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Big Picture

Why Workers Stay or Go

By Kelly Jones



What do employees really want from work? During the past 10 years, Sibson Consulting, the human capital consulting division of The Segal Company, developed a framework to better understand what attracts, motivates, and retains the U.S. workforce and how employers can use this information to improve desired outcomes in their organizations. The initiative has included a national study conducted in 2000, 2003, and 2006 that surveyed a broad sample of American workers to track, among other things, employee satisfaction levels in five key areas: affiliation, compensation, benefits, career, and work content.

These five categories comprise Sibson's Rewards of Work (ROW) model and encompass both financial and nonfinancial components of how employees are rewarded. The ROW model provides a framework for understanding the relationship between employees' attitudes and perceptions and their relationship to organizational effectiveness outcomes such as performance, engagement, and turnover. These categories also represent the major components of total rewards strategies. (See companion article, ["The Complete Package,"](#) in this issue.) While each category is intended to be independent of the others, some overlap among the categories is unavoidable. For example, a staff member's relationship with his or her supervisor may be represented by several categories, since the supervisor may be responsible for giving the employee feedback (i.e., work content), raise distribution (i.e., compensation), and training opportunities (i.e., career).

While the ROW studies have traditionally focused on the corporate, for-profit sector, Sibson's "The Rewards of Work Study 2006: Improving Employee and Organizational Outcomes," included a small number of higher education institutions. Although the higher education sample for the 2006 study is too small to be statistically significant, it does provide some directional insight. This article briefly presents some key findings of Sibson's 2006 study along with interpretation of what the higher education responses might suggest.

Affiliation. Among corporate respondents, overall satisfaction with employer organizations fell from 77 percent in 2003 to 61 percent in 2006. Organization commitment and organization support—both indicators of potential employee turnover—dropped most dramatically, followed by equal drops in understanding of vision and trust in management.

Compared to the corporate-sector satisfaction rating (61 percent), higher education responses indicated a 67 percent overall satisfaction with employer affiliation. The higher rating may in part confirm the general sense that college and university employees typically enjoy a strong bond with their employers. While that certainly doesn't mean that institutions should not provide competitive compensation packages, it may signal that a staff member or administrator who is attuned to the mission and vision of the institution and involved in the community isn't as likely to move to another college or university for an additional \$5,000 or \$10,000, for example. (The size of the higher education sample and the fact that this was the first year for which this data was collected, might be the cause of the close correlation to the corporate findings, but there is no historic information to measure against as yet.) This result may suggest that when designing rewards programs and strategies, institutional leaders should not underestimate the value that affiliation represents, even though there is no clear dollar value that can be associated with affiliation.

Compensation. The most striking thing we saw in the higher education responses was the sharp difference presented in overall satisfaction levels for compensation. Higher education respondents indicated only a 30 percent satisfaction rating compared to a 70 percent satisfaction rating from corporate respondents. For the private sector, this finding was consistent with the 2003 (71 percent) and 2000 (72 percent) studies.

Higher education respondents were also less satisfied than corporate respondents with pay levels (42 percent satisfaction in higher education versus 55 percent satisfaction in corporate) and pay raises (35 percent versus 42 percent). Yet, comparisons to previous studies show steady decreases in satisfaction in these areas for corporate-sector respondents—from 66 percent satisfaction with pay levels in 2000 and 2003 to 55 percent in 2006; and for pay raises, a drop from 57 percent in 2000, to 53 percent in 2003, to 42 percent in 2006.

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Satisfaction with pay systems saw the most dramatic drop-off for the corporate sector, from 41 percent in 2003 to 20 percent in 2006. In part, this may suggest a growing gap in employees' understanding about how pay grades, ranges, and levels are set; how pay compares across the organization; and how pay and performance are related. One key implication: Many organizations are simply missing the mark in actively sharing information about compensation and incentive systems. Higher education respondents were somewhat more satisfied than their corporate counterparts, with 9 percent more responding favorably to pay-system openness. Colleges and universities frequently have strong cultures of openness, which may be driving this result, but the overall satisfaction with the pay system mirrored corporate respondents at only 20 percent.

Benefits. For corporate-sector respondents, levels of satisfaction with benefits continued to slide. Specifically, drops occurred in satisfaction with retirement benefits (56 percent in 2003 to 42 percent in 2006) and health care benefits (66 percent in 2000, to 60 percent in 2003, to 54 percent in 2006). Even so, corporate-sector respondents were more satisfied overall with benefits (69 percent) than those from higher education (58 percent). This is likely due to the fact that institutions have begun to move away from paying for 100 percent of benefit costs toward introducing increases in contributions, copayments, and other plan features. This anxiety on the part of higher education respondents was felt years ago by corporate respondents. In addition, this result may indicate that higher education institutions need to do a better job in communicating the tremendous value of their benefits as compared to other employers. Higher education did surpass the corporate sector in satisfaction with time off (87 percent versus 74 percent) and retirement benefits (51 percent versus 42 percent).

Career. Overall, higher education respondents were more satisfied (60 percent) with various aspects of their careers than were corporate respondents (53 percent). Corporate employees voiced a sharp decrease between 2003 and 2006 in satisfaction with such elements of their career as understanding the performance management system (92 percent versus 76 percent), their belief in the effectiveness of the performance management system (64 percent versus 47 percent), and level of training (70 percent versus 47 percent).

Work content. Following the career trend, satisfaction levels among corporate respondents declined sharply in the areas of supervisor feedback (72 percent in 2003 to 51 percent in 2006) and job feedback (from 88 percent to 71 percent). In terms of overall satisfaction with work content, higher education respondents appear happier with their work, with a 90-percent satisfaction rating versus a 75-percent rating among corporate respondents. Those relatively high ratings of overall satisfaction may bode well for both sectors, since both rate work content as the most important factor—above compensation—for retention (85 percent for higher education, 81 percent for corporate) and motivation (83 percent for higher education, 80 percent for corporate). Worth noting, however, is that for corporate-sector respondents, satisfaction with compensation did see a sharp rise from 2003 to 2006 as a key factor in retention (from 48 to 70 percent) and motivation (from 48 to 67 percent).

Anticipating Turnover

Given the overall and, in some cases, dramatic drops in satisfaction levels for the American worker in the five areas studied, one reality for the corporate sector is that unwanted turnover is likely to increase in the near term. Further, this turnover will likely be driven in significant measure by factors other than compensation and benefits.

Having said this, at least two points are worth bearing in mind. First, turnover drivers vary by demographic group and typically differ among organizations. Second, by recognizing that some of the most significant drivers of unwanted turnover are connected to dissatisfaction with affiliation such as organizational commitment, organizational support, and trust in management, institutions can take a proactive role in enhancing the employer–employee connection.

While neither conclusive nor directly comparable to corporate-sector feedback, the responses from higher education participants in the 2006 ROW study provide a helpful benchmark for how institutions might look at designing compensation and benefits systems to attract and retain top talent. Before tinkering with or substantively redefining what the institution offers employees, leaders need to take a critical look at the current state of employee satisfaction and engagement. The unique work environment of academic institutions and strong connections that many individuals feel towards their institution and its mission provide rich opportunities to develop a distinctive strategy for attracting, retaining, and engaging faculty and staff.

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Snapshot

Compensation System Overhaul

By Charlene Moore Hayes

As of Jan. 1, 2007, The Johns Hopkins University rolled out HopkinsOne, its new enterprise resource planning system, replacing legacy systems that did not include an HR information system. With 28,000 university employees and 44,000 employees in the entire Hopkins enterprise, we needed a much more timely and reliable way to obtain detailed information about our workforce. Our HopkinsOne project also includes seven shared services centers that centralize administrative transactions for both the university and health system, which are two separate corporate entities. Among these is the HR Shared Services Center, which centralizes most personnel actions and benefits-related transactions. Real-time payroll information available online is only one of the benefits of the new service center. Previously, payroll took place through each division, as did recruitment, employee relations, and maintenance of HR personnel records. By isolating most of the transactional work within our services center, our divisional HR personnel can now focus more attention on the strategic human capital issues facing managers across the enterprise.





From an HR perspective, we see these broad technology and service advances as foundational to some of the strategic changes we needed to make in the compensation and benefits arena—our total rewards. Our institution has long been known to have excellent benefits. For instance, in comparing our medical benefits to the overall market, while most industries today average a 75/25 employer-employee cost-sharing benefit, we are currently near an 85/15 split. Our goal is to gradually shift closer to an 80/20 cost-sharing arrangement and to seek even more aggressive means for controlling our benefits costs. In the face of increased economic pressures, we recognize the need to make adjustments so that we can afford to maintain our overall quality of benefits that provide such high value to employees.

When it comes to compensation, our reputation for salaries has also been very good in the past, but not great. In thinking through our total rewards strategy, we decided it was time to rebalance our benefits and pay systems to be competitive in the market so that we can maintain our edge in attracting and retaining the best talent for the long term. In looking to bring these two tracks together, we saw a need to tweak our benefits and to make a substantive overhaul to our compensation system to prepare for changing workplace needs and expectations.

