

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION

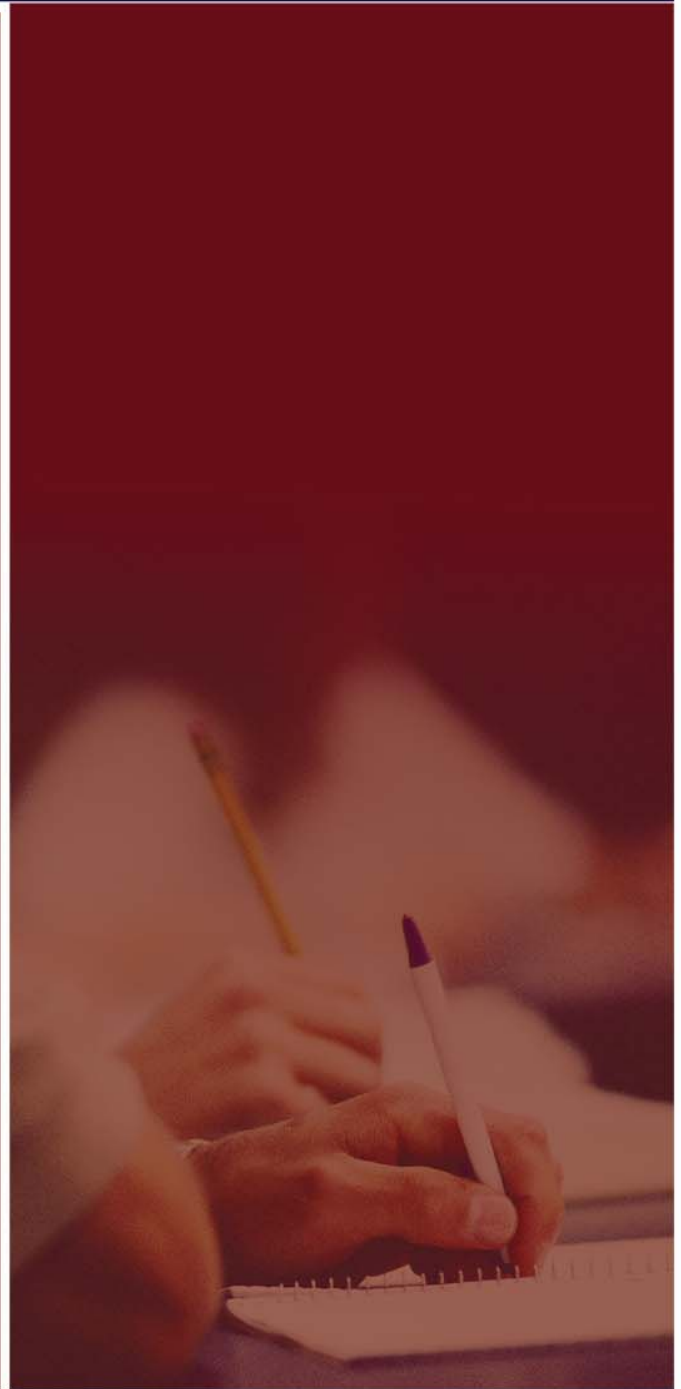
WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION

JOINT STANDING COMMITTEE ON EDUCATION

MAY 22, 2006
11:00 A.M.

Update on Higher Education Personnel Study

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**Other States' Classification and Compensation System
Reform Processes
May 2006**

Background

Higher education officials determined that it would be beneficial to research other institutions currently modifying their classification and compensation systems. Staff reasoned that West Virginia could glean from the lessons learned by other universities, avoiding some of the pitfalls that befell them. It is hoped that this knowledge will lead to a more efficient and effective reform process.

Selected Institutions

Thus far, the Higher Education Policy Commission and Community and Technical College System staff have investigated three university systems:

- The University of Michigan
- The University System of Maryland
- The University of North Carolina

Their summaries appear on the following pages. Staff is continuing to research the above institutions as well as others due to questions raised by ACCE members. Staff will ultimately add this information to the report.

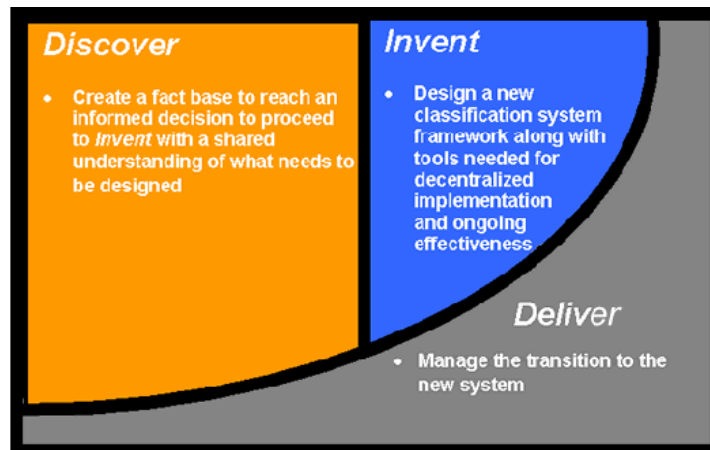
The University of Michigan

While the University of Michigan's (U-M) classification and compensation system probably is not right for West Virginia, West Virginia can learn several lessons from the U-M's reform process:

- Institutions must value educating their decision-makers and building consensus.
- Productive classification and compensation system changes require enormous time and resources.
- Utilizing internal staff instead of relying heavily on outside consultants may prove more time-consuming, but ultimately will produce more satisfying results.

