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Best Practices in Higher Education Compensation Studies
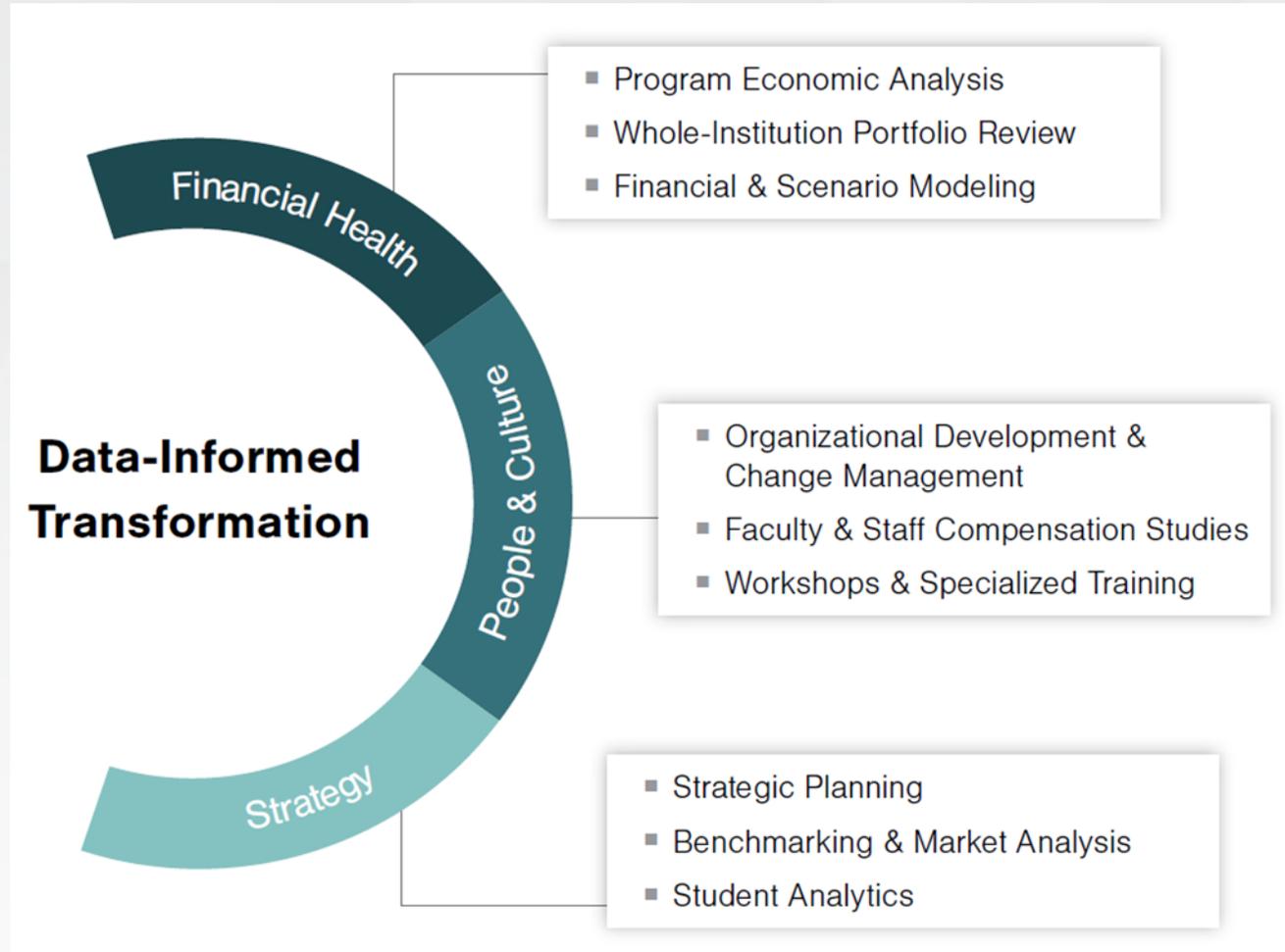
Minnesota Higher Education Facilities Authority

36th Annual Conference – April 17, 2024

Meet the Presenter

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FORVIS, LLP

Data-Informed Transformation

Financial Health
- Program Economic Analysis
- Whole-Institution Portfolio Review
- Financial & Scenario Modeling

People & Culture
- Organizational Development & Change Management
- Faculty & Staff Compensation Studies
- Workshops & Specialized Training

Strategy
- Strategic Planning
- Benchmarking & Market Analysis
- Student Analytics

Agenda

- Higher education workforce trends

- Risks and rewards of compensation studies

- Challenges

- Data sources and uses

- Common models

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Higher Ed Workforce Trends

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Salaries and Benefits Trends

? How have your organization's operational expenses changed over the past year?

Source	Increased Significantly	Increased Somewhat	No Change	Decreased Somewhat	Decreased Significantly
Salaries & Benefits	26.27%	59.32%	9.75%	4.66%	0.00%
Rent, Lease, or Mortgage	4.87%	25.66%	63.72%	3.54%	2.21%
Repairs & Maintenance	9.36%	45.96%	41.70%	2.55%	0.43%
Utilities	8.12%	52.99%	36.32%	2.14%	0.43%
Transportation/Travel	6.44%	50.64%	37.34%	5.15%	0.43%
Office Equipment/Supplies	4.24%	40.68%	51.69%	3.39%	0.00%
Professional Services	10.59%	58.90%	28.82%	1.69%	0.00%
Marketing	8.51%	43.83%	44.68%		
Taxes & Insurance	14.22%	48.71%	34.48%		

From 501(c)3 organizations, including higher education

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Staffing Shortages

Shortages by Focus Area	1–4%	5–14%	15–24%	25–49%	50–74%	75% or More	No Shortages
Education	29.78%	31.91%	8.51%	2.13%	0.00%	0.00%	27.67%
Health	31.70%	39.02%	12.19%	7.33%	0.00%	0.00%	9.76%
Human Services	30.55%	27.77%	9.73%	4.17%	1.39%	1.39%	25.00%
Religion-Related	36.36%	45.46%	0.00%	0.00%	0.00%	0.00%	18.18%