The Old Way of Paying

For more than 20 years, JHU operated on a “basic abilities” system, with pay grades assigned to positions based on certain knowledge and ability factors. Among the administrative problems associated with this system were backlogs of reclassification requests and a reliance on reclassifications to reward staff. Compensation analysts, supervisors, and employees spent excessive time discussing job duties and pay grades. The system was not easy to understand and steered attention away from appropriate strategies for rewarding and retaining high-performing employees.

Likewise, a common complaint among employees was that to grow professionally, many felt they had to leave their department to take a higher-level position since there was no real opportunity for recognition or advancement where they were. Instead of spending so much time and energy on issues around pay grade, we wanted employees to get away from thinking about what grade or title they are and instead think about their role and the contributions they can make to their departments and to the institution.

Clearly, the university had outgrown its current compensation system. A new program was needed that would be flexible, more responsive to the market, and provide value-added support needed by managers. We also wanted a system that could reward staff in a timelier manner. With the upcoming changes that HopkinsOne would bring, we set out to re-engineer our staff compensation program.

Process for Change

In 2005, with the assistance of HR consulting firm Watson Wyatt, JHU embarked on a study of its staff compensation program. The objective of this study was the redesign of the current program for nonbargaining unit staff, including its job classification system, salary ranges, and pay policies and procedures. Corporate officers, faculty, and other academic appointees, fellows, students, and bargaining unit staff were not included in this study.

As part of our preliminary research, we collected input through an online universitywide compensation survey and through focus groups. Among the key elements managers identified that they wanted was a system to:

- reward important work accomplishments, increased skills and competency, and contributions to university goals;
- encourage career and professional growth; and
- give managers more flexibility and opportunity to reward and recognize staff.

Most frequently identified as problems with the old system were rewarding important accomplishments, increasing salary due to increased duties, rewarding increased skills and competencies, identifying and making market adjustments, and determining annual increases. These problems stemmed from established salary levels and percentages, the time it took to obtain decisions, required justification and documentation, and the required number of signoffs and approval from divisional HR staff.

Watson Wyatt helped us build a model and we filled in the gaps. We formed an implementation team composed of staff from different areas of HR and formed advisory groups representing different job families across the university. The focus of the implementation team was to examine pay policy issues and concerns; update and develop new pay policies, procedures, and guidelines; and work out rollout logistics and processes. About 10 different advisory groups of six to eight staff each were the subject matter experts who provided input to the compensation staff. These advisory groups helped us ensure the appropriateness of new job classifications, salary ranges, and titles.

We launched the new program in July 2006, rolling it out among all divisions with the exception of our IT group, which we are currently in the process of doing. Because of the wide differences and complexity of IT jobs, as well as all the work our IT staff was engaged in leading up to the launch of HopkinsOne, we intentionally left this group until last.

Features of the New System

In a nutshell, the new system eliminates pay grades, replacing 17 grades with six levels. Each position is assigned a role, a level, and a salary range that is tied more closely to the market based on what other organizations are paying for comparable jobs.

Roles can be either an operations, professional, or leadership role. Positions are also assigned one of six levels based on their contribution to the organization—for instance, contributions may range from performing routine activities to engaging in collaboration and problem resolution to implementing strategic direction. Nine factors are used to evaluate a job and to determine the level assigned: knowledge, problem solving, impact, interpersonal skills, supervisory responsibility, mission service orientation, teaming skills, innovation, and managing change. These represent a combination of typical job evaluation factors and specific factors identified by our leadership as critical to success in the Hopkins environment. Finally, salary ranges are assigned for positions based on what the job market is paying for similar types of jobs.

In the former system, dissimilar jobs were often found in the same salary range. In the new system, there is a set of 8 to 10 salary ranges for every role. The salary range is assigned based on market data for that



job. If no market data is available for a specific job, the job is slotted into a range based on other factors, such as other jobs in the department, similar jobs in the university, or recruitment and hiring experience.

Working Out the Kinks

One dilemma in launching our new system is that we still haven't found a good way to talk about it without using old terminology. For instance, while we have redefined the term, we still talk in terms of promotion. The new system allows more opportunities for salary increases within each level, and there are fewer opportunities for traditional promotions from one level to the next. Some employees have raised this as a concern, but we have asked employees to give the new system at least a year before they reach judgment or before we begin to do any tinkering with it. Instead, we've asked employees to try to understand what this new system means for them and for their salary and growth opportunities. Perhaps the biggest surprise to me has been that instead of focusing on details about how salary ranges are assigned, the most important thing to many employees is their title.

Breaking Free From Titles

One important goal of this new system was to tackle job titles. Under the old system, there were many grades, with very small differences between them. Therefore, reclassifying jobs to a higher pay grade with a different title was one of the only ways to recognize and reward employees. As a result, jobs in different grades weren't really that different, and so it became difficult to judge internal equity and to identify like positions. This was one of the criticisms often voiced by staff about the old system.

With our new classification system, we changed job titles in some instances to be more consistent across the university by better grouping positions whose core functions are similar. We also tried to achieve consistency of titles compared with those in the external labor market. When compensation analysts compare a job to data available in market surveys, they compare the primary duties and responsibilities of the job. As a result, some titles had to change to ensure we were making the appropriate comparisons to the market. Through this process, we also ended up consolidating some titles. For instance, we used to have three categories of administrative assistants. We combined these into one title of administrative coordinator with wider pay ranges.

Management and Administrative Benefits

The new system is market-based, externally competitive, and internally equitable. It is also administratively less cumbersome. The new system eliminates many of the administrative problems associated with the old classification system, including long waits for reclassification, and a frequent lack of clarity about why similar jobs were assigned different grades. Likewise, if market demand changes for a particular position, we can now more easily make internal adjustments accordingly.

The new system is also more manager friendly, giving managers greater responsibility and accountability as they work in partnership with human resources. The university also implemented more responsive pay policies and procedures to better enable managers and supervisors to reward and recognize their staff based on significant additional responsibilities or changes in job duties.

The new system is also better suited to recognize individual performance and promote career advancement. By focusing on their roles and contributions to the institution, individual employees also have greater opportunities for reward and professional growth.

Focusing Our Workforce on Shared Goals

The new system better serves employees by encouraging them to develop within their current job with clearly defined milestones and performance expectations they can achieve without advancing to the next level. One overall impact of the new system is that it requires greater interaction between employee and supervisor as they together develop a road map of career and professional development.

Overall, the initial feedback we are getting from employees is that they do seem to understand the need for the changes we are making and appreciate having a defined way to make contributions within their current jobs. As such, we believe we are achieving a primary goal of the new system—that is, making clear to staff that the more they engage in improving their skill levels and seeking new ways to contribute, the greater their opportunities for reward.

When we conduct a full review of the new program, the first thing we will do is analyze the impact of the system and how fast employees are moving up through pay ranges. We will also find out if managers are feeling better about their ability to reward staff, and whether employees are feeling valued.

The driving force behind JHU's new roles and contributions-based compensation system has been to develop a pay system that the institution can use to shape the quality of our workforce—a workforce that will be focused on achieving shared institutional goals and individual milestones rather than comparing salaries, pay grades, and titles. We believe we have designed and implemented a system that will do just that.

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Strategy

The Complete Package

By Karen Hutcheson

Faculty and staff are rewarded in many ways for their good work and contributions to your institution: base salary, recognition programs, health care and retirement benefits, life and disability

insurance, paid time off, tuition waiver, sabbaticals, and so forth. Those rewards are clear, but what about the intangibles: a great work environment, participation in campus events, use of campus facilities, contributing to a worthy mission, and working with smart, dedicated people?

Have you ever wondered whether your institution is getting the most from its rewards expenditures? Is what you offer understood and valued? Do the rewards—financial and nonfinancial—enable your institution to attract, retain, and engage the talent required to realize its strategic mission and achieve institutional goals?



What is a Total Rewards Strategy?

A total rewards strategy articulates an institution's overall plan for the rewards it will offer in exchange for the excellent work and commitment of its faculty and staff. The actual statement can be concise or detailed. To be effective, the strategy should capture the full set of rewards, both financial and nonfinancial. Segal/Sibson's Rewards of Work (ROW) model, which captures and articulates five reward elements, is an effective and clear framework for building a total rewards strategy. (See companion article, "[Why Workers Stay or Go](#)," in this issue.)



A comprehensive strategy should address each element in the model, articulating the

- goals,
- relative value,
- roles and responsibilities to ensure effective execution,
- short- and long-term objectives and tactics, and
- metrics to measure effectiveness and progress.

Institutions that develop a total rewards strategy realize significant benefits. The strategy:

- helps ensure that the value the institution receives for its rewards expenditures is maximized—that employees understand and value the rewards they have available to them;
- establishes a distinctive set of rewards to support the institution's employment brand and enables the institution to attract, retain, and engage qualified faculty and staff;
- provides a roadmap for the human resources function to review, develop, and enrich the total rewards offerings;
- helps ensure that the offerings are a reflection of the institution's actual intentions and competitive needs; and
- provides a clear and consistent communication device to remind employees of the full array of rewards.