Overview. Unlike West Virginia's public higher education institutions, the University of Michigan possesses constitutional autonomy. U-M has a total enrollment of approximately 53,000 students, divided among three campuses – Ann Arbor, Flint, and Dearborn. The University is divided into approximately 80 heterogeneous units that possess enormous autonomy. They range in size, funding, and power. The current classification system includes over 18,000 employees on all campuses, as well as the University of Michigan Health System.

Reform Process. In 1997, the University Wide Compensation Review Task Force began to recognize the need to change the classification framework. The current system was out-of-date, did not reflect market realities, and obscured paths of career advancement. To prevent powerful units from blocking the reform process, the University human resources office (HR) invited the "loudest" people on campus to join the steering committee. HR "helped" steering committee members conclude for themselves that they should start the classification reform process from scratch. They decided that avoiding old paradigms and terminology would prevent staff from simply latching on to old ingrained ways of operating. U-M needed a deep and thorough system change. To this end, the steering committee decided on a three phase approach that spanned four years from planning to implementation. An explanatory diagram appears below:



It is important to note what took place during the Discover phase:

- Research was conducted with focus groups to gather perspectives from executives, administrators, and staff concerning the current state and use of the classification system.
- The design group documented procedures used to describe and classify jobs and analyzed focus group comments to better articulate the current classification philosophy.
- The design team and steering committee learned about current theory on classification systems, models that are used in other organizations, and their potential advantages and disadvantages relative to the needs at the University of Michigan.¹

Before the design team and steering committee began to craft the new system, they first sought to achieve a consensus concerning how their old system actually functioned. With the help of WorldatWork, a professional compensation association, they also learned about other classification models and theories. Only after first gaining a clear understanding of their own system and the possibilities for a classification system did they begin to create a new model for U-M.

Career Family Classification System. The product of the Discover and Invent phases was the career family classification system. U-M transformed a system of 1,600 classifications spread across 43 pay ranges and divided among four job families into a market driven system divided among 20 career families. U-M HR believes that grouping staff together based on related careers (i.e., into career families) will allow employees to identify paths to career advancement more easily and to understand what competencies are necessary to earn promotions. HR also believes that changing position titles to correlate with titles found in the larger job market will help external job seekers more easily identify jobs for which they wish to apply and allow the University and units to better monitor employment and compensation trends. Michigan feels this will help them attract and maintain top job candidates.

The new career families have also replaced pay grades. Previously, the University set very broad pay minimums and maximums, which they did not enforce. Some units, therefore, paid less than the minimums and others exceeded the maximums. Under the new system, the University sets only one school-wide salary minimum and market data tailored for each unit. Consistent with longstanding practice, compensation is at the discretion of each unit, as long as the unit maintains internal equity. There does not have to be, however, equity among the units. Some units pay 80% of market averages; others pay 125%.

¹Information taken from the University of Michigan Career Family Classification System webpage, <http://www.umich.edu/~hrraa/class/phases.html>.

If an employee disagrees with his compensation or classification, there is little he can formally do. U-M has no grievance process. Some units have an official process in which the unit must provide a justification for a classification decision, but the employee has no official rights beyond that. It is not surprising that U-M has seven collective bargaining groups, and others are heading in that direction.

Challenges. The U-M compensation system is intended to be merit-based. The merit-based compensation system, however, only exists on U-M's website. Because most units lack sufficient funds (state budget cuts) to support meaningful merit raises, they tend to give raises across the board. In addition, many units lack effective performance appraisal instruments. Some units have decent appraisal systems, but the majority fall short. U-M hopes the increasing emphasis on competencies will, in time, force all units to create or implement a functioning appraisal system, which in turn will lead to merit-based raises. As of now, staff members receive a small percentage increase each year, meaning that their raise system is similar to a seniority-based system.

Interestingly, the Compensation Administrator with whom I talked stated that "if she were king," she would have created a classification system that combined a market driven schedule and point factor evaluation methodology, both of which West Virginia uses. It is important to note that the project website does not reflect what is, but rather the direction that HR wants units to go.

Contact:

Jennifer Tomko, U-M's former compensation administrator

Website:

<http://www.umich.edu/~hrra/class/phases.html>

The University System of Maryland

While the University System of Maryland (USM) took a very long time to develop its classification and compensation system, USM appears to have succeeded on three fronts:

- USM effectively transitioned to a new classification and compensation system.
- USM established an effective performance management system.
- USM recognized when they needed to be flexible and when they needed to compromise.

Overview. The University System of Maryland, the state's system of public higher education, comprises of 11 degree-granting and two research institutions, serving 126,000 students worldwide. USM has approximately 29,500 employees, including full- and part-time employees, faculty, and staff. USM categorizes 5,967 people as regular exempt and 5,152 as regular non-exempt employees.

Reform Process. The University System of Maryland began reforming its personnel system in 1990, two years after its two higher education systems merged. The process, which basically involved developing a personnel system from scratch, was long and painful. The USM staff decided to design a system for Fair Labor Standards Act non-exempt employees first, followed by one for exempt. USM did not implement a system for non-exempt employees until 1996 and did not fold exempt employees into the system until 2000. Because no collective bargaining existed at the time, no negotiations took place; however, everyone had the opportunity to voice complaints throughout the process.