Educational institutions are struggling to staff positions

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Barriers to Recruitment

? What is the likelihood the following reasons are behind your organization's struggles to recruit and retain employees?
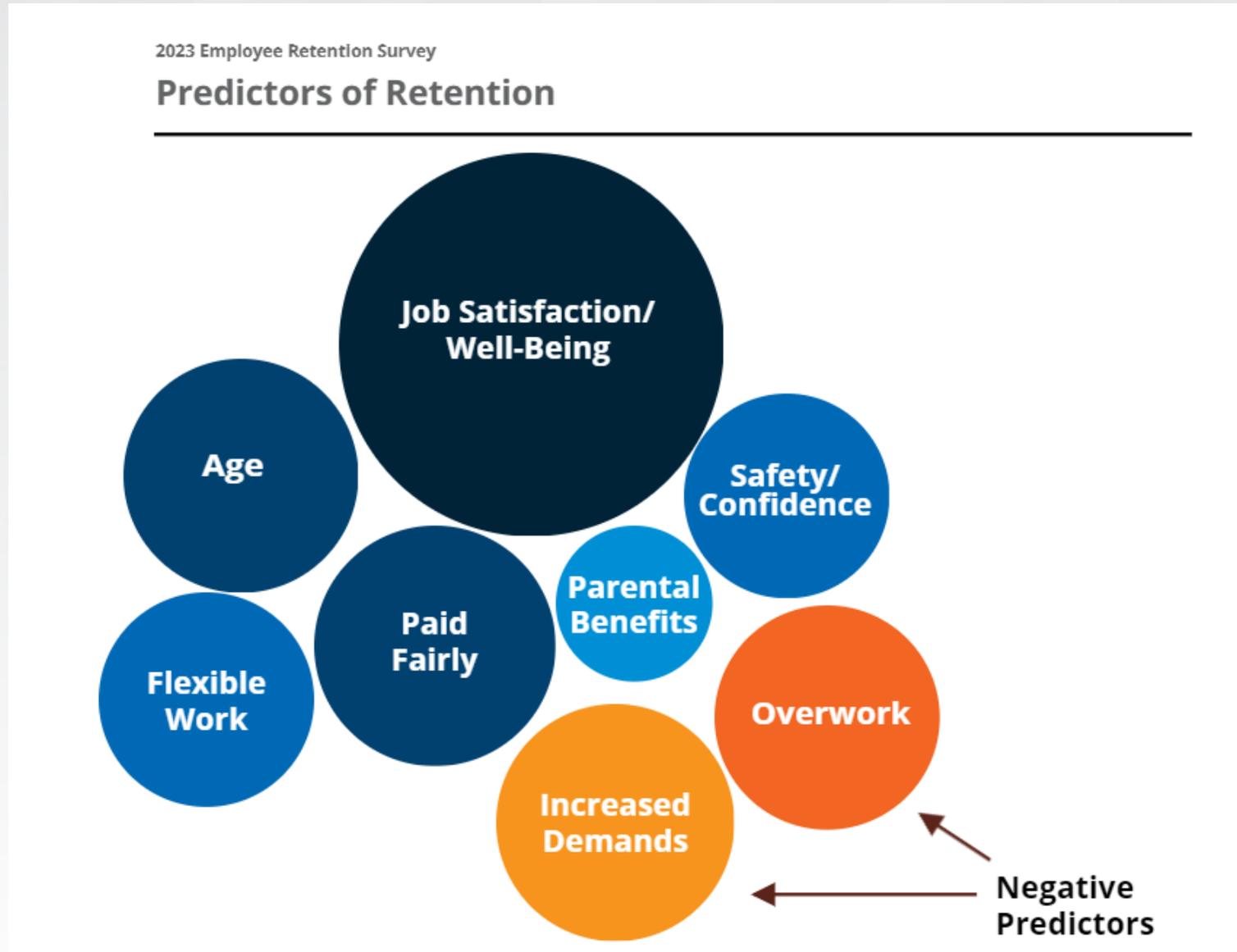
Barriers to Recruit & Retain	Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely
Lack of competitive salaries/benefits	35.05%	39.72%	14.95%	10.28%
Lack of remote/flex options	8.37%	33.50%	27.10%	31.03%
Shortage of available employees	37.80%	47.39%	11.00%	3.81%
Concerns over virus & other health issues	0.50%	8.50%	30.00%	61.00%
Mental health issues (stress, burnout)	9.05%	34.17%	28.14%	28.64%
Childcare & family concerns	5.50%	40.50%	31.00%	23.00%
Budget constraints/insufficient funds	21.53%	38.29%	22.96%	17.22%
Lack of internal recruiting knowledge/methods	6.46%	23.90%	34.32%	35.32%
Poor organization reputation/culture	1.51%	11.61%	27.78%	59.10%

Salaries and low unemployment are the perceived causes

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Predictors of Retention

- Voluntary turnover has increased to about 14.7% since 2020

- Job satisfaction = perceptions of security, purpose/value, support

- Pay, work arrangements, and aging workforce

- "Doing more with less" has its challenges

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2023 Employee Retention Survey
Predictors of Retention