A total rewards strategy helps faculty and staff see the big picture—whether employees are long service, new to the institution, or even new to the higher education workplace.

Colleges and universities typically offer a rich and varied set of rewards to faculty and staff, but the "package" has typically evolved piecemeal, with offerings added, deleted, or modified as appropriate at a given time. As such, your institution's package may not adequately reflect the institution's current strategic direction. This is not to suggest that higher education institutions have a cavalier approach to rewards. On the contrary, changes to offerings are usually not undertaken lightly. Rarely, however, is the full rewards package reviewed in its entirety.

Six Steps to Start Your Strategy

Developing a total rewards strategy specific to your institution's needs requires some initial homework to establish a baseline of what you already offer and to develop a more strategic approach to rewards.

1. Inventory rewards. Conduct a full, detailed, and accurate inventory of the rewards currently offered by your institution that fall into all five elements of the ROW model. This inventory should include both formal programs and informal practices. Some of this information is readily available but some of it will require investigation, particularly in large, decentralized institutions. Consider focus groups as a way to identify rewards and to generate interest and engagement in this process throughout the institution.

Use the inventory to build the overall strategy and the goals you want to achieve for each element. To be effective, a total rewards strategy should reflect your institution's strategy and goals for attracting, retaining, and engaging qualified talent.

2. Measure investment. To the best of your ability, calculate the current level of investment in each element to establish a baseline and to track changes. In some cases, the measurement will help gauge competitiveness (salary, benefits, etc.) as well as investment. In other cases, the institutional cost of the reward can be measured but determining competitiveness will be more difficult. For example, the cost of fitness-center usage can be determined, although the competitiveness of this benefit really is not quantifiable. In all cases, however, measuring your investment in rewards will help institutional leadership understand the magnitude of current expenditures and what may be needed in the future.

3. Increase information. Through clear communication, help employees understand the full suite of rewards available to them. Link the total rewards strategy to institutional strategy, and consider creating a distinctive name and logo. Use your customized strategy as a basis for measuring employee understanding, satisfaction, and engagement through surveys and other employee feedback techniques.

4. Implement improvements. Implementation and execution are essential to a fully realized total rewards strategy. Vague practices, inconsistent implementation, and unclear communication will contribute to a less-than-effective strategy. Setting priorities for developing or enhancing rewards and communicating these improvements will demonstrate an institutional commitment to employees.

5. Measure impact. A total rewards strategy constitutes a vibrant plan. Maintaining the plan's relevance requires regular review of your institution's initiatives and external influences. A review of your



Lehigh's Staff Employment Value Strategy

When Jacqueline Matthews, associate vice president of human resources for Lehigh University, Bethlehem, Pennsylvania, began planning the redesign of the university's staff compensation plan, she recognized the importance of doing so within the context of a broader program supporting the institution's strategic goals and priorities. To ensure that all rewards, financial and nonfinancial, would support Lehigh's strategic direction, the university developed a total rewards strategy with the guidance of Segal/Sibson consultants as the first step in designing a new staff compensation program.

The development process began with a series of interviews with leadership and focus groups with staff. These meetings were intended to collect detailed information on institutional direction and priorities and to understand what staff valued about working at Lehigh. Margaret Plympton, vice president of finance and administration, and other senior leaders understood the importance of reaching out to staff to hear directly about what was most important to them. Senior leaders also knew that this process would help establish buy-in for the new program. While it was clear that salary and benefits were important to staff, the focus groups revealed that staff also value the intangibles: working on a beautiful campus and at an institution with an excellent reputation, contributing to a worthy mission, having access to campus facilities, and so forth.

Lehigh leaders recognized that in addition to providing a framework for the institution's rewards expenditures, a total rewards strategy offers communication potential. To emphasize the university's focus on staff, Lehigh's strategy was named the Staff Employment Value Strategy. SEVS was introduced to the Lehigh community in the early stages of the staff compensation project and continues to articulate the institution's goals related to five major reward elements: compensation, benefits, affiliation, work content, and career. An abbreviated form of the full strategy was presented in quarterly newsletters. As new initiatives are launched, they are linked to SEVS to reinforce the strategy's ongoing relevance.

strategy's effectiveness needs to be incorporated into routine planning processes that your institution regularly conducts. This is a different measurement process than the measurement of expenditures. Your institution is likely to have a menu of metrics to use as a starting point, and it will probably be necessary to supplement this starting menu. For some elements, qualitative measures may be the only available tool. Regardless, the process of measuring effectiveness consistently and regularly is essential.

6. Involve the community. Involve leadership, faculty, and staff in understanding the total rewards strategy and how it supports the institution's overall strategic direction. This goes beyond communicating the actual strategy. Demonstrate links between new initiatives and the strategy. Use surveys to understand what is or is not valued. Take the opportunity to review and refresh the strategy by seeking input from those most impacted. Broad involvement and understanding will help ensure the continued relevance of the total rewards strategy to the institution.

The Value of Multiple Strategies

Colleges and universities are traditionally egalitarian environments, and most certainly want to maintain the positive aspects of this culture. Yet, many institutions are recognizing a need to respond to market pressures that are exerting uneven pressure across the institution. For instance, segmenting employee groups to understand their varying expectations and drivers may make sense when there is a legitimate need. Consider these instances: universities with health systems compete within the higher education market as well as the health care market; law and business faculty command higher salaries than humanities faculty; professionals in certain specialties such as athletics, development, and information technology can often name their price.

Because the need for greater segmentation is becoming an imperative that cannot be ignored, it may be worth exploring whether more than one rewards strategy is needed. Each institution's approach will be based on its own set of strategies and priorities. One suggestion for beginning to sort through the segmentation issue is to think about the following segments and determine whether they are relevant, and if so, which functions and positions fall into which categories.

- **Strategic:** critical to developing and driving the long-term vision and strategic direction of the institution.
- **Core:** the "engine" of the institution and essential to delivering on the mission and values.
- **Requisite:** required functions that are necessary to maintain and manage the institution.
- **Outdated:** functions that are no longer necessary at the institution.

Strategic and *core* functions may require more competitive rewards to ensure that the institution is able to attract, retain, and engage the talent needed to excel. *Requisite* functions may require a somewhat less competitive positioning and, in some cases, the function may be outsourced entirely. *Outdated* functions clearly don't require significant institutional investment, beyond potentially retraining and reassigning employees in these functions.

While corporations have long embraced segmentation as a necessary part of doing business, on the whole, higher education remains somewhat resistant. Some of the difficulty institutions have with segmentation is the impression that it can be a value judgment on the importance of people to an institution. However, this is not the case, and it is essential to view these categories as functions and positions. In reality, some segmentation is already happening, albeit with little fanfare. For example, many private institutions are in one phase or another of a capital campaign. To bring in the type of development talent needed to realize their fundraising objectives, institutions are frequently providing more generous rewards to these positions through salary, bonuses, titles, and so forth.



Mapping and Marketing Your Rewards

Enhancing your total rewards package does not have to be undertaken all at once. Use the strategy and inventory as a framework for assessing effectiveness of each element and developing a set of priorities. Create a plan for addressing each element, including roles of individuals and any prerequisites that must be in place.

You also don't have to perfect your strategy before you communicate its benefits. Your total rewards strategy can be an effective means of reminding faculty and staff in an ongoing manner of the full set of rewards that are offered in exchange for their contribution to the institution.

Working at a college or university offers a rich and fulfilling work environment, and academia attracts people for reasons beyond financial gain. They expect a fair and competitive salary and benefits but typically also place tremendous value on affiliation, work content, and career. Often, long-service employees may not appreciate the richness of their rewards package, while new employees, particularly those coming from outside higher education, may be baffled by the variety of rewards. As academia taps into the corporate talent pool, more people are being introduced to the rewards of working in higher education. Developing and communicating a well-articulated total rewards strategy can help ensure clear understanding and across-the-board appreciation of what your institution provides and how employees can make the best use of what you offer.

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Big Picture

What Drives Retirement

By Karla Hignite

The uncertainty over health insurance benefits may be the biggest determinant for faculty members delaying retirement, says Ronald G. Ehrenberg, Cornell University's Irving M. Ives professor of industrial and labor relations and director of the Cornell Higher Education Research Institute.

"Chief business officers must be in conversation with their benefits people to figure out whether the institution can afford its existing benefits packages, and if not, what changes can be made that do not adversely affect the institution's ability to attract and retain faculty members," says Ehrenberg. The importance of this conversation is underscored by the advent of recent accounting standards for both private and public universities that now require institutions to calculate the future liabilities for unfunded post-retirement benefit promises. Ehrenberg asserts that the particulars of what an institution offers do matter. "When mandatory retirement was still in effect, you still had faculty moving from institutions with low mandatory ages to those with higher age requirements," says Ehrenberg. "In the future, senior faculty may be looking more carefully not only at retirement benefits but also health insurance, and what an institution offers in that realm may actually have a significant effect on the institution's ability to attract and retain faculty."