Mercer helped in the beginning with a study of institutions and their jobs. They educated USM on classification and compensation options and offered two or three basic recommendations. None of Mercer's recommendations provided the right fit, so USM built its own system, using Mercer's recommendations as a starting point.

Classification and Compensation System. The University System of Maryland divides higher education employees into two groups: exempt and non-exempt.

Non-exempt employees are categorized into approximately 38 job families. Within these families, there are 18 pay levels, each with a minimum, mid-point, and maximum. All higher education institutions must stay within these parameters, but their individual markets determine where salaries fall within that range. The salary structure is market-based. Salaries are not adjusted for COLA. The system requires some internal equity, but not external equity. Non-exempt employees must receive a 2.5% merit increase each year if the employee meets standards and funding is available. This was done to insure that non-exempt employees accepted the new system.

Exempt employees use a pre-set pay range from I-V or A-J. Each pay range has its own minimum and maximum. Each higher education institution may chose between the wide salary range (I-V) and the more narrow traditional salary range (A-J). Exempt employees also should receive a 2.5% merit increase, but there is variation throughout the system; some schools may pay 3%, while others pay only 1%. A merit pay guarantee to non-exempt employees has caused compression for the low-end exempt employees. As a result, at the entry-level, some non-exempt jobs outpace exempt positions.

Merit. Each institution must have a performance evaluation program. USM created a basic design for all the schools. Some larger institutions have made some modifications to the performance evaluation instrument. According to a USM source, the program seems to be working well. Because USM is one of the only institutions contacted that appears satisfied with its performance evaluation instrument, its performance evaluation template is attached.

Merit increases are provided based on competencies and the value brought to the institution. An employee does not receive a raise merely for earning another degree, for example; she must show that she has improved here competency level. Employees cannot grieve their performance evaluations.

Challenges. USM faced three major challenges throughout the reform process. The first was developing a single system for a diverse array of campuses. The second was ensuring institutional participation in the process. The third was phasing in a new system. Old employees were grandparented into the new system, and no one's pay could be decreased. Additionally, employees were given an opportunity to grieve their new classifications, but not pay.

Contacts:

Martha Warren – Human Resources

Rosario van Daalen – Chair of the Compensation & Classification Committee

Website:

<http://www.ums.edu>

PERFORMANCE DEVELOPMENT PROGRAM PDP FORM



PLEASE PRINT OR TYPE

EMPLOYEE NAME		PERIOD COVERED	DATE OF REVIEW
JOB TITLE	UNIT/DEPT.	SUPERVISOR	TELEPHONE EXT.
EMPLOYEE SIGNATURE*	DATE	SUPERVISOR SIGNATURE	DATE

Signature acknowledges that the goals & objectives have been discussed with me.

BASIC WORK FACTORS

Weight High/ Med/Low	OUT- STAN- DING	ABOVE STAN- DARDS	MEETS STAN- DARDS	BELOW STAN- DARDS	UNSAT- ISFAC- TORY
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QUALITY OF WORK, QUANTITY OF WORK, TIMELINESS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

WORK HABITS

ATTENDANCE AND PUNCTUALITY, USE OF RESOURCES		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

INTERACTIONS

COOPERATION AND TEAMWORK, INTERPERSONAL RELATIONSHIPS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

CUSTOMER SERVICE AND PUBLIC RELATIONS

MEETING CUSTOMER EXPECTATIONS, REPRESENTING THE USM TO THE PUBLIC		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

PROBLEM SOLVING SKILLS

PROBLEM SOLVING, HANDLING CHALLENGES, CREATIVITY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

JOB SKILLS

JOB KNOWLEDGE, ADMINISTRATION, INITIATIVE, ORAL AND WRITTEN COMMUNICATIONS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

PLANNING AND ORGANIZATION

Weight High/ Med/Low	OUT- STAN- DING	ABOVE STAN- DARDS	MEETS STAN- DARDS	BELOW STAN- DARDS	UNSAT- ISFAC- TORY
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PLANNING, SETTING OBJECTIVES, ORGANIZATION AND WORK ALLOCATION, COORDINATION AND INTEGRATION, MONITORING GROUP RESULTS ADMINISTRATION, INITIATIVE		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

OPERATIONAL OBJECTIVES/OTHER FACTORS

Objective:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						
Objective:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

MANAGING/SUPERVISING EMPLOYEES

STAFFING, DEFINING EXPECTATIONS, FEEDBACK AND COACHING, PERFORMANCE REVIEWS, HUMAN RESOURCES DEVELOPMENT, IMPLEMENTATION OF SAFETY PROGRAMS/POLICIES, LEADERSHIP AND MOTIVATION, COMMUNICATION LINK		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:						

SUMMARY OF OVERALL PERFORMANCE (use PDP ratings worksheet)

OVERALL COMMENTS AND DEVELOPMENT PLANS:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EMPLOYEE COMMENTS (OPTIONAL)

SIGNATURES

Employee:*	Title:	Date:
Supervisor:	Title:	Date:
Next Level Supervisor or Dept. Designee:	Title:	Date:

*Signature acknowledges that the performance review has been discussed with me.

The University of North Carolina

The University of North Carolina's (UNC) experience suggests that three factors are important for a successful classification and compensation reform process:

- The institution should address system reform holistically rather than in a piecemeal fashion.
- Managers and employees must receive proper training.
- Decision-makers must be willing to recognize when something is not working, and make sincere efforts to rectify the problem.

