

Compensation Philosophy, Professional Staff Jobs

Indiana University has completed a review of its compensation system for Professional Staff jobs.¹ This review focused on “system” components, such as the methodology for evaluating jobs and classifying positions and the criteria for determining pay. The University’s objective was to install a fair and rational compensation system for Professional Staff jobs across the University, with objective criteria for management decisions regarding employee pay; to support recruitment and retention of highly qualified employees.

The establishment of a compensation system is dependent on the articulation of an institutional compensation philosophy that provides the foundation for associated policies and practices. To be effective, the associated set of philosophy statements needs to be supported by all levels of University management and communicated to all associated constituencies.

The following compensation philosophy statements are meant to summarize direction provided by senior Indiana University executives and input from CSI Steering Committee members:

1. Total compensation is a principal focus relative to recruiting and retaining highly qualified employees in Professional Staff jobs. Other elements of awarding employees include non-financial awards, such as: career opportunities, professional development, and a positive work environment.
2. Direct compensation (base pay, bonuses, and other cash awards) is aggregated with the value of benefit program coverages (health care, retirement, tuition subsidy and paid time off) in determining total compensation for Professional Staff Jobs.
3. Indiana University’s compensation system is market competitive; with care given to defining relative competitive markets² and the University’s positioning in those markets with regards to direct compensation and benefits. Market compensation data for benchmark jobs is the principle determining factor in establishing pay levels for those jobs.³
4. Internal labor market differences across principal units are acceptable, allowing better funded schools and departments to attract and retain the highest qualified employees. Care needs to be taken to minimize any disparate impact on gender and ethnicity across operating units.

¹ A “job” is a distinguishable kind and level of work, including a description of such work, interrelationships with other jobs, minimum qualifications, and unusual working conditions.

² Determining “relative markets” includes the recognition of significant differences in industries and regional areas, among other distinguishable labor market variables.

³ Other jobs were slotted with benchmark jobs based on comparable compensable factors, such as: knowledge, impact, complexity, and supervision.

⁴ “Better funded” should be interpreted in a broad manner, including such variables as availability of grant funds and funds provided as an institutional priority.

5. Internal equity within units for both new hires and current employees is important to maintaining a fair and rational compensation system.
6. Salary ranges for distinguishable kinds and levels of work have broad parameters to support operating unit decisions and fiscal conditions, including a minimum threshold to ensure a nominal amount of internal equity and an upper limit to protect from unnecessary inflation of salaries.
7. Salary administration policies provide for:
 - Increases in direct compensation for assuming higher level work
 - Equity adjustments for a variety of substantiated internal and external environmental concerns, such as: salary compression with subordinates and salary equity with newly hired employee in the same job family
 - Annual salary increases principally based on individual and unit performance
 - All salary adjustments are based on the availability of resources

⁵The availability of resources for salary adjustments should be taken into account before executing personnel transactions. This includes personnel actions that would have secondary implications, such as offering a new employee a salary that creates and internal equity problem that would need resources to resolve.