Since 2000, only 45 percent of responding institutions reported no changes to their health-insurance benefits for both active and retired faculty members, according to the recently published Survey of Changes in Faculty Retirement Policies 2007 based on a study by the American Association of University Professors (AAUP). (See sidebar, "About the AAUP Survey.") Twenty-six percent reported equal reductions in benefits for both groups, and 8 percent reported reducing benefits for retired faculty more than benefits for active faculty. When asked about their future plans, most institutions indicated intentions to maintain retiree health insurance benefits at current levels, although 20 percent either did not respond to this question or indicated that they were unsure.

Survey enhancements. The survey, conducted in 2006, asked about the availability and cost of medical insurance and long-term health care options for retiring faculty members and their spouses and dependents—questions that were not asked in AAUP's inaugural survey in 2000. AAUP's Committee on Retirement initiated its first survey in 2000 to help address a lack of systematically collected information about faculty retirement at U.S. colleges and universities. The earlier survey focused on regular retirement programs for tenured faculty members, the prevalence and characteristics of retirement incentive and phased retirement programs, policies applicable to retired faculty, and perceptions regarding the end in 1994 of mandatory retirement for tenured faculty members.

Whereas a primary goal of the 2000 survey was to gauge whether and how institutions were changing retirement policies, the 2006 survey set out to explore how institutions might have changed their policies to deal with escalating health care costs and the aging of so many faculty members nationwide. As noted in AAUP's most recent study, the National Study of Postsecondary Faculty—a project of the National Center for Education Statistics—estimates that between 1988 and 2004, the average age of faculty increased from 47 to 50 years of age, with 54 as the average age of full-time tenured faculty members in 2004.

Need for more data. One conclusion of the 2006 survey is that much greater data collection and monitoring of faculty retirement policies and practices across higher education are needed to help institutions fully understand associated trends and financial and human resource impacts. According to the report's author, Valerie Martin Conley, associate professor of higher education and director of the Center for Higher Education at Ohio University, ongoing data collection should include data about specific subgroups of faculty such as mid-career faculty, faculty at four-year versus two-year institutions, and part-time faculty.

"One finding of this recent study is that part-time faculty are aging, too," says Conley. "We often tend to think about part-time faculty as younger faculty who are trying to get their foot in the door. In reality, part-time faculty are very diverse," says Conley. She thinks collecting more information about what various institutions make available to part-time faculty as far as incentives and phased retirement programs might also be useful.

Financial Incentives

According to the 2006 survey, since 2000, more than 38 percent of responding institutions report having offered tenured faculty one or more institutionwide, financial incentive retirement programs—most



of which have originated from governing boards or administrations. This suggests that such buyouts have become an accepted practice within the mix of strategies employed by institutions to manage faculty retirements. For most institutions offering financial incentives, faculty were eligible to participate once they met a plan's requirements for age or years of service. As for the amount of incentives, most institutions reported providing one-time additional cash payments totaling less than nine months' salary and typically offered the incentive for a specified window of time.

"It's important for institutions to be aware of faculty receptivity to these kinds of incentives," says Conley. "One thing the data indicated, although it's difficult to tease out, is that institutions that offer incentives or buyouts have offered more than one, and faculty may learn to wait around for a better deal." Depending on an institution's specific strategy, phased retirement programs may provide a better mechanism for an institution to strategically manage the academic direction of the institution in terms of growing programs and shaping their programmatic mix, says Conley.

Phased Retirement

While the number of institutions offering phased retirement is on the rise, according to the 2006 survey, only 32 percent of responding institutions reported having a phased retirement program. Of those institutions, 67 percent required faculty members to secure administrative approval and 43 percent required faculty members to relinquish tenure to participate in a phased retirement program.

The two most frequently cited minimum ages for eligibility were ages 55 (42%) and 60 (27%). As for a maximum age at which faculty could continue participation, 44 percent reported ages 63, 64, or 65; 19 percent reported a maximum of age 70. As for how long faculty members could participate in a phased retirement program, most institutions specified a maximum number of years, with 35 percent capping length of participation at three years and 38 percent setting a maximum of five years.

Phased retirement programs also vary widely when it comes to additional incentives offered. For responding institutions that offer these programs, incentives included additional contributions to health insurance (78%), partial retirement benefits plus salary (56%), and extra salary (34%), among others.

Growing momentum. According to Conley, phased retirement as a strategy is gaining a foothold in the process to better manage faculty retirements. A plus for institutions is that it provides greater certainty about when retirements will occur. It also is an effective option for continuing to engage faculty and tap their knowledge and expertise, but there can be downsides, notes Conley. "Institutions have to set policies to make clear, for instance, the appropriate relationship between phased retirees and new faculty coming in who may want to move programs in a new direction."

Through its survey, AAUP's Committee on Retirement is tracking policies to better understand the criteria associated with these programs—what is being offered to whom and when. Much more research is needed, says Conley. She suggests that a future survey might collect more specific information about the benefits associated with phased retirement programs, including health insurance contributions.

Recruitment and Retention

Among the major findings of the 2006 survey is the percentages of responding institutions that indicate the high importance of recruiting new faculty (96%) and retaining current faculty (89%) compared to concerns about retiring older faculty. Only 19 percent reported the latter as "very important" despite an increasingly aging faculty population at most institutions.

What might the low concern about faculty retirement mean? "I think it could point to several conclusions," says Conley. "One is that there has been a lot of focus on recruitment and retention in recent years. I also wonder whether this is an indication that institutions have not traditionally assumed a strong role in retiring older faculty, perhaps because of legal constraints, and therefore don't view this as a priority," posits Conley.

Ehrenberg suggests that the low concern about retiring faculty may reflect the fact that institutions are currently focused foremost on finding replacement faculty. However, he believes that as the current swell of aging faculty are replaced during the next decade, institutions will turn greater attention to concerns related to retiring faculty, including health insurance. In fact, Ehrenberg views health insurance benefits as the biggest faculty retirement-related issue going forward for colleges and universities, and Conley agrees that changes to retiree health benefits have the potential to significantly impact faculty decisions about when to retire.

Health Insurance

According to the 2006 study, at 82 percent of responding institutions, retired faculty members continue to be eligible for group health insurance. Among these institutions, 17 percent pay the full cost, 51 percent pay part of the cost, and 33 percent require the retiree to pay the entire cost. While faculty spouses continue to be eligible for group health insurance at 80 percent of responding institutions, more of the cost is paid by the retiree. For instance, among the 17 percent of institutions paying full medical insurance costs for retirees, only 3 percent pay the entire cost for spouses. Overall, individuals bear 100 percent responsibility for the cost of long-term care (96%), dental insurance (65%), vision coverage (62%), and survivors' benefits (54%).

"Whereas institutions are not able to reduce pensions for retirees, health insurance programs do allow for flexibility in terms of what institutions provide. Even within a collective bargaining environment, while there are some protections, there is no absolute protection," says Ehrenberg. He shortly will join the board of Emeriti Retirement Health Solutions, a nonprofit consortium established in 2003 with assistance from the Andrew W. Mellon Foundation in response to studies the foundation funded that identified retiree health insurance as a major issue for faculty members. Emeriti allows retired faculty members (and eligible staff) at member institutions to buy Medicare supplemental policies and also receive reimbursement of other out-of-pocket health care expenses on a tax-free basis through a comprehensive retiree health benefits program that includes national group purchasing of insurance. The consortium also offers a vehicle for individuals—and institutions on behalf of their employees—to contribute to tax-sheltered accounts to be used to pay for health insurance and other medical expenses once faculty and staff retire.

Overall shift. Ehrenberg asserts that this shift in concept—helping faculty think in terms of funding their future health insurance needs—in essence mirrors the overall shift taking place nationwide in moving from defined benefit to defined contribution retirement systems. Another important point, notes Ehrenberg, is this: If there is going to be a shift to these types of defined contribution health insurance programs, institutions have to spend time educating faculty on the importance of saving early not only for general retirement income but also for retiree health insurance coverage and out-of-pocket medical expenses not covered by Medicare through tax-deferred vehicles.

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About the AAUP Survey

AAUP's *Survey of Changes in Faculty Retirement Policies 2007* was co-sponsored by NACUBO and CUPA-HR, among other higher education associations. The TIAA-CREF Institute and the Cornell Higher Education Research Institute (CHERI) financed the survey. Data collection, which occurred in 2006, was conducted by Cornell's Survey Research Institute and includes a review of the retirement practices at 567 (369 public and 198 independent) institutions.

Valerie Martin Conley, associate professor of higher education and director of the Center for Higher Education at Ohio University, authored the report. She is also co-editor of "New Ways to Phase into Retirement: Options for Faculty and Institutions" in the winter 2005 issue of *New Directions for Higher Education*, and author of "Exploring Faculty Retirement Issues in Public 2-Year Institutions," in the *Journal of Applied Research in the Community College*, (2005, 13(1), 59-72), published by the National Community College Council for Research and Planning.