Job Satisfaction/ Well-Being

Age

Safety/ Confidence

Paid Fairly

Parental Benefits

Flexible Work
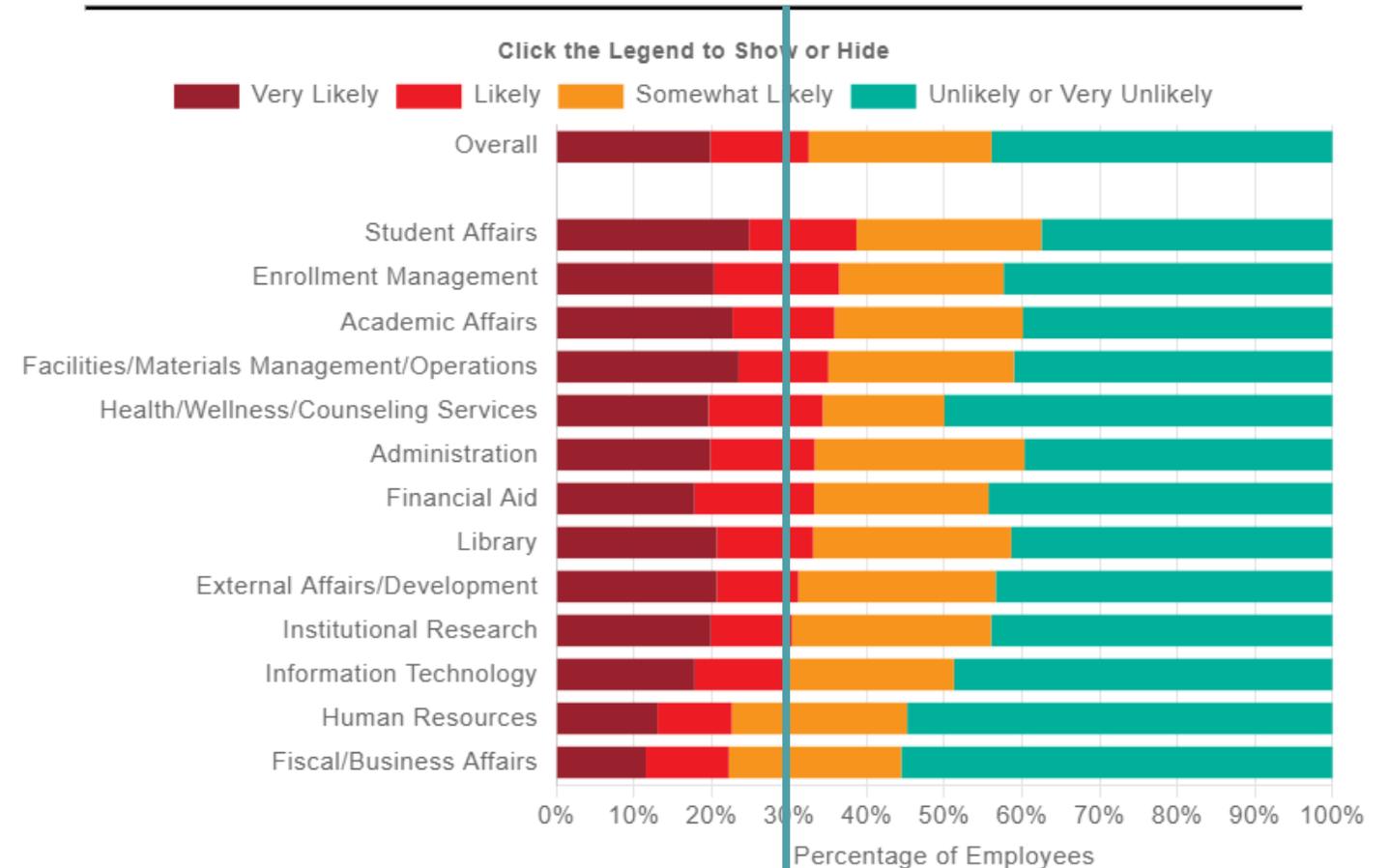
Overwork

Increased Demands

Negative Predictors

Planned Exits

- About 30% of respondents said they were likely or very likely to look for other opportunities
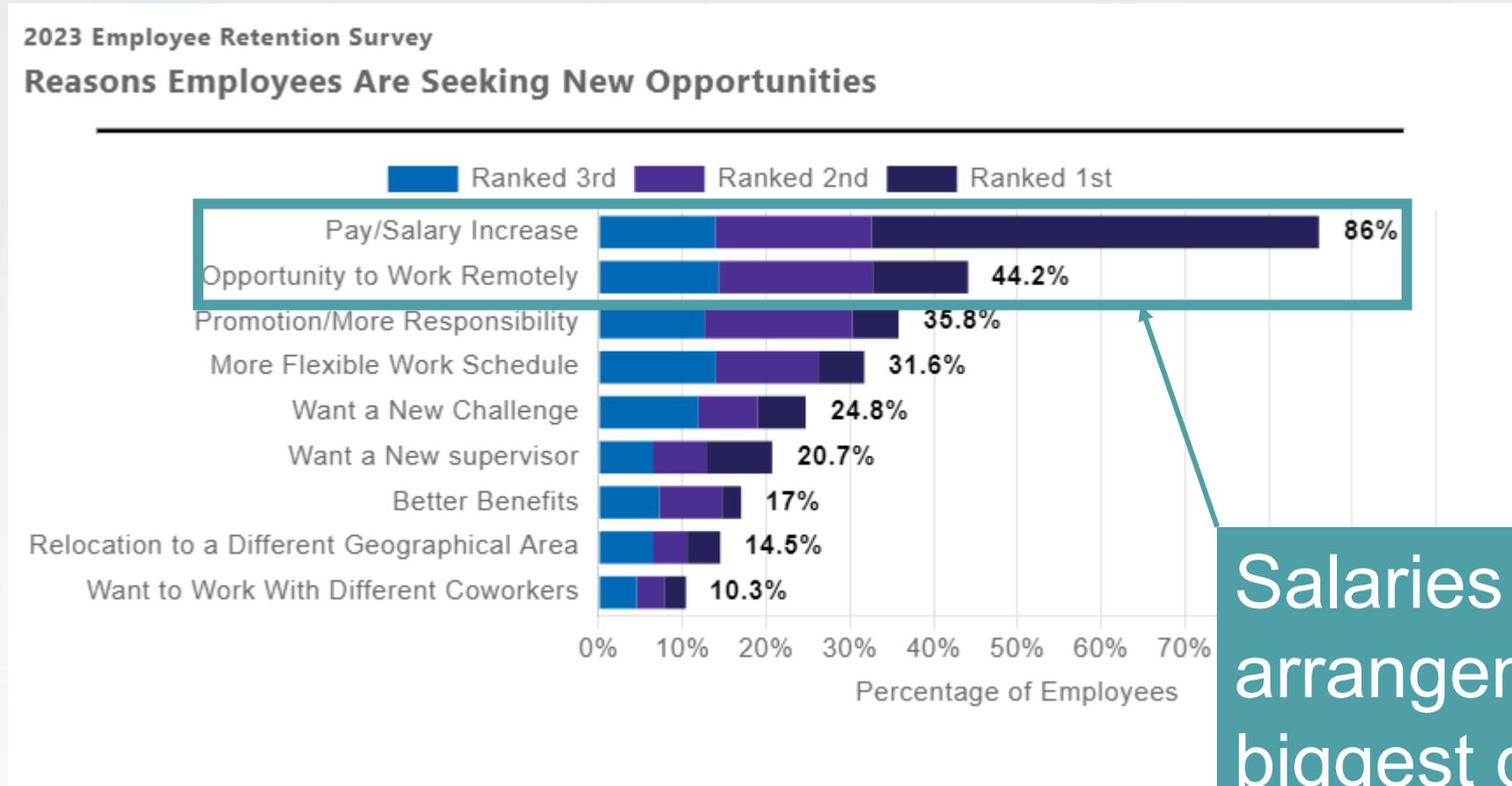
- Some units hit harder than others

