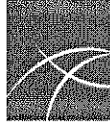


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September 21, 2009

Dear University of Alaska staff member:

I want to let you know about recommended changes to the Staff Salary Schedule for all non-represented staff. The UA Board of Regents will consider these changes at the Sept. 24-25 meeting.

If approved, a newly formatted salary schedule based on 1 percent increments would replace the current staggered schedule with 1-3 percent increments. Positions would remain placed in the same grades (Grades 71-84), as they are now. Steps would be renumbered, current "transition steps" (above the dashed line on the salary schedule) would be incorporated into the overall schedule and a new entry level step would be created. These changes would occur by July 1, 2010.

Current employees would be placed on the step in the new grid that is equal to or greater than their current pay. Most employees will not notice a significant pay difference. Many pay rates will stay the same; some employees will see a small increase in hourly wages of about 12 cents, on average; some will see a slightly higher increase. *No employee will see a decrease.*

Why are these changes supported by the UA administration and system-wide Compensation Task Force?

It started with the Alaska Legislature. Lawmakers in 2008 said they would no longer fund UA staff cost-of-living adjustments in addition to annual step increases. Legislators indicated they would support *only one across the board adjustment*, and nothing more. Keeping UA's two-phased approach threatened to hurt employees. This wasn't acceptable to the university's administration, which agreed to a single increment. The Legislature ultimately funded the UA budget with that consideration in place.

A single, across the board adjustment, however, left the university with a major unintended consequence; salary compression.

Salary compression occurs when too many employees, long-term as well as new hires, are clustered at the beginning of the salary schedule. This clustering of seasoned, long-term employees along with new hires on entry level steps is not reflective of the higher level of value that experienced employees contribute through advanced job knowledge and performance. Compression thus has the potential to hurt employee morale and negatively affect employee retention. On the other hand, new employees must be hired at competitive market rates or it would negatively impact the University's recruitment efforts. The answer is that existing, long-

term employees need to be able to gradually move up the scale, as used to happen with annual step increases on the anniversary of an employee's date of hire.

The solution identified by the compensation task force was to create a grid with increments of equal value—1% each. Shifting to a simplified 1% grid allows the Board of Regents to consider modifying the grid as a part of compensation adjustments. As an example, in a particular year the University's budget request to the legislature might be approved at the level of 3%. The Board of Regents might decide to implement this amount as a "grid roll." A grid roll increases each cell on the grid by the same amount, including the top and bottom levels. As an alternative, the Board of Regents might want to add two new entry level steps at the bottom of the grid. In that case, each current employee would be at a cell on the grid that is renumbered to be two levels higher and there would be a grid roll of 1%. In either scenario, all employees would receive the same amount of 3% across the board. Instituting a grid of 1% increments thus provides a more nimble framework for future grid changes concurrent with the start of the fiscal year when compensation adjustments are made.

The new grid is also simpler to use, and would provide a fairer, more equitable framework for all employees, as well as the opportunity to save UA money. Here's how: Under the staggered grid, promotions (a 10% increase by regulation) actually result in an increase that ranged between 10-12%. This is due to the need to place the employee on a step on the staggered grid. This same variation also happens with reclassifications (a 5 % increase by regulation). With the consistent 1% grid format, these movements will be *exactly 10 and 5 percent*. The result saves the university money and treats all employees equitably.

Keep in mind that the proposed new salary schedule is just a tool; it is not currently, nor would it be under the new structure, a funding mechanism. Annual compensation adjustments for staff have been, and will continue to be, up to the Board of Regents and, ultimately, the Alaska State Legislature.

If you've read this far, you're pretty interested! For people like you, Human Resources developed a series of Frequently Asked Questions—just click on the site below for more. We'll let you know what the Board of Regents decides in September. Look for additional announcements and communications from Human Resources and keep an eye on our website, at <http://www.alaska.edu/classification/compensation-information/>.

If you have any questions, please don't hesitate to contact me, the UA Compensation office or your campus HR representative.

Thank you,



Beth Behner
Chief Human Resources Officer