Ronald G. Ehrenberg, Cornell University's Irving M. Ives professor of industrial and labor relations and director of CHERI, wrote the report on the 2000 survey, of which the findings are summarized in "Career's End: A Survey of Faculty Retirement Policies," in the July–August 2001 issue of AAUP's *Academe*.

Snapshot

Glimpses of Future Faculty

By Karla Hignite

What impact will an evolving mix of higher education incentives and programs have on the retirement plans of future faculty? David Leslie, chancellor professor of education at the College of William and Mary, Williamsburg, Virginia, and Robert Clark, professor of business management and economics at North Carolina State University, Raleigh—both TIAA-CREF Institute Fellows—share some overarching thoughts.

How can gathering and analyzing demographic data give clues to probable costs associated with pending and future faculty retirements, as well as necessary strategies for recruiting replacement faculty?

Clark: Most universities do not do enough research about their institutions and the demographics of their employees. Academic leaders could develop demographic profiles of their faculty, determine transition rates (e.g., quits, fires, retirements, deaths) by age, and estimate the impact of changes in retirement incentives on these rates. This would allow administrators to estimate future hiring needs and provide a road map for reallocating resources within the university.

Leslie: National survey data show that younger faculty hope to retire earlier in general. Also, faculty are increasingly likely to be female. Women are attracted more than men to phased and early retirement. However, on the whole, retirement is a highly individual decision and correlations with demographic characteristics are often very weak.

How well do buyouts work as a strategy for managing faculty retirements?

Leslie: Faculty with higher pay tend to stay longer; faculty with lower pay also tend to stay—especially those in single-income households. Retirement bonuses haven't been especially successful. Because faculty tend to retire at around age 65 to 66, there may be no great benefit to encouraging earlier departure. I think incentives don't change more than a few minds and can have the perverse effect of enticing faculty to stay until the next round of incentives is offered. If the first round is not very successful, institutions tend to sweeten the next round, and faculty have learned to wait things out for this reason. The one exception would be on the health care issue. Providing health care benefits—such as pre-Medicare eligibility—could tip the decision to retire early for a significant number.

How can institutions do a better job of preparing faculty financially for retirement?

Clark: Financial education is very important. Institutions could do a better job of informing faculty of the importance of beginning to save early, managing their portfolios, and developing retirement plans. Universities could also follow the current trend and have automatic enrollment in supplemental retirement plans.

What new demands related to retirement might we see from current mid-career faculty or from younger, more ethnically diverse faculty in the future?

Leslie: The most important generational change is the rapidly increasing number and proportion of women. Ethnicity is changing more slowly. Women have been more interested in flexible terms and conditions of employment. Many of their concerns are focused on the competing demands of family and arrive much earlier than retirement. However, if flexing means also accepting lower pay and benefits, this could affect women's ability to retire. And women generally prefer earlier retirement than men. Our retirement paradigm is almost wholly predicated on men's lives and career patterns, so it may be necessary to start over, in a sense, and focus on how women's lives and careers evolve. We know very little about how women will actually retire when the larger numbers begin to do so in another 15 to 20 years.



Does what an institution offers today to current retirement-age faculty have any bearing on recruitment of new faculty or retention of faculty? How much are new hires scrutinizing current retirement benefits?

Clark: Candidates for new positions regularly ask about retirement plans, university contribution rates, and faculty contribution rates. The generosity of retirement plans differs widely across institutions and these differences can have a major impact on total compensation.

Leslie: Younger faculty appear more interested in flexible employment and earlier retirement. They are also not thinking too concretely about retirement, since it is 30-plus years down the road for most. Non tenure-track faculty represent approximately 60 percent of all faculty, although that number is inflated by the number of part-timers at community colleges. Non tenure-track faculty are typically ineligible for benefits and retirement plans. The large majority of part-time faculty are otherwise employed and usually don't need or expect benefits, since they may have them already. However, full-time contingent-year-to-year-faculty may need a lot more than we are giving them. As institutions come to depend more on contingents, they may want to consider whether it is either fair or appropriately competitive to exploit their willingness to work without benefits.

What is the greatest challenge facing chief business officers regarding faculty retirement and health benefits?

Clark: Health plans for current and retired employees are a huge concern. In the private, nonacademic sector of the economy, retiree health plans are a dying employee benefit. The big question facing colleges and university administrators may be whether retiree health plans will be maintained in higher education, and if so, at what cost.

Leslie: I would be most concerned with the long-term stability of retirement and health benefit plans. My second concern would be with the major demographic shift to a more female workforce and all that it implies for insurance and retirement plans. Thirdly, I think colleges and universities are very likely going to be faced with a shortage of qualified and interested faculty. This market reality is likely to drive up the cost of wages and benefits in the foreseeable future. I'd concentrate more on how to attract and hold the best and brightest of the next generation and less about how the current generation of those over age 55 may choose to retire.

Strategy

Rethinking Recruitment

By Karla Hignite

According to Kathlene Collins, cofounder and publisher of *Inside Higher Ed*, many institutions don't know what they spend in aggregate on employee recruitment, given the often decentralized hiring process—especially for faculty positions—in place at many colleges and universities. The implications go beyond overspending financial resources, says Collins, who previously spent 20 years in the recruitment advertising department of *The Chronicle of Higher Education*, including developing The Chronicle's online recruitment Web site. The bigger loss may be in the missed opportunities to position your institution as an employer of choice in the minds of future employees. In the following interview, Collins declares the need for a shift in mind-set to

focus on what candidates need and may bring to the institution—an approach to hiring that is similar to that championed in Marcus Buckingham's *First, Break All the Rules* (Simon & Schuster, 1999) and *Now, Discover Your Strengths* (Free Press, 2001).

What is the biggest mistake institutions make in their approach to employee recruitment?

Collins: Almost without exception, colleges and universities do a poor job of faculty and staff recruitment because most institutions still treat employee recruitment as an administrative chore instead of a strategic investment. During any given year, most institutions will engage in a few high-profile searches on which they will focus more effort and spend more than they need to, and then treat most other position vacancies largely as an administrative task. In those instances, the typical mind-set is one of wanting HR to find the cheapest, quickest way to match a candidate with a set of requirements.

For example, it's common for institutions to have a database of job descriptions, but too often, there is a tendency to take a database entry and [use it verbatim] in a print or online advertisement as a job announcement. The problem is that this description usually focuses on what the institution needs. The whole mind-set for many institutions is to consider their job openings as the valuable component of the employment equation as opposed to the candidate who might bring invaluable talent. If there is a common liability with the way most higher education HR functions approach the recruitment process it's that they tend to focus the process on what information and skills the institution needs from an applicant, rather than what will sell the job to great hires.

Why is this?

Collins: In part, I think this is because so much of the management of the recruitment process is making sure the institution is in compliance with hiring requirements. While that is certainly important, what that too often means is that institutions aren't focusing on the aspects of the recruitment process most important to the candidate. The first priority should be to reach out and compel the best candidates to apply. This is almost universally missing with how I see most colleges and universities approaching employee recruitment. Virtually all institutions do a fine job with the process once an individual applies. But most view the first stage as the application instead of a potential candidate's decision to apply.

Institutions also tend to treat potential hires as petitioners, making candidates jump through hoops to get the institution's coveted jobs. That's not to say there aren't different ways an institution should respond to different pools of applicants. For a position for which you might receive 600 applications, it's appropriate to require those applicants to do a little extra work, perhaps with some prescreening questions. However, you probably don't want to use that same tactic or establish hurdles with a high-demand position such as a vice president of development. And no matter the position, institutions must look at the recruiting process as trying to sell jobs to the very best hires. Too often, the attitude is: "We have jobs, and you want them." Institutions need to invert that perception. You want the best candidate the job can attract. That requires a change in mind-set and how you approach prospective employees.



What does that approach entail?

Collins: For starters, it requires positioning your institution as an employer, not just advertising your available jobs. There is a tendency to assume that if your inventory of open jobs is readily accessible to the public, then you've done what you need to do in terms of recruitment. Nothing could be further from the truth. As recruitment for all positions gets more competitive, institutions can't afford to recruit only for the positions they currently have available and from among those who are actively looking for jobs.

Whereas posting jobs is a sourcing strategy—getting specific people to apply for a specific job—marketing is about raising awareness to get interest in your institution in the pipeline. It's about positioning your college or university as an employer of choice for potential great hires who aren't looking or when you don't even have a particular job available. The key is to re-envision recruiting as a marketing opportunity for the institution.

What is the best vehicle for doing this?

Collins: Although an institution's Web site is probably the most visible way an institution communicates within the universe of higher education, employment-related sections of a site are almost never designed with a sense that the hiring process has a critical impact on the institution as a whole.

Consider an institution's Web page for potential students. This is usually a beautifully designed page targeted specifically to that constituency and addressing the top concerns and key questions that potential students have. Try to find a comparable section on a college or university Web site targeted to potential employees. Even for institutions that provide information about employment, this is most often limited to current available positions and doesn't provide strong, exciting messages for why an individual would want to work there. Some sites can even be a turnoff to prospective employees. I've visited a site that prominently notes the institution's policy of conducting criminal background checks before welcoming potential applicants or thanking them for their interest.