Overview. UNC is a multi-campus university composed of 16 constituent institutions and more than 183,000 students. The UNC General Administration has 35,000 total employees. While 25,000 are considered staff, and therefore fall under the auspice of the North Carolina Office of State Personnel, UNC sets pay and policies for many of the remaining 10,000 faculty and senior administrative positions. At present, the State of North Carolina is transitioning from salary grades to career bands.

Reform Process. The design phase of the career-banding system began six years ago, with the implementation phase starting about three to four years ago. A consulting firm helped research the different alternatives that existed for compensation and classification systems, but the actual creation and implementation of UNC's system was done in-house. This slowed down the process, but avoided the creation of a "cookie-cutter" system, which they feared a consultant would create. UNC first piloted the career-band system in the larger schools. It is now transitioning the system into the smaller schools.

Career-Banded System. The new career-banded system has 10 job families, and various career bands within each family. Each job family has a pay band, and each banded class has a pay range within the job family pay band that includes a below market, market, and above market pay rate. The larger schools are paying at market, but, due to funding problems, the smaller schools generally are paying below market. Everyone, however, is at least within the required pay ranges.

Employees' base pay is determined by the market and contribution to the organization. Pay movement within the range depends on development of competencies. UNC stresses person-based pay, not job-based pay. There are four types of salary increases: (1) career growth recognition award; (2) cost-of-living adjustment (given most consistently); (3) performance bonus; and (4) longevity pay.

Managers give annual salary ratings (evaluations) to each employee, which determines who qualifies for a raise. Most schools use the ratings form developed by the central office. Some of the larger schools have received permission to make some modifications to the form.

Challenges. The salary rating system has been difficult to administer. First, managers have found setting objective goals and reviewing them every year time-consuming. Second, employees have raised concerns about fairness and objectivity. Even though there is an internal dispute mechanism if employees disagree with their summary rating, the UNC president has commissioned a committee to create a more objective evaluation instrument.

Another obstacle during the transition process has been managers' lack of training in hiring staff based on competencies and performing salary ratings. System administrators believe that they placed too much focus on creating a new classification and compensation system in the beginning while ignoring other issues, such as training. In hindsight, OSP concluded that it should have taken a more holistic approach to their reform process rather than adopting a piecemeal approach.

Contact:

Pamela Bowling – Manager of North Carolina's Statewide Career-Banding Project

Website:

<http://ncosp.osp.state.nc.us/Secure/CareerBanding/Employee%20Orientation.pdf>

Classification and Compensation System Training May 2006

Background

After researching other higher education institutions currently undergoing their own classification and compensation reforms, the Higher Education Policy Commission (HEPC) and Community and Technical College System (CTCS) staff identified training as a crucial step in the reform process. Being adequately educated concerning the possibilities for and the functioning of classification and compensation system will better equip working group committee members to make informed decisions about the direction the HEPC and CTC should take. Therefore, the Vice-Chancellor's office organized a seminar with the intent of exposing the HR working group to current classification and compensation trends.

HEPC and CTCS staff held the seminar on April 19-20, 2006, at the Charleston Civic Center. All members of the working group were invited, including Division of Personnel staff, additional Human Resources (HR) representatives and classified employees as well as two members of Legislative staff. WorldatWork, a not-for-profit compensation and benefits professional association, facilitated and provided the content for the two-day session. In addition, Pamela Bowling from the North Carolina Office of State Personnel gave a presentation on North Carolina's new career-banding program and its effect on the University of North Carolina system.

Seminar Content

Stephanie Wilson, a seasoned facilitator with an abundance of experience in the academic, consulting, and corporate worlds, led most of the two-day session. Using material provided by WorldatWork, the group studied six modules (for more details see attached agenda):

1. Market-Based Job Evaluation
2. Nonquantitative Job Evaluation Methods
3. Quantitative Job Evaluation Methods
4. Designing Base Pay Structures
5. Base Pay Implementation and Delivery
6. Merit Pay

Through discussions, exercises, and real world examples, the participants learned the fundamentals of the above concepts and their application in the corporate world and higher education. The quality and detail of the instruction enabled the participants to arrive at well-informed opinions concerning what

options they felt would be best for WV higher education institutions based on a solid understanding of each concept's implications.

During the afternoon of the second day, Ms. Bowling gave an overview of North Carolina's new career-banding program. She explained why the Office of State Personnel revamped its system and the challenges it faces in transitioning to the new system. The final portion of the seminar was an open discussion. The goal of the discussion was to give participants the opportunity to hear what other attendees felt about classification and compensation, to attempt to develop a consensus, and then to decide how to move forward with this process. A summary of the discussion follows.

Agenda

Module 1: Market-based Job Evaluation

At the end of Module 1, participants will be able to:

- 1) Identify and describe the steps involved in market-based job evaluation.
- 2) Identify data collection options and describe considerations related to each option.
- 3) Explain issues associated with survey analysis.
- 4) Identify advantages and disadvantages of market pricing.
- 5) Define slotting and describe some key considerations related to it.

Module 2: Nonquantitative Job Evaluation Methods

At the end of Module 2, participants will be able to:

- 1) Identify the two nonquantitative job evaluation methods.
- 2) Define ranking and describe the two types of ranking, the steps involved and its advantages and disadvantages.
- 3) Define classification and describe the steps involved and its advantages and disadvantages.