2023 Employee Retention Survey
Likelihood of Looking for Other Employment Within the Next 12 Months

Click the Legend to Show or Hide

- Very Likely
- Likely
- Somewhat Likely
- Unlikely or Very Unlikely

Categories (top to bottom): Overall, Student Affairs, Enrollment Management, Academic Affairs, Facilities/Materials Management/Operations, Health/Wellness/Counseling Services, Administration, Financial Aid, Library, External Affairs/Development, Institutional Research, Information Technology, Human Resources, Fiscal/Business Affairs

X-axis: 0% to 100% — Percentage of Employees

30% likely or very likely to seek other opportunities

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Reasons for Exiting

2023 Employee Retention Survey
Reasons Employees Are Seeking New Opportunities

Legend: Ranked 3rd, Ranked 2nd, Ranked 1st

Reason	Percentage
Pay/Salary Increase	86%
Opportunity to Work Remotely	44.2%
Promotion/More Responsibility	35.8%
More Flexible Work Schedule	31.6%
Want a New Challenge	24.8%
Want a New supervisor	20.7%
Better Benefits	17%
Relocation to a Different Geographical Area	14.5%
Want to Work With Different Coworkers	10.3%

Percentage of Employees

Salaries and work arrangements are biggest drivers

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Big Drivers

2023 Employee Retention Survey
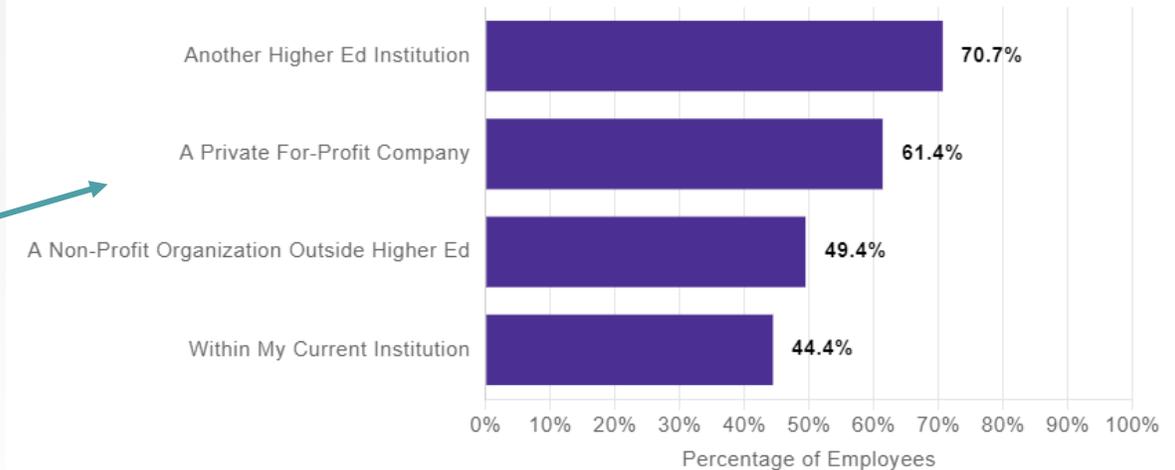**Current Work Arrangement by Satisfaction With Remote Work Policy**

Very Unsatisfied or Unsatisfied   Satisfied or Very Satisfied

Completely or Mostly On-Site   53.9%   26.4%

Hybrid On-Site/Remote   22.6%   45.6%

Completely or Mostly Remote   9.0%   65.3%

80% 60% 40% 20% 0% 20% 40% 60% 80%
Percentage of Employees
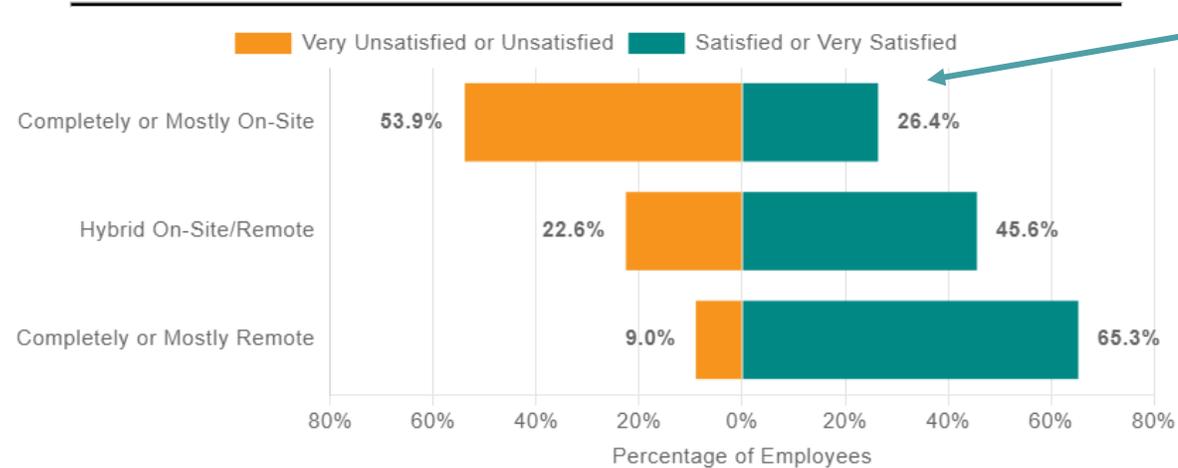
On-site workers are unhappy