What is the right message?

Collins: Many of the same messages that are compelling for potential students are also attractive for potential employees. What makes your institution unique compared not only to other institutions but also to other employers? For instance, while most colleges and universities offer reduced tuition for employees and their family members, few institutions readily advertise that as a selling point to potential employees.

What role does this imply for HR?

Collins: One implication is that HR must re-envision its role as central in making the case for the institution as an employer of choice. This doesn't mean you have to reinvent the marketing function. Most colleges and universities have a sophisticated marketing function in place for student recruitment and admissions, but leaders fail to recognize potential faculty and staff in this same light—as a huge visible external community receptive to an institution's messaging. HR must work in conjunction with institution leaders and the institution's marketing function to define and develop those key messages to make your college or university stand out.

Numbers Crunch

Life Beyond Teaching

The following statistics are taken from the TIAA-CREF Institute's *Retirement Confidence Survey of College and University Faculty*, a study conducted in 2005 to examine the retirement preparation and saving behaviors of faculty. The telephone survey included 1,307 full-time and part-time tenure track and non tenure-track faculty at two-year and four-year public and independent institutions. The study was conducted by the Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and the TIAA-CREF Institute.

Financial readiness:

- Ninety-five percent of college and university faculty have begun saving for retirement, but one third have no idea how much they need to accumulate for a comfortable retirement.
- Forty-six percent of male faculty are very confident that they will have enough money in retirement compared to 24 percent of female faculty; 17 percent of female faculty are not too confident or not at all confident compared with 9 percent of male faculty.
- Sixty-five percent of faculty age 65 and older are very confident that they will have enough money in retirement compared with 43 percent of faculty age 55 to 64, 30 percent of faculty age 45 to 54, and 22 percent of faculty under 45.
- Forty-two percent of tenure-track faculty are very confident they will have enough money in retirement versus 26 percent of non-tenure track faculty.

Retirement age expectations:

- Eleven percent of faculty expect to retire before reaching age 62; 13 percent expect to retire between 62 and 64; 27 percent expect to retire at age 65; 18 percent expect to retire in their later 60s; 24 percent expect to retire at age 70 or later; and 4 percent of faculty expect to never retire.
- Forty-nine percent of male faculty expect to retire after age 65 versus 35 percent of female faculty.
- Forty-two percent of faculty at two-year institutions expect to retire prior to age 65 compared to 20 percent of faculty at four-year institutions.
- Twenty-eight percent of public institution faculty expect to retire prior to age 65 versus 13 percent of private institution faculty.

Reasons to retire:

- Sixty-two percent of faculty who expect to work past age 65 cite enjoying work as the reason to stay; 29 percent said they will need employment income; 16 percent indicated the need for employer-sponsored health insurance coverage for themselves and 9 percent need coverage for their spouses; 13 percent report not being eligible for full Social Security benefits until age 66 or 67.
- Thirty-eight percent of female faculty who expect to work past age 65 say they will need the income while 20 percent will need the employer-sponsored health insurance, compared to 23 percent and 13 percent, respectively, for male faculty.



Anticipated health benefits:

- Sixty percent of faculty expect to receive health insurance in retirement from an employer; 33 percent do not expect to receive retiree health insurance.
- Forty percent of those who expect to receive employer-sponsored health insurance in retirement expect insurance to be employer-paid; 20 percent expect insurance to be retiree-paid; 32 percent expect to share the cost; and 8 percent are uncertain who will pay.
- Twenty-three percent of faculty said they would be very likely to use a tax-deferred savings account earmarked for retiree health expenditures if such a vehicle were available; 41 percent reported being somewhat likely.

Phased and semi-retirement:

- Forty-eight percent of faculty said they would be very likely to take advantage of a phased retirement program if it were available when they retire; 30 percent said they would be somewhat likely.
- Seventy-four percent of faculty think they will work for pay after retiring; of these, 32 percent think they will work as a teacher, 34 percent think they will work in some other role within the education field, and 34 percent think they will do something completely different.

Expected income sources:

- Forty-nine percent of faculty expect an employer-sponsored defined benefit pension plan to be a major source of income, and 35 percent expect it to be their largest source of income; 49 percent expect a defined contribution plan to be a major income source, with 30 percent expecting it to be their largest source.
- Three percent of faculty expect Social Security to be their largest source of retirement income; 9 percent expect employment to be largest.

Receptivity to financial advice:

- Sixty-one percent of faculty report using the advice of a financial professional and 37 percent cite such advice as the most helpful source compared to input from a spouse (15%), print material from a retirement plan (12%), and seminars by a retirement plan or plan provider (7%).
- Thirty-three percent of faculty attended a retirement planning seminar sponsored by their college or university or retirement plan provider within a recent three-year period; of these, 42 percent reported making planning and saving changes as a result of the seminar, including investment allocation changes (36%), increasing tax-deferred savings levels (32%), switching savings to a tax-deferred vehicle (24%), and saving more money in addition to their retirement savings (9%).
- Seventy-six percent of faculty said they would be very likely or somewhat likely to take advantage at retirement of employer-provided professional advice regarding withdrawal strategies if offered in person; 60 percent would be likely to use this advice if provided online; and 28 percent would use it if provided by phone.

Resource

Read Up on the Three R's

Listed here are resources related to faculty retirement, recruitment, and retention.

- *Survey of Changes in Faculty Retirement Policies 2007*, a survey of the American Association of University Professors, reviews the faculty retirement practices and policies at 567 higher education institutions. (See [“What Drives Retirement”](#) in this issue.)
- “The Retiree Health Care Challenge,” a paper prepared by Hewitt Associates for the November 2006 TIAA-CREF Institute Symposium, “Seeking Remedies to the Retiree Health Care Challenge,” provides background for further discussion regarding the issues and factors affecting plan design and funding decisions by higher education institutions.
- “Recruitment, Retention, and Retirement: Compensation and Employment Policies for Higher Education,” a paper by Robert Clark, North Carolina State University professor of business management and economics, and Madeleine d’Ambrosio, TIAA-CREF Institute vice president and executive director, examines existing human resources policies and considers potential modifications that will enable institutions to recruit, retain, and retire faculty in the coming years. The analysis reviews the soaring cost of health insurance for active and retired faculty and how these plans are being amended. It also reviews the widespread adoption of phased retirement plans and the use of early retirement programs as components of HR policy.
- “Financing Retiree Health Care: A Collection of TIAA-CREF Institute Reports” brings together research on retiree health care issues conducted and sponsored by TIAA-CREF, including reports that explore the implications of retiree health expenditures for individual workers, the trends in retiree health benefits provided by colleges and universities, and the options currently available for pre-funding retiree health expenditures as well as the drawbacks of those options.
- Findings from the TIAA-CREF Institute’s inaugural *Retirement Confidence Survey of College and University Faculty* highlights the retirement preparation and saving behaviors of college and university faculty. (See [“Life Beyond Teaching”](#) in this issue.) Paul Yakoboski, a TIAA-CREF Institute principal research fellow, authored this trends and issues report and a companion article, “Retirement Plans and Retirement Confidence in Higher Education,” available from Employee Benefit Research Institute. EBRI conducted the study in conjunction with Mathew Greenwald & Associates, Inc., and the TIAA-CREF Institute. Throughout the report, faculty findings are compared with data for the working population of all Americans as captured in EBRI’s *2005 Retirement Confidence Survey*, a study conducted annually.
- Details of EBRI’s most recent retirement confidence survey are highlighted in the organization’s April Issue Brief: “The Retirement System in Transition: The 2007 Retirement Confidence Survey.” Among the findings: Almost half of workers saving for retirement report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than \$25,000. The majority of workers who have not put money aside for retirement have little in savings at all: Seven in 10 of these workers



say their assets total less than \$10,000.

Several on-demand webcasts are available from NACUBO in partnership with TIAA-CREF Institute.

- *“Finding and Funding the Next Generation of Faculty: An Academic and Financial Partnership.”* Most colleges and universities can quickly address immediate or short-term faculty needs to meet student demand, but few have considered taking a systematic approach to developing a cohesive campus strategy to build up vital faculty ranks to meet future needs. Taking a proactive approach to meeting future institutional needs requires involvement and commitment from both the chief financial officer and the chief academic officer to work through numerous related issues.
- *“Managing the Faculty of the Future: Retiree Health Insurance.”* Soaring costs of health benefits have employers grappling with what to do about the retiree health benefit plans they sponsor. A panel of experts discusses the impact of retiree health insurance on faculty retirement decisions.
- *“Managing the Faculty of the Future: Phased and Early Retirement Plans.”* The changing academic labor market features a bulge of faculty baby boomers approaching retirement. Colleges and universities will face one set of challenges if these faculty members stay too long and another if they go all at once. A panel of experts discusses how phased and early retirement programs can create value for both the university and the individual faculty member.