Module 3: Quantitative Job Evaluation Methods

At the end of Module 3, participants will be able to:

- 1) Identify the two quantitative job evaluation methods.
- 2) Define the terminology associated with compensable factors and describe the process involved in selecting, defining and weighting them.
- 3) Name the generic compensable factor groups and identify commonly used evaluation factors for each.
- 4) Explain the job component method, the steps involved and its advantages and disadvantages.
- 5) Explain the point factor method, the steps involved and its advantages and disadvantages.

Module 4: Designing Base Pay Structures

At the end of Module 4, participants will be able to:

- 1) Identify the goals of a pay structure for an organization.
- 2) Describe the methods involved in building a base pay structure.
- 3) Identify design considerations that must be addressed when developing a pay structure.
- 4) Identify components of pay structure design, including developing a base policy line, determining the number of pay structures and determining the number of pay grades or bands.
- 5) Explain broadbanding and identify reasons organizations use broadbanding.

Module 5: Base Pay Implementation and Delivery

At the end of Module 5, participants will be able to:

- 1) Identify pay approaches an organization can use to deliver base pay.
- 2) Identify characteristics of job-based pay, including single-rate pay and step rate pay.
- 3) Identify characteristics of person-based pay, including skill-based pay and competency-based pay.
- 4) Identify and describe four types of differentials.
- 5) Identify and describe various pay actions that can either increase or decrease an employee's pay.

Module 6: Merit Pay

At the end of Module 6, participants will be able to:

- 1) Identify and describe the principles of a sound merit pay program.
- 2) Explain how an employee's career stage or position in range influences the individual pay decision.

April 19-20, 2006 HEPC Classification & Compensation Seminar
A Summary of the Classification and Compensation Seminar
Discussion Notes

The following is a summary of opinions expressed during the closing discussion of the HEPC's two-day classification and compensation seminar. The first six points represent areas in which the participants achieved a greater level of consensus. The following section presents slightly more contentious topics, followed by a list of notable statements made during the discussion.

Salaries. The majority agree that comparing employees' salaries with market salaries is crucial to understanding the compensation system's problems. This comparison should be the next step in the revision process.

Classification System. The group feels the current classification system is acceptable provided some "tweaking" is done. Most abuses of the classification system occur because of insufficiencies with the compensation system. The underfunding of salaries appears to be the root cause of most of the system's problems.

Simplify the PIQ. Some members believe that the PIQ should be simplified. Most agree that the factors should be reduced, while someone proposed that more weight be given to breadth, and less to supervision.

Broadbanding. While broadbanding intrigues a few participants, most find it complicated and difficult to maintain. If employees do not understand a system, they are more likely to oppose it.

Employee Unity. Before anything is presented to legislative committees, the various employee constituencies must reach a consensus concerning what changes they want. Infighting and division will ultimately undermine passage of beneficial and effective legislation.

The Big Picture. Several participants reminded everyone that classification and compensation, while extremely important, are just one piece of the personnel study and the legislative mandate. There are other important issues that must be addressed.

It was frequently stated that institutions need greater flexibility to hire, retain, and promote qualified employees, but a consensus was not reached about how best to achieve this.

Some attendees opinioned that the compensation system should be based more on market pricing than the current years of service system.

The belief that workers should receive credit for pre-state service experience was brought up by a few participants.

A more contentious point was the right to grieve. While some participants wanted to eliminate the right to grieve pay and classification, others argued that the level of grievances was currently not a problem; therefore, no changes to the grievance process were needed.

One or two participants stated that they would like to eliminate the JEC, giving campuses more control and flexibility.

Important statements:

- Equity before merit.
- There is not enough consistent training concerning classification rules.
- There is a ‘red-line’ after 15 years of service, meaning that after 15 years of service, the employee has maxed out her pay grade.

Performance Management Systems May 2006

Background

As part of the personnel study mandated in W. Va. Code § 18B-1B-13, the Legislature directed staff of the Higher Education Policy Commission and Council for Community and Technical College Education to examine institution performance management systems with the ultimate goals of (1) developing measurable indicators of 'merit' and 'performance'; and (2) developing reliable instruments of performance evaluation. *Id.* § 18B-1B-13(b)(5).

Commission and Council staff requested a copy of each institution's classified employee evaluation rule (or policy statement) and the evaluation form. Table 1 summarizes the documentation that the schools provided.

Heading Definitions

Below are definitions for each of the headings that appear in Table 1:

Performance Management Policy. Does the institution possess a written rule (or policy statement) on classified employee evaluations?

Comprehensive Policy. Has the institution developed its own in-depth rule that identifies when evaluations are done, outlines the evaluation process, and explains the uses for the evaluations? The policy may differ among institutions, yet what is critical is evidence that the school has put thought into how and why they do evaluations. Five sentences about job evaluations in the employee handbook, for instance, does not qualify as a comprehensive policy.

Annual Evaluations. Does the institution explicitly state that evaluations will take place once a year?

Probationary Evaluations. Does the institution state in a written rule (or policy statement) that it requires probationary evaluations after three and/or six months of employment and that continued employment is contingent on an acceptable evaluation? W. Va. Code § 18B-9-12 requires an evaluation after six months of employment and the Commission and Council rules on classified employees (Series 39) require three- and six-month evaluations of probationary employees.

Evaluation Form. Did the school include an evaluation form in its documentation?

Findings

With some exceptions, the majority of higher education institutions do have documented performance management systems. There, however, is great variation in the content of each school's policy, with some containing a few sentences and others consisting of many pages.