2023 Employee Retention Survey
Where Employees Plan to Look for Other Opportunities

Choose Department: Overall

Another Higher Ed Institution   70.7%

A Private For-Profit Company   61.4%

A Non-Profit Organization Outside Higher Ed   49.4%

Within My Current Institution   44.4%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Percentage of Employees

Workers are looking outside higher ed

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Correction Attempts

- Many institutions gave raises (barely kept up with inflation)

- Few bonuses

- Sectors are behaving similarly

- Anecdotally – a lot of compensation studies in higher ed in 23/24 ("snowball" effect)

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2023 Employee Retention Survey
Retention Incentives Received in the Past Year
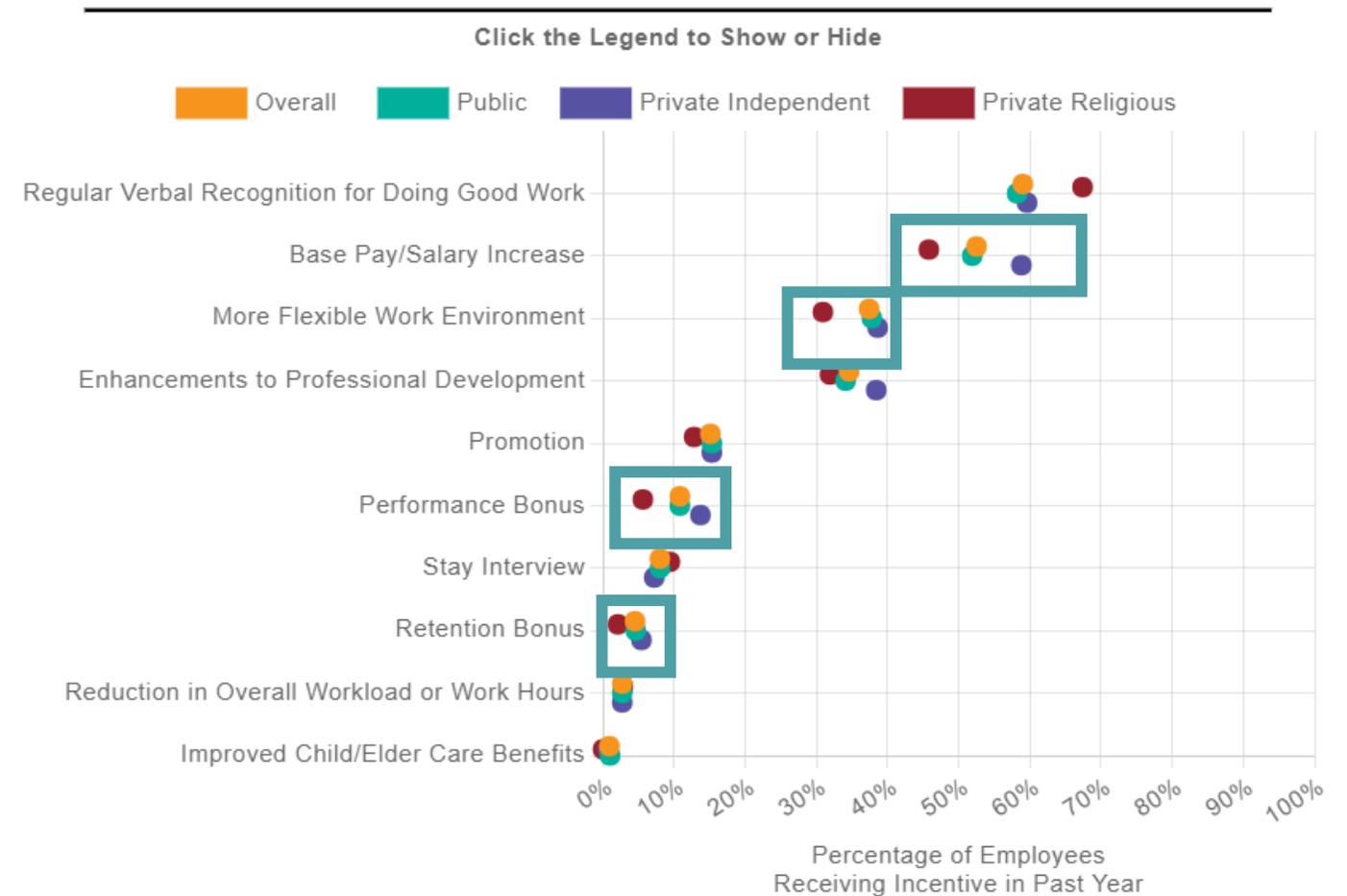
Click the Legend to Show or Hide

Overall | Public | Private Independent | Private Religious

Regular Verbal Recognition for Doing Good Work
Base Pay/Salary Increase
More Flexible Work Environment
Enhancements to Professional Development
Promotion
Performance Bonus
Stay Interview
Retention Bonus
Reduction in Overall Workload or Work Hours
Improved Child/Elder Care Benefits

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Percentage of Employees
Receiving Incentive in Past Year

Risk and Rewards

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Risks and Rewards

- Why do a compensation study?