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Big Picture

The Word on Generational Diversity

By Karla Hignite

U.S. colleges and universities have focused significant energy on developing the racial, ethnic, and gender diversity of their student populations, and many are actively hiring faculty to reflect those student differences. But what about workplace diversity on a grand scale? In particular, issues surrounding generational differences are bubbling up on campuses across the United States as the reality of an aging workforce is forcing institutions to consider who will fill all the empty office seats.

The conversation is going on nationwide. For its May 2007 cover story “Do You Get Their Differences?,” *DiversityInc* magazine (www.diversityinc.com) convened a roundtable of employees from four “best diversity” companies (Coca-Cola Co., Marriot International, Allstate, and Ernst & Young) to discuss issues of generational diversity and communication.

One question posed: What is the greatest generational diversity challenge facing the nation in the next decade? Rosa Valentin-Ruiz, a frontline performance leader at Allstate, responded: “Creatively looking at how work can get done differently.”

As Valentin-Ruiz continues, she notes: “When you think about the amount of work, . . . the pull of talent, you know we are going to have gaps—so that’s part of it, how do we do more with less, but also with talent that puts a lot more value on their personal life, their flexibility, and their ability to do other things, even if they don’t have a family.”

The “they” Valentin-Ruiz refers to is the youngest cohort of workers—Generation Y, also known as the millennials. This same *DiversityInc* article includes statistics that provide a glimpse of the four generations that currently comprise the nation’s workforce.

- **Traditionalists** (born before 1946) are 27 million strong and represent 10 percent of the current workforce.
- **Baby boomers** (born 1946–1964) boast 76 million members and account for 46 percent of today’s workers.
- **Generation X** (born 1965–1978) number 60 million and make up 29 percent of the workforce.
- **Generation Y** (born 1979–1997) includes 74 million and accounts for 15 percent of the current workforce.

While the statistics vary depending on where the generational categories are divided, overall Generation Y goes head to head with baby boomers in terms of sheer numbers—74 million to 80 million millennials by some estimates compared to between 76 and 79 million baby boomers. While currently the boomers outnumber millennials in the workplace by 3 to 1, within 10 years, as more boomers retire and the youngest members of Generation Y reach working age, more millennials will be filling offices and cubicles than any other generational category. Is your institution prepared?



The Millenials are Coming

In the May 15, 2007, *Fortune* magazine article “Attracting the Twenty-something Worker,” writer and reporter Nadira A. Hira makes a notable comparison between the pending impact on the workforce posed by today’s twentysomethings and that of the early baby boomer twentysomethings as described in an April 1969 *Fortune* article: “Because the demand for their services so greatly exceeds the supply, young graduates are in a strong position to dictate terms to their prospective employers. Young employees are demanding that they be given productive tasks to do from the first day of work, and that the people they work for notice and react to their performance.”

Is this déjà vu as baby boomer babies prepare to do their own shaking up of the work world by demanding meaningful work from day one? Hira offers considerable consolation regarding this workforce upheaval on its way. She quotes Bruce Tulgan, founder of the generational research firm RainmakerThinking (www.rainmakertesting.com) as simultaneously identifying millennials as “the most high-maintenance workforce in the history of the world” and as what should prove to be “the most high-performing workforce in the history of the world.”

So, while it’s going to take a lot more effort than revamping employee benefits packages to appeal to this crowd, the apparent good news is that if institutions can attract and tap into the talents of Generation Y, they stand to be rewarded with unprecedented levels of worker productivity.

The millennials have already been well documented in terms of their significantly different work motivations and their different values of time, sense of loyalty, work/balance priorities, and needs for feedback and engagement. Now the question is: What are employers going to do about those differences?

While generational research also indicates that the motivations of every generation evolve as they move through phases of adulthood, that doesn’t mean employers should discount the very real differences of younger employees or fail to consider how they can or should adapt their work culture to accommodate those differences.

Changing Work to Fit Worker Needs

Mary George Opperman, vice president for human resources at Cornell University, Ithaca, New York, is well aware of the need to focus on workforce renewal.

“Renewing our universities will pose some pretty complicated challenges. The issues are multi-faceted. It’s not only a matter of finding enough people to fill the vacant positions, or of initially attracting employees,” says Opperman. A key concern and unresolved question for her is how to convince workers to stay.

The problem? The higher education employment environment has been largely built around loyalty to the institution, notes Opperman. This employment “ethic” is based on employee longevity and on individuals developing loyalty to the institution by taking the time to learn the institution’s quirks and to adapt to processes that aren’t always linear or smooth, says Opperman. She believes younger workers may still be attracted to higher education for many of the same reasons as any other generation. She is likewise concerned that younger workers may bring a much higher expectation for advancement and skill development and that they may not be satisfied to work in positions where

many of the tasks are repetitive and where advancement opportunities are unclear.

“Can institutions find employees willing to work hard in jobs they may need to stay at longer than they find interesting?” poses Opperman. “Or, does the culture of higher education itself have to change to craft roles that fit new employee expectations? If we can’t figure out how to make employees want to stay, colleges and universities will face a whole new problem of lost productivity resulting from continuous high turnover.”

There are many unknowns, concedes Opperman. One of her greatest difficulties in knowing how to respond stems from a lack of generational diversity within her current HR leadership team. “We are largely clustered around the same age and have similar values and work expectations. When you don’t have generational breadth, it’s much harder to know what you need to do to attract the next generation,” says Opperman.

Yet, higher education has some great clues about younger worker expectations based on the dramatic changes institutions have ushered in during the past decade in residential living, food services, academic instruction, and technology, says Opperman. “We have responded to changing student expectations, but we are still figuring out what this generation will expect from an employment standpoint so that we can attract them and keep them engaged.”

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Dealing with Differences

Not all research points to a sharp divide among worker populations. As highlighted in the June 2007 *Society for Human Resource Management* (www.shrm.org) online article, “The Myth of Generational Differences,” Center for Creative Leadership research scientist Jennifer Deal espouses the idea that we all want essentially the same things from work, regardless of age. Among those shared values: the desire for respect, for learning opportunities, and for feedback. The findings in Deal’s book, *Retiring the Generation Gap: How Employees Young & Old Can Find Common Ground* (Jossey-Bass, 2006), are based on surveys of 3,000 corporate leaders over seven years.

For more on generational diversity, check out these resources:

- SHRM’s “Generations Toolkit” (www.shrm.org/hrtools/toolkits_published/CMS_020287.asp) compiles articles, research, webcasts, and generation-specific materials.
- The Spring/Summer 2007 *CUPA-HR Journal* (www.cupahr.org/newsroom/journal/archive/CUPA-HR_vol_58_1.pdf) focuses exclusively on diversity and includes articles on managing a multigenerational workplace, building an institutionwide diversity strategy, and coping with barriers to workplace diversity

Strategy

HR at its Core

By Barbara E. Beck



Dave Ulrich is professor of business administration and director of human resource executive programs at the Stephen M. Ross School of Business, University of Michigan, Ann Arbor, and a partner of The RBL Group (www.rbl.net). His writings include *The HR Value Proposition* (2005), co-authored by Wayne Brockbank, and *Human Resource Champions* (1997), both published by Harvard Business School Press.

In this interview with Barbara Beck, Skidmore College associate vice president for finance and administration and director of human resources, Ulrich discusses the core competencies and capabilities that HR officers must possess and nurture within their organizations. (See the companion article “Change Champions” in this issue in which Beck highlights how she and her HR staff have internalized the concepts of Ulrich’s *Human Resource Champions* at Skidmore College.)

Beck: What have you found in your research regarding the competencies of the HR professional and what an organization’s leadership should expect of its chief HR officer today?

Ulrich: We have studied HR competencies for the past 20 years, conducting a large-scale study every five years to determine the key competencies required for HR professionals. In the most recent round, we found that HR professionals needed to have competencies to manage people (care and nurturing of people) and business (aware of and contributing to competitiveness). We identified six competency domains for the HR professional.

- **Credible activist:** can build relationships of trust but has a point of view about the business to make sure that he or she contributes.
- **Operational executor:** can get the administrative work of HR done quickly and efficiently.
- **Business ally:** can discuss the business with ease, which requires knowledge of how the business creates wealth.
- **Talent manager and organization designer:** can employ innovation and integrate HR practices to align talent with organization goals.
- **Strategic architect:** can share, clarify, and execute strategy as a member of the management team.
- **Culture and change steward:** can help make things happen in a sustained way.

Beck: From your observations, are these competencies generally present, or untapped?

Ulrich: We have found that about 20 percent of HR folks do these very well and 20 percent do so very poorly, with 60 percent in the middle. However, we are seeing progress in this evolution.

Beck: You often talk about HR creating value and delivering results—about what HR professionals deliver versus what they do. What can chief financial officers ask and expect of their HR professionals to bring about results?

Ulrich: Often HR folks focus on what they know and do, such as staffing, training, compensation, and communication. We suggest that HR focus increasingly on the outcomes of this work—what happens in an organization because HR does its work well. It is not enough to judge a sales person by how many calls he or she makes, but by the results of those calls. Likewise, HR should be judged by the results it delivers. These results are the deliverables of HR, the capabilities of the organization, and the intangibles that investors value.