Table 1
Performance Management System for Classified Employees
 May 2006

Institution	Performance Management Policy?	Comprehensive Policy?	Annual Evaluations?	Probationary Evaluations?	Evaluation Form?
HEPC					
Bluefield State College	Yes	No	Yes	Yes	Yes
Concord University	Yes	Yes	Yes	Yes	Yes
Fairmont State University	Yes	No	Yes	Yes	Yes
Glennville State College	Yes	No	Yes	Yes	Yes
Marshall University	Yes	Yes	Yes	Yes	Yes
Shepherd University	Yes	Yes	Yes	Yes	Yes
West Liberty State College	Yes	Yes	Yes	Yes	Yes
WV School of Osteopathic Medicine	Yes	No	Yes	Yes	Yes
WV State University	Yes	No	Yes	Yes	Yes
West Virginia University	Yes	Yes	Yes	Yes*	Yes
WVU Institute of Technology ¹	Yes	Yes	Yes	Yes*	Yes
CTCS					
Community and Technical College at WVU Tech ¹	Yes	Yes	Yes	Yes*	Yes
Community and Technical College of Shepherd ²	Yes	Yes	Yes	Yes	Yes
Eastern WV Community & Technical College**	No	No	No	No	No
Fairmont State Community and Technical College ³	Yes	No	Yes	Yes	Yes
Marshall Community and Technical College	Yes	Yes	Yes	Yes	Yes
New River Community and Technical College	Yes	No	Yes	Yes	Yes
Southern WV Community and Technical College	Yes	Yes	Yes	Yes*	Yes
WV Northern Community College	Yes	Yes	Yes	No	Yes
WV State Community and Technical College	Yes	No	Yes	Yes	Yes
WVU at Parkersburg	Yes	Yes	Yes	Yes	Yes

* Only reference to probationary evaluations is found on the evaluation forms.

** Expects to create policy in near future.

¹ Uses WVU's policies and forms.

² Uses Shepherd University's policies and forms.

³ Uses Fairmont State University's policies and forms.

Performance Reviews of Classified Employees in 2005 May 2006

Background

As part of the personnel study outlined in West Virginia Code §18B-1B-13(b), Higher Education Policy Commission and Council for Community and Technical College Education staff has gathered information from institutions concerning classified employees who received performance reviews in 2005.

As it relates to probationary classified employees, West Virginia Code §18B-9-12 states: "Each full-time classified employee hired by the governing boards shall serve an initial six-month probationary period. At the end of said probationary period, the employee shall receive a written evaluation of his or her performance. The employee's supervisor shall meet with the employee and explain the contents of said evaluation and whether the employee is being offered regular employment."

In addition, the Commission and Council have a rule (Series 39), which states: "Full-time regular classified employees shall serve a six-month probationary period beginning at the original date of employment. At the end of three months and the end of the six-month probationary period, the employee shall receive a written evaluation of her/his performance and shall be informed as to whether her/his employment will continue beyond the probationary period. As with all positions, continued employment is based on adequate funding, satisfactory performance and adherence to system and institution rules and regulations."

Finally, institutions are required by West Virginia Code §18B-9-5 to have a regular evaluation system in order to implement a merit pay policy. The Code states: "Any classified employee may receive merit increases and salary adjustments in accordance with policies established by the board of governors. Merit raises may be granted only pursuant to a rule adopted by the board of governors, and approved by the chancellor. The rule shall provide a fair and equitable basis for granting merit raises pursuant to regular evaluations based upon reasonable performance standards."

Methodology

Staff began the survey process by selecting a random sample of 5% of all higher education classified employees identified in institution data files submitted in October and November 2005. Staff then requested that institution human resources administrators review these employees' personnel files to determine whether they could find a performance review for 2005. For probationary

classified employees, this included a check for three-month and six-month performance reviews.

Findings

Of the 259 classified employees in the sample, only 81 employees (fewer than 1 in 3 employees) had a completed 2005 performance review in his or her personnel file. Table 2 summarizes the results of the survey of all classified employees.

Of the 129 probationary employees in the sample, only 51 had a completed six-month performance review in his or her personnel file. Table 3 summarizes the results of the survey of probationary employees.

Conclusions

The sample size is inadequate to draw firm conclusions about the number and percentage of performance reviews being performed at specific institutions. The overall survey results, however, suggest that a significant percentage of classified employees are not receiving regular performance reviews.

At almost all higher education institutions, a classified employee currently does not receive any financial reward based on his or her performance review. Arguably, this discourages managers from completing performance reviews. By the same token, an institution where fewer than 90% of classified employees receive performance reviews would find it impossible to implement a principled pay-for-performance system of the type anticipated by West Virginia Code §18B-9-5.

Any institutional board of governors that has adopted a performance management rule for its institution's classified employees should verify that the rule is being enforced by institution leaders. Furthermore, an institutional board of governors should not adopt a pay-for-performance rule for classified employees until it is confident that a solid performance management system is in place. By the same token, institution leaders should take corrective action against supervisors who fail to follow a performance management rule or directive to perform a performance review.

Commission and Council staff will be reviewing the results of this survey with institution presidents and human resources administrators. Additionally, staff proposes to conduct a follow-up survey in 2007 to see if institutions are improving in this area.