- What do you stand to gain?

- What do you stand to lose?

- How can you mitigate risks and maximize rewards?

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Risks

Risks	Rewards
Passing costs onto students	Objective/defensible compensation practices
Unpredictable financial future	Better employee retention??
Dissatisfaction with outcomes	Better student experience??
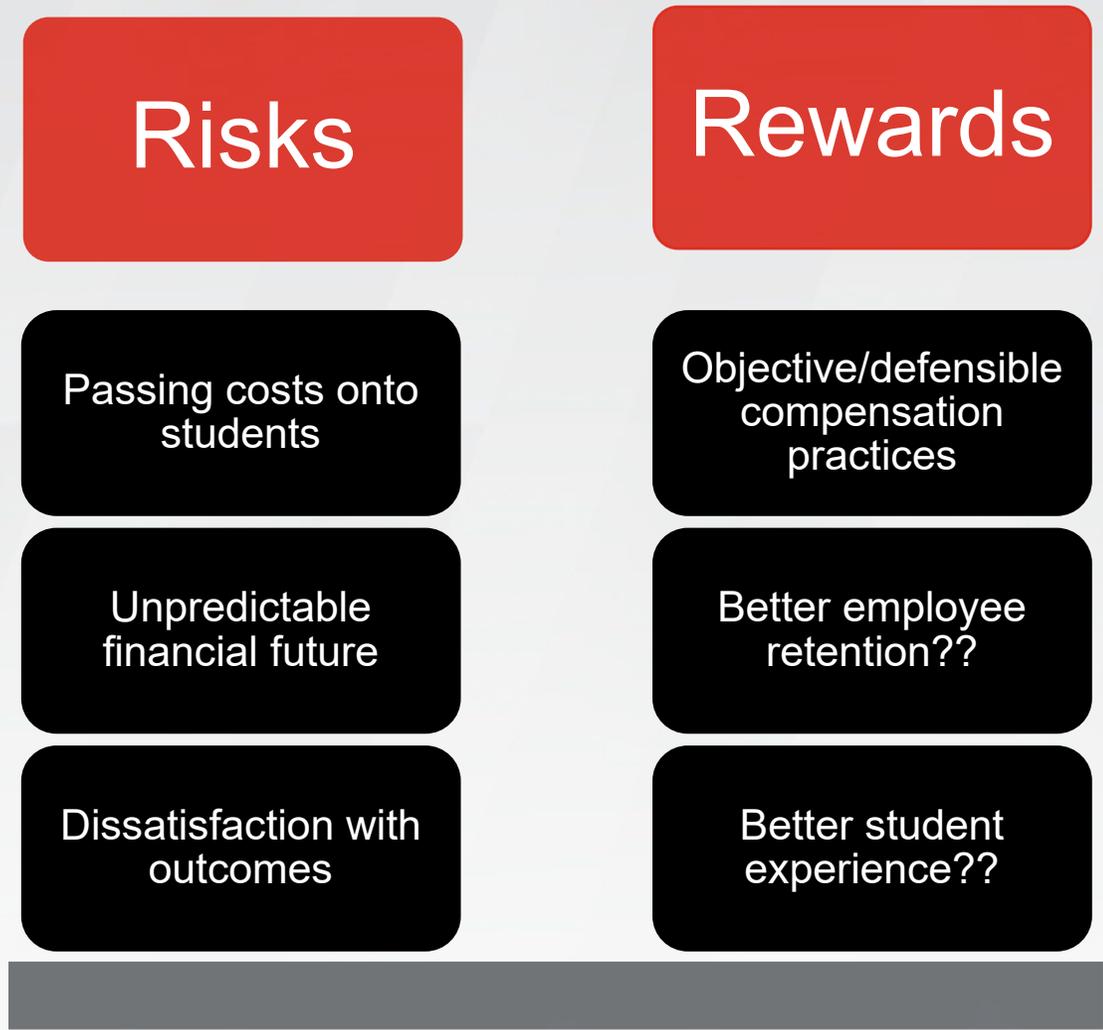
Keep these in mind as we discuss data and models

Challenges for Compensation Studies

Big Challenges

Job Titles

Are descriptions in order?

Benchmarking Across Industries

Different pay for different academic disciplines?
Access to private data?

Employee Participation

Who should we notify/include in the process?

Cost/ROI

What will you gain from an adjustment?
What do you stand to lose?

Special Considerations

- On job titles:
  - Higher ed has unique job titles
  - Benchmark the *description*, not the title
  - Make sure descriptions are accurate first

- On employee participation:
  - Steering committee/working groups aren't uncommon
  - What *should* they bring to the table?

Smaller Challenges

- Data access
  - Most publicly available info is limited

- Long-term planning and pay structure
  - Are you revising your pay structure or doing a one-time adjustment?
  - How do you know you can afford this in the long-run?

- Internal equity
  - Different from benchmarking; may still persist following a market-based adjustment

- People and processes
  - System for regular review
  - Prioritization and champion

