessary at times to pay at higher or lower than the median of the market based on institutional need
   b. In addition, higher performers and highly skilled individuals may be rewarded with higher levels of compensation
2. Formal mechanisms will be established for compensation positioning to address exceptional circumstances outside of established ranges

### Link to Performance

1. The link between job performance, goal achievement, and compensation increases will be clearly communicated
2. The University of Wisconsin – Madison will maintain:
   a. Current and accurate job descriptions for staff to ensure a shared understanding of job responsibilities
   b. A performance evaluation system that reinforces the objectives and priorities of the university
3. Managers/supervisors will be held accountable for effectively planning, managing, coaching and evaluating the performance of their staff, as well as creating a positive work environment that supports growth and staff development

### Compensation Components

1. Base compensation will be the primary method of compensating individuals at the University of Wisconsin – Madison
   a. Base compensation will reflect the value of the position in the market, the value to the university, and the capabilities and contributions of the individual
   b. Benefits and services, as well as broader rewards of work content, work-life balance and affiliation will continue to be essential components of the overall value of employment at the University of Wisconsin - Madison
2. Additional compensation will be available to an individual including some earned and incorporated into base compensation (group adjustments and individual adjustments) and some that are not included in base compensation (time limited adjustments) (Page 14)

### Communication/Openness

1. Compensation program information will be transparent to program participants, including compensation philosophy, comparison markets and compensation position, process for assessing market competitiveness and determining internal equity, compensation guidelines, impact of performance on compensation decisions and performance goals and the evaluation process
2. The rationale for all program changes will be clearly stated to all involved participants

### Recommendations

1. A formal office/function will be required to define “market.” for all types of positions across the university. Further, that structure will need to review/update market based information on a regular, periodic basis. A centralized campus office should establish a compensation analyst structure to help address this recommendation.
2. The relevant market should be identified for all positions. Further, many positions should have compensation ranges. Subject to recommendations from the employee categories and titling teams, those positions for which a range is needed will not include certain groups of employees, such as faculty, researchers and other specialized positions.
3. For positions that have compensation ranges:
   a. Decisions should be made and compensation ranges should be established based on applicable
market analysis.

b. These decisions will require the involvement of campus compensation analysts familiar with applicable markets based on job category.

c. Compensation analysts are expected to consider living wage by geographic location in setting market compensation depending on applicable employee categories.

d. Pay ranges will be evaluated at regular intervals to ensure market changes are addressed. Pay ranges can also be evaluated outside of the regular schedule as circumstances require.

4. Compensation starting pay and adjustment guidelines should be developed with reference to the market midpoint and should be dependent on employee categories and titles established.

5. Comprehensive training programs and related tools will be required for all employees to ensure performance management operates effectively, recognizing performance measurement may vary depending on the responsibilities of a position.

6. There will be a need for a compensation oversight committee or office.

7. Factors considered in periodic pay adjustments will include structural adjustments (market, cost of living, equity, living wage) as well as performance adjustments. The weighting will depend on the responsibilities of the position. In certain jobs, employees have so little discretion over how their job is performed—they either do the job as expected or they do not—that they have few opportunities to perform above and beyond job expectations. In these cases, performance-based compensation may not be appropriate. In other cases, performance-based compensation may more appropriately be applied on a team basis.

8. Definitions, guidelines and effort criteria for supplemental positions (e.g. overloads) should be developed including consideration of maximum range limits.

9. Current state statute that prevents performance compensation for employees should be revised such that performance results can be addressed with compensation adjustments regardless of an employee’s category.

10. Employees are compensated in accordance with federal law and based on market, limiting overtime compensation to nonexempt personnel.

11. Student hourly workers should be evaluated as part of market review, while giving consideration to the flexibilities distinct to student workers (for example work schedule) versus other employees.

12. Graduate students (TAs/PAs) stipends should have a market review. An accountability chart should be developed outlining roles and responsibilities of key functional areas of campus specific to the various activities and elements of the compensation process (a preliminary example can be found on Appendix A).
## Appendix A

### Illustrative Accountability Chart

<table>
<thead>
<tr>
<th>Accountability Outline</th>
<th>Nature of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible</td>
<td>Consulted</td>
</tr>
<tr>
<td>OHR</td>
<td>CH, VCL, G</td>
</tr>
<tr>
<td>OHR, D</td>
<td>VC</td>
</tr>
<tr>
<td>D, DS</td>
<td>OHR</td>
</tr>
<tr>
<td>OHR, D</td>
<td>CH, VC</td>
</tr>
<tr>
<td>G, OHR</td>
<td>G, D, DS</td>
</tr>
<tr>
<td>D, DS</td>
<td>OHR</td>
</tr>
<tr>
<td>OHR, D</td>
<td>DS</td>
</tr>
<tr>
<td>OHR, D</td>
<td>VC</td>
</tr>
<tr>
<td>OHR, D, G</td>
<td>CH, VC</td>
</tr>
<tr>
<td>OHR, D, DS</td>
<td>CH, VC</td>
</tr>
<tr>
<td>OHR, D, DS</td>
<td>CH, VC</td>
</tr>
</tbody>
</table>

### Not in Scope for Compensation Team, but areas that will need to be addressed by Campus or Work Team at a later date

- Determine compensation positioning
- Determine and manage compensation budget
- Assess need for new jobs and headcount
- Write job descriptions and title positions
- Grade new and existing positions
- Determine promotional increases
- Set annual compensation increase budget
- Determine individual annual increases (across the board)
- Determine individual market adjustments to compensation

### Stakeholder Key

| CH = University Chancellor | VC = Vice Chancellor | OHR = UW Madison Central OHR | G = Governance & Employee Groups | UWS = University System/BOR | D = Divisional Dean/Director’s Office | DB = Direct Supervisor | O = Other Management |

### Note: Terms and rules need to be formally defined
Overall Sequence of Compensation Team Activities

Components of Compensation

Compensation Drivers
• Market
  – Varies by functional area
  – Requires consideration of role, geographies, other factors
  – Guidelines will be required to identify and define other factors
• Equity
  – Equity is influenced by type, scope, criticality, and complexity of role, an individual experience, reputation, performance and market factors and should be understood relative to compensation of others.
  – Fairness relative to peers, across unit/department/division/university/market.
  – Compensation system transparency should address the question of equity which should be the result of an effective compensation system.
  – Monitoring is necessary to ensure the system is equitable within all groups including, but not necessarily limited to, women and men, under-represented minorities and majority employees and younger and older workers.
• Cost of living/labor
• Performance
  – Definitions
    • Performance is about the actual accomplishments, quality of an achievement and cumulative quality of achievements over time.
    • Merit refers to a point-in-time evaluation of the worth of a person’s contributions.
    • Achievement refers to a discrete accomplishment of value.
  – Current systems lack ability to recognize classified performance other than via promotion
  – Senior staff currently at maximum; having tiers/ranks within a job family/category may help mitigate transfers
• Experience/Qualifications
  – Affects compensation by functional area and position including, but not limited to training, skill background, work history
  – Experience may influence start pay
  – How experience weighs into decision making would need to be better defined as an ongoing performer

Job Categories

• Job category or job family should drive salary ranges in addition to market, external factors, etc.
• Ultimate groupings developed should be reflective of actual market needs and would need to determine where the limits may be e.g. certain groups which would fall out of the range development process

Tools-Starting Pay, Adjustments