Table 2

PERFORMANCE APPRAISALS OF CLASSIFIED EMPLOYEES IN 2005

Institution	No. of Employees	No. of Performance Reviews	Completion Percentage
HEPC Institutions			
Bluefield State College	6	6	100%
Concord University	6	5	83%
Fairmont State University	8	7	88%
Glenville State College	4	2	50%
Marshall University	30	14	47%
Potomac State College of WVU	4	3	75%
Shepherd University	9	7	78%
West Liberty State College	5	4	80%
WV School of Osteopathic Medicine	5	3	60%
WV State University	10	0	0%
West Virginia University	139	20	14%
WVU Institute of Technology	6	5	83%
HEPC Total	232	76	33%
CTCS Institutions			
CTC at WVU Tech	1	0	0%
CTC of Shepherd	1	1	100%
Eastern WV CTC	1	0	0%
Fairmont State CTC	1	0	0%
Marshall CTC	1	0	0%
New River CTC	2	0	0%
Southern WV CTC	7	5	71%
WV Northern Community College	3	3	100%
WV State CTC	1	0	0%
WVU at Parkersburg	5	4	80%
CTC Total	23	13	57%
Central Staff			
HEPC	1	1	100%
CCTCE	1	0	0%
WVNET	2	2	100%
Central Staff Total	4	3	75%
Overall	259	92	36%

Fewer than 75% of employees in the sample had a performance review in 2005.

Table 3

PERFORMANCE APPRAISALS OF PROBATIONARY CLASSIFIED EMPLOYEES IN 2005

Institution	No. of Probationary Employees	No. of 3-Month Performance Reviews	No. of 6-Month Performance Reviews	6-Month Completion Percentage
HEPC Institutions				
Bluefield State College	2	1	1	50%
Concord University	3	1	0	0%
Fairmont State University	1	1	1	100%
Glenville State College	1	1	1	100%
Marshall University	24	21	24	100%
Potomac State College of WVU	4	2	0	0%
Shepherd University	7	5	6	86%
West Liberty State College	0	-	-	-
WV School of Osteopathic Medicine	1	0	1	100%
WV State University	10	6	6	60%
West Virginia University	68	3	5	7%
WVU Institute of Technology	2	0	1	50%
HEPC Total	123	41	46	37%
CTCS Institutions				
CTC at WVU Tech	0	-	-	-
CTC of Shepherd	0	-	-	-
Eastern WV CTC	1	0	1	100%
Fairmont State CTC	1	1	1	100%
Marshall CTC	1	1	1	100%
New River CTC	0	-	-	-
Southern WV CTC	1	0	0	0%
WV Northern Community College	2	1	1	50%
WV State CTC	1	1	1	100%
WVU at Parkersburg	2	1	1	50%
CTC Total	7	4	5	71%
Central Staff				
HEPC/CCTCE	0	-	-	-
WVNET	0	-	-	-
Central Staff Total	0	0	0	0
Overall	130	45	51	39%

Fewer than 75% employees in the sample had the statutorily-mandated six-month performance review in 2005.

Ratio of Non-Classified Employees to Retirement-Eligible Employees May 2006

Background

All higher education employees fall into one of three categories: (1) faculty; (2) classified employees; and (3) non-classified employees. West Virginia Code § 18B-9-2 provides:

“Nonclassified employee” means an individual who is responsible for policy formation at the department or institutional level, or reports directly to the president, or is in a position considered critical to the institution by the president pursuant to policies adopted by the governing board. The percentage of personnel placed in the category of “nonclassified” at any given institution may not exceed ten percent of the total number of employees of that institution who are eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by the state: Provided, That an additional ten percent of the total number of employees of that institution as defined in this subsection may be placed in the category of “nonclassified” if they are in a position considered critical to the institution by the president. Final approval of such placement shall be with the appropriate governing board.

West Virginia Code § 18B-9-2a also provides:

The Legislature finds that the doctoral institutions, as defined in section one, article eight of this chapter, have unique staffing demands for their extensive research and doctoral programs, and therefore require additional nonclassified staff. Each doctoral institution may exceed the percentage of nonclassified employees authorized in section two, article nine of this chapter by an additional five percent.

Simply put, these provisions allow 25% of West Virginia University’s and Marshall University’s employees and 20% of all other institutions’ employees to be designated as nonclassified. Of these employees, 10% must be designated by the higher education institution’s governing board (not the President or another institution official acting alone) as critical to be nonclassified.

Methodology

Within the higher education community, there has been much debate concerning the proper ratio of classified to other employees. Read literally, the ratio would look at both classified employees and faculty on the one hand and non-classified employees on the other hand because both classified employees and faculty members “are eligible for

membership” in the state retirement system. Having said that, it is probable that the Legislature intended for the ratio to exclude faculty.

Staff has prepared an analysis that examines the ratio from both perspectives using personnel data submitted by institutions to the Commission and Council in October and November 2005.

Findings

When the ratio is calculated looking at only non-classified employees and classified employees, ten institutions are above the 20% (or 25% in the case of West Virginia University and Marshall University) cap allowed by law. If retirement-eligible faculty are added to the equation, the number of institutions above the 20% cap drops to two. See Table 4.

Conclusions

Staff believes that this data should be evaluated keeping in mind the following:

- It may be hard for an institution with a small number of employees (e.g., administratively-linked institutions) to meet this statutory requirement.
- It is not clear whether the statute applies to the Commission and Council offices, and it probably is not reasonable to expect these offices to comply with the 20% cap. (The ratio of classified-to-nonclassified employees could be reduced slightly in these offices.)
- Institutions are likely to designate more employees as nonclassified when classified salaries are significantly out of line with the market (as happens when the classified salary schedule is not adjusted regularly to reflect market conditions).