Data Sources and Uses

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Data Types
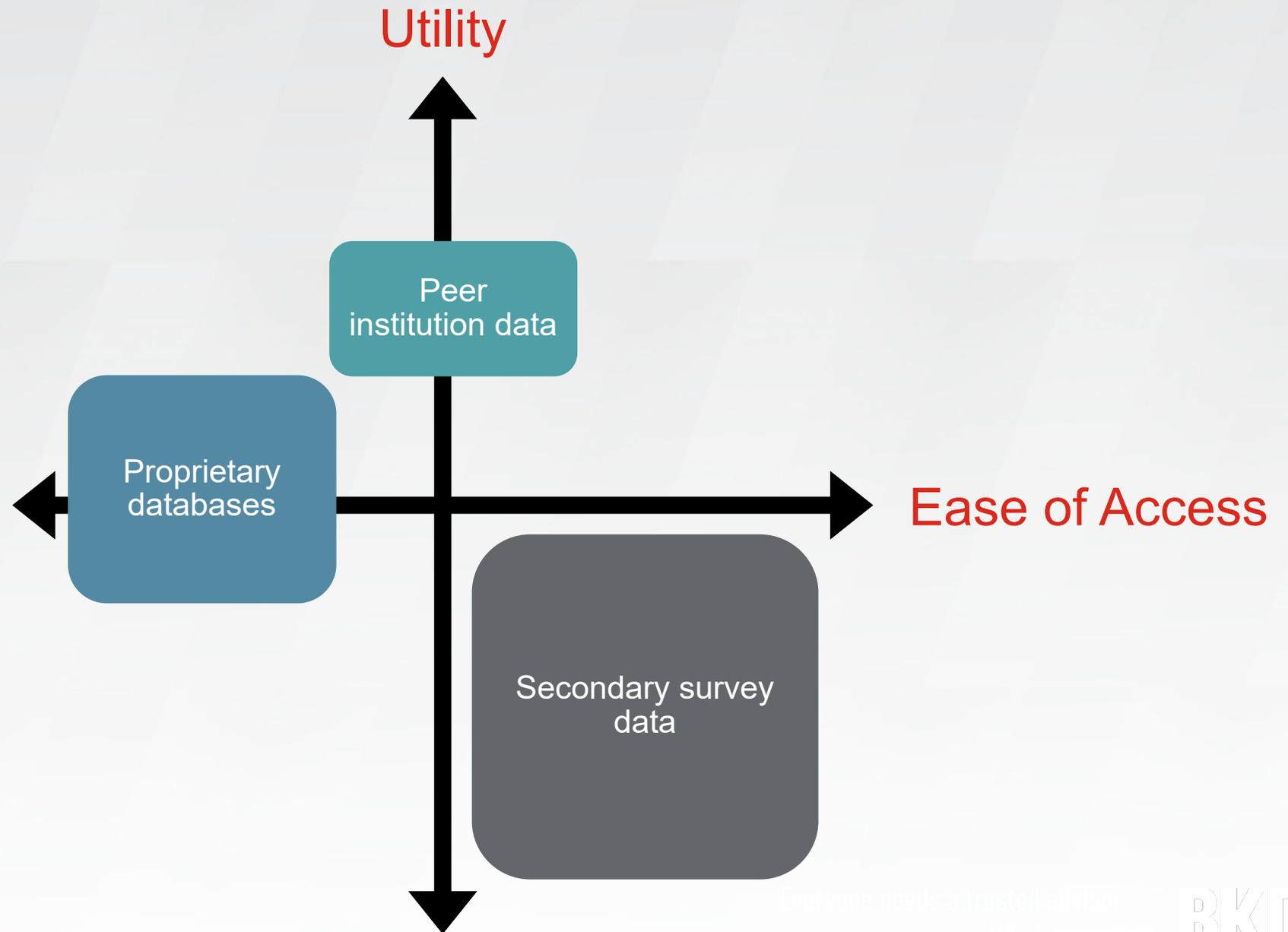
Sources and Challenges

	High Access – Low Utility	Medium Access – High Utility	Low Access – Medium Utility
Examples	IPEDS, BLS, Industry Surveys	Posted job descriptions	ERI, CUPA, Indeed.com
Challenges with Use	Often aggregated across broad job categories	Difficult/tedious to obtain all data; not all information is public	Difficult to match job titles/descriptions; expensive to obtain
Best Practices for Use	High-level, with other sources	Focus on specific jobs; with mission- and resource-aligned matching	Be sensitive to cost of living, benchmarking standards

A good study likely uses all three data types

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Important Questions

- To drive your data sources and uses…

1. Why are you reviewing compensation?

2. Are you benchmarking specific positions or all of them?

3. How much time/resources will you dedicate to the study now and in the future?
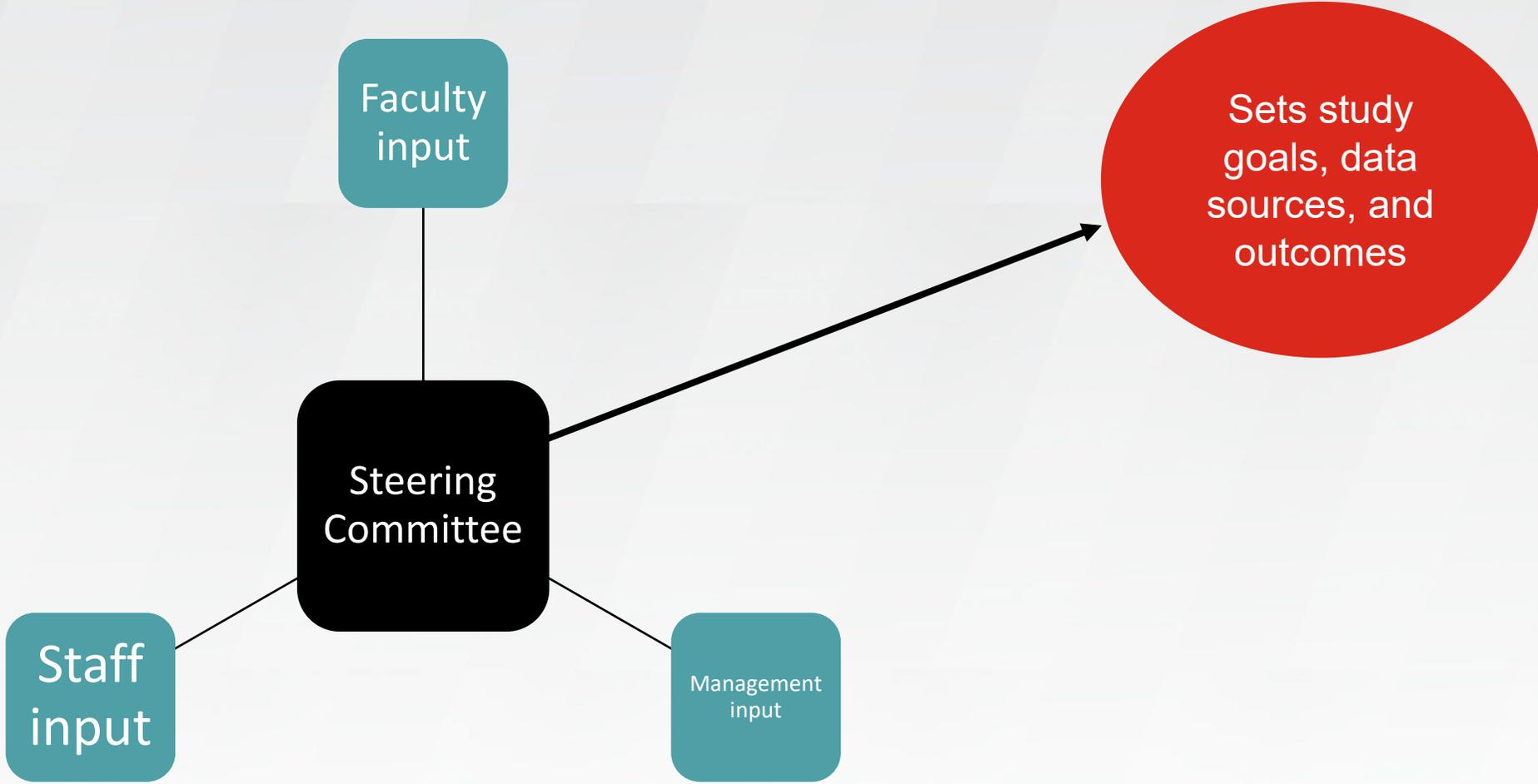
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Common Models

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Option 1: Management Only

Need identified and goals set

Data acquired and compared to existing salaries

Adjustments evaluated and implemented

Stakeholders notified here

Option 2: Inclusive

Faculty input

Staff input

Steering Committee

Management input

Sets study goals, data sources, and outcomes

Option 3: Hybrid

Town hall to engage stakeholders

Notification/update on progress

Stakeholders notified of outcomes and why

Need identified and goals set

**Data acquired and compared to existing salaries**

Adjustments discussed and implemented

Comparing Models

	Pros	Cons
Option 1: Management only	Fast, clean, awareness of resources	Perception of subjectivity, less buy-in
Option 2: Inclusive	More likely to have stakeholder support, increased transparency and awareness	Slow, potential for disruptors, recommended outcome may not align with institutional finances
Option 3: Hybrid	Fast-ish, transparent, realistic outcomes	Potential for perception of superficial attempt at inclusivity (needs a strong facilitator/leader)

Think about these in terms of the risks vs. rewards discussed earlier

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Designing Your Study

Goals

People
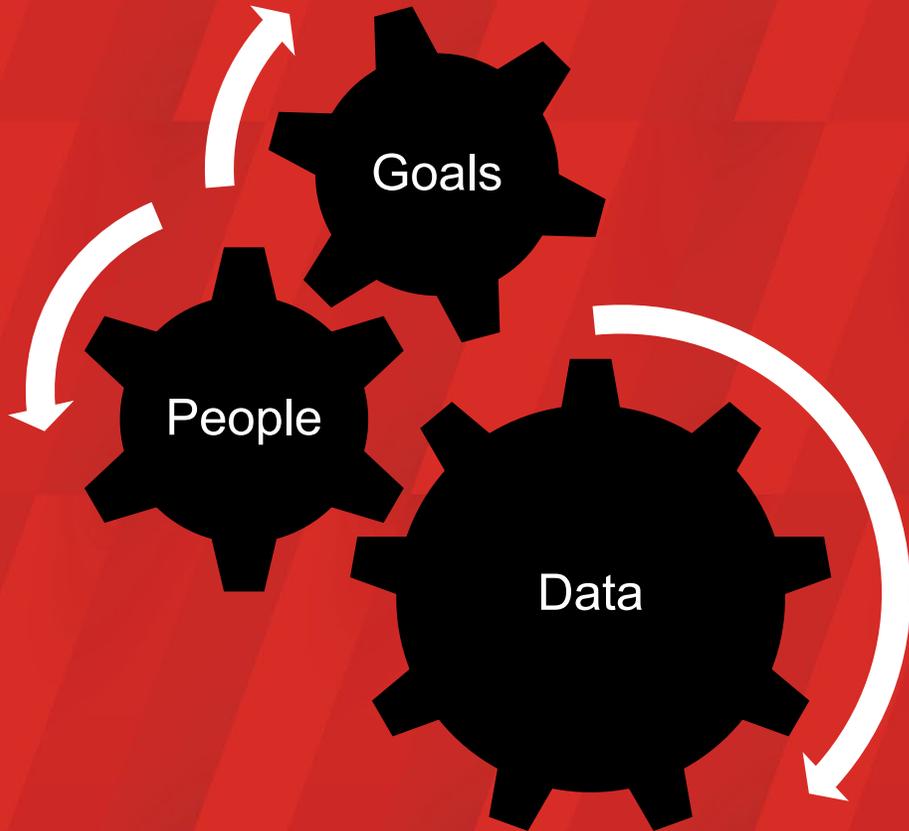
Data

Answering these questions before you begin will help you identify your potential challenges, data sources, and model:

1. Why are you doing a compensation study?

2. Are your systems and structures ready for one?

3. When do you want it done?

4. How much will you spend on the study?

5. What adjustments can you afford and over what period of time will you make them?

6. What is your culture for broad stakeholder input?

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Tips from the Field

- Know your goals

- Have a forecast with several scenarios for big revenues and expenses to provide context for your outcomes

- Determine the appetite/need for an external voice/leader/facilitator in the process

- Make the process part of your annual review

- Be prepared for skepticism, but remember that a regular review and strong design can become part of your culture/expectations

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Questions?

Thank you!

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