Table 4

**COMPARISON OF NON-CLASSIFIED EMPLOYEES TO
RETIREMENT-ELIGIBLE EMPLOYEES**

Institution	Classified Employees	Non-Classified Employees	Faculty	Non-Classified to Classified Ratio	Non-Classified to Classified + Faculty Ratio
HEPC					
Bluefield State College	107	19	76	15.1%	9.4%
Concord University	115	25	96	17.9%	10.6%
Fairmont State University	161	86	163	34.8%	21.0%
Glenville State College	76	23	52	23.2%	15.2%
Marshall University	664	169	700	20.3%	11.0%
Potomac State College of WVU	67	19	31	22.1%	16.2%
Shepherd University	178	56	120	23.9%	15.8%
West Liberty State College	92	42	99	31.3%	18.0%
WV School of Osteopathic Medicine	101	16	43	13.7%	10.0%
WV State University	193	36	124	15.7%	10.2%
West Virginia University	2,766	475	2,193	14.7%	8.7%
WVU Institute of Technology	120	13	93	9.8%	5.8%
HEPC Total	4,640	979	3,790	17.4%	10.4%
CTCS					
CTC at WVU Tech	9	1	25	10.0%	2.9%
CTC of Shepherd	9	4	17	30.8%	13.3%
Eastern WV CTC	20	5	1	20.0%	19.2%
Fairmont State CTC	18	9	57	33.3%	10.7%
Marshall CTC	11	12	19	52.2%	28.6%
New River CTC	24	5	31	17.2%	8.3%
Southern WV CTC	125	29	67	18.8%	13.1%
WV Northern Community College	62	13	55	17.3%	10.0%
WV State CTC	10	6	34	37.5%	12.0%
WVU at Parkersburg	91	13	86	12.5%	6.8%
CTCS Total	379	97	392	20.4%	11.2%
Central Staff					
WVNET	36	9	0	20.0%	
HEPC/CTCS	34	26	0	43.3%	
Central Staff Total	70	35	0	33.3%	
Grand Total	5,089	1,111	4,182	17.9%	10.7%

Indicates institutions ratio in excess of WVCode §18B-9-2 and §18B-9-2a

Indicates institutions with a ratio in excess of WVCode §18B-9-2 and §18B-9-2a

Market Research Study May 2006

Background

The Higher Education Policy Commission (HEPC) and Community and Technical College System (CTCS) staff has determined that the classification and compensation system and differential salary rates are two topics that should be explored. In order to make headway on both topics, the staff has decided to retain an outside consultant to conduct a market research study. The study will focus on:

- Comparing current salaries with market salaries across all employee levels; and
- Analyzing cost of living and/or geographical differentials within the state.

Market Study Goals

In 1999, Mercer Human Resource Consulting completed a study entitled “Interim Report on Salary and Total Compensation Market Position” for the State College and University Systems of West Virginia. This report provided the basis for the 2001 salary schedule. Over time, two problems have become evident: 1) The schedule has not been adjusted annually for inflation; and 2) The Mercer study did not provide the HEPC and CTCS a mechanism to make market adjustments. In order to address these concerns, staff will retain a consultant to conduct a market study that is reproducible.

An additional goal of the market research study is to compare current salaries with market salaries. In order to make well-informed decisions about what changes should be made to the compensation system, the staff needs to know how salaries compare to the market at all levels: faculty, classified employees, and non-classified employees.

Finally, the staff will commission the consultant to analyze cost of living and geographical differentials among regions of the state. The debate over whether certain institutions should have adjusted salary schedules due to unique market conditions is a contentious issue that staff hopes the market study will help to resolve.

Request for Proposal

Over the next few months, HEPC and CTCS staff will draft a Request for Proposal (RFP) for the market research study.

Study of Faculty Issues: An Update May 2006

A Committee for the Study of Faculty Issues was appointed by Chancellor Flack. The six-member committee has met twice and includes faculty and academic administrators representing four-year institutions and community colleges. The Committee requested and received the following information from every institution:

1. Institutional Mission Statement.
2. Current merit pay and salary documents; including a statement of current practices.
3. Policies and procedures for faculty evaluation, promotion and tenure.
4. Instruments for faculty evaluation:
 - a. Forms used by faculty for annual reporting (annual productivity report).
 - b. Forms used by peer and/or administrative evaluators.
 - c. Forms used by students to evaluate faculty.
5. Information on adjunct faculty:
 - a. Policy statement.
 - b. Percentage of faculty headcount who have adjunct status.
 - c. Percentage of courses taught by adjuncts.
 - d. Identification of those disciplines in which a high proportion of the sections are taught by adjuncts.
6. Faculty workload policy describing the formula the institution uses to determine a typical full-time faculty workload.
7. Explanation of the application of term appointments (for institutions reporting to the Council for Community and Technical College Education).

Each member of the Committee has agreed to review this information for two or more of the institutions. A summary data sheet has been developed for extracting data and information from the documents. It is anticipated that the summary sheets will be circulated among the Committee membership to arrive at some common way of reducing the information into a manageable narrative as well as to perhaps identify some "best practices." The Committee is scheduled to meet again on June 8, 2006.