Beck: You also talk about critical HR capabilities. What are these, and how are these new or different from the more traditional capabilities required or expected of HR professionals?

Ulrich: I distinguish between capabilities, which deal with organization-level identity and personality (i.e., what our organization is known for), and competencies, which deal with the knowledge, skills, and values of an individual. HR needs to help build organization capabilities, or organization identity, and individual competencies or abilities.

We have identified a set of common critical capabilities—that is, things that an organization is known for. These include culture, collaboration, ability to change, accountability, learning, innovation, service, efficiency, leadership brand, and talent. These capabilities become the outcomes of doing good HR work. They also become intangibles to which investors pay attention.

Beck: Are there new responses required from today’s HR professionals in light of our current business environment and culture?

Ulrich: There are a number of new business realities that will raise the bar for HR professionals, and colleges and universities are clearly affected by each of these environmental forces. These realities include globalization, where the world becomes a global village; customer expectations, where customers have higher expectations and choice; technology, which connects people from remote locations and allows information to be shared directly; demographics, where employees will have different expectations and skills based on their demographic attributes and lifestyles; and industry consolidation and convergence. The essence of these new realities is that the world is changing. What worked in the past may not work in the future. Organizations have to respond to these changes by becoming more adaptive, flexible, and collaborative. HR professionals must be aware of these external demands and organizational responses.

Beck: What specific roles must HR play in building a competitive organization?

Ulrich: In our research in the 1990s, we identified four roles that HR professionals needed to play. These are identities that HR folks are known for and represent the outcomes of HR activity. In our current work (*The HR Value Proposition*), we have shifted into five roles.

We’ve moved from employee champion to employee advocate—someone who worries about the employees of today—and human capital developer, someone who focuses on the employees of tomorrow. The point is that talent matters more than ever, and employees, or talent, must be cared for today (advocate) and tomorrow (developer).

A second shift is from administrative expert to functional expert, because getting things done better, faster, and cheaper is not enough. We need to get the right things done, which requires knowing the theory and research of human resources.

Third, we've combined strategic partner and change agent into simply strategic partner, recognizing that strategy without change is idle hope, and change without strategy is random action.

Finally, we've added brand leader because HR professionals embody an organization's leadership brand. They are the ones who make sure that the organization has a leadership brand and then embeds that brand through the HR practices of staffing, training, compensation, and communication. Because HR professionals come in touch with everyone, they make sure that the brand is seen as real and viable.

Beck: What else are you finding in your research or observing from business that HR professionals and college and university CFOs should consider or be mindful of, particularly in the context of their very diverse employee base and competition for top talent?

Ulrich: Since universities are the epitome of knowledge organizations, their ability to attract and engage talent is key. Yet, different groups of talent exist within a university. Administrators need to have work conditions that engage them in setting goals and running the university as a business. Staff need terms and conditions that keep them focused on building the infrastructure of the university. Faculty require unique and tailored employment contracts to keep them focused on research and teaching. CFOs and leaders need to look to their HR professionals to offer ideas and alternatives to help the university reach its talent goals.

Beck: What do you see as the biggest HR challenge ahead for higher education?

Ulrich: In a simple word, HR must deliver value. Some of this value comes in helping turn business strategies into realities. If a university is working to move into new markets (e.g., global), the HR professional can help by figuring out the right way to organize (e.g., joint venture, go alone) and move talent to those opportunities.

Some of the value comes from ensuring that employees inside an institution have the competencies to do their work and the commitment to do it well. Administrators, staff, and faculty each need to have a unique value proposition that focuses their attention on the type of work they need to contribute to the university. HR professionals can come up with creative ways to manage each of these groups.

And finally, some of the value HR must deliver comes from helping to manage costs. This might mean finding new ways to teach or do research or using technology to reduce the costs of the infrastructure. To deliver value, HR professionals need to learn how to translate business directions into HR priorities.

Snapshot

Change Champions

By Barbara E. Beck

While in my former role in human resources at General Electric, I participated in an organizational change management training program co-developed by Dave Ulrich. I have applied this change acceleration process numerous times and in a variety of ways with different groups since transitioning to higher education more than 10 years ago. Efforts at Skidmore College have ranged from assisting



in the painful process of eliminating several departments—while also minimizing the negative impact of this on campus—to convincing leadership of the institution's need to implement major changes to the college's compensation and benefits programs.

In all such efforts I have been guided by a set of seven factors identified by Ulrich for successful change management.

1. Leading change entails securing a visible and enthusiastic sponsor and leader of the proposed change.

2. Creating a shared need requires letting others know why change is needed and ensuring that the perceived need for change is greater than the resistance to change.

3. Shaping a vision involves articulating what the new process or model will look like when you are done.

4. Mobilizing commitment requires identifying and getting key stakeholders involved and on board with the desired change.

5. Changing systems and structures entails adapting or replacing previous models so that change can occur, since many change initiatives fail simply because people try to institute a new process using old models.

6. Monitoring progress involves measuring how you are doing compared to established benchmarks.

7. Making change last entails developing action plans with assigned ownership and timelines in place to ensure an ongoing commitment to change.

While these steps may often be invisible to others, they have become an internal checklist of sorts for how I approach helping groups and the institution as a whole move through significant change. According to Ulrich, successful change can occur with only two of the first three and two of the final three factors. However, the fourth factor—that of mobilizing commitment—is absolutely essential to the success of any change initiative. This was the case when I initiated an effort several years ago to bring into alignment with our peer schools Skidmore's rich benefits program and to enrich a less-than-adequate compensation structure.

Mobilizing Key Stakeholders

In concert with utilizing an existing committee to study the issue, I approached our college president to get her on board by explaining the underlying goal and providing credible data to make clear why, from a budgetary standpoint alone, the college needed to act sooner rather than later. When our college president stepped down, I immediately set out to gain the support of our interim president to get him up to speed and ultimately spearhead the change effort, and later did the same with our new president.

By crafting messages and arming our leaders with appropriate data, they were able to convince the range of campus constituencies that we could not afford to maintain the status quo of our current benefits program. Through continual mentoring, they were able to repeat key messages and clearly identify for others the threats and opportunities of making major changes. I likewise identified other key stakeholders, including cabinet members and key faculty members who would be most influential and able to ensure that others understood the messaging and rationale behind the proposed changes, which ultimately took several years to approve and implement.



While the specific change initiative will vary by division and department, building capacity for change within an organization entails a similar approach in most instances. When a strategic initiative involves change, my HR team and I ask leaders key questions such as: What is driving this change? What is the goal? How much time will this require? Who are the champions? How can we get others on board? What skill sets are required? How might you change your own leadership approach to support this initiative?

Within my own department at Skidmore, change took longer than I initially anticipated or desired, though I can see that we have come a long way in 10 years in terms of how executive leaders, managers, faculty, and support staff have come to view the HR function and the role of HR staff. We have transitioned from essentially a paper processing function to a strategic function in which campus leaders from the president to frontline supervisors now seek our guidance. Requests range from helping others gather data to inform the direction of a reorganization effort to strategizing and identifying specific performance management needs. Within the past two years, even our academic deans, chairs, and faculty members have begun to seek our input and involvement in providing training, performance counseling, leadership development, and a range of other higher-level services including mediation. I am certain that none of this headway would have been possible without first convincing my own team to consider their roles in a new light.

The Roles of Human Resources at Skidmore College

STRATEGIC PARTNER

- Understand the functions of the organization.
- Be present in decision-making processes.
- Strategize execution of actions.
- Provide value-added HR resources.
- Think independently while working collaboratively.
- Ensure capacity for implementation of campus strategic plan and initiatives.
- Assist with inter- and intra-organizational dynamics

ADMINISTRATIVE EXPERT

- Confront and solve problems knowledgeably, creatively, and ethically.
- Deliver competitive, financially responsible benefit package.
- Administer fair and equitable employment practices.
- Administer fair, equitable, and consistent total compensation practices.
- Negotiate and administer win-win labor contracts.
- Manage HR data and records effectively.
- Provide value-added training and development opportunities

Four-Block Model

When I first came to Skidmore, HR staff members were entrenched in the traditional administrative functions of human resources. To get my team members to consider their multifaceted roles, I found it helpful to develop a four-block model based on the four roles Ulrich outlines in *Human Resource Champions*: administrative expert, employee advocate, strategic partner, and change agent.

To get the ball rolling, I purchased copies of *Human Resource Champions* for each of my staff in conjunction with starting an HR development book club that met monthly over lunch. I assigned a different chapter to each staff member, who was then responsible for developing questions and facilitating that chapter's discussion. As we worked through each chapter we discussed the implications for our roles at Skidmore and how those translated into the different hats we must wear at different times based on the nature and need of their interaction with faculty and staff. For instance, when team members were interacting with a manager, were they being a strategic partner by helping managers place their issues in the context of the bigger institutional picture? Even while interacting with the manager, were they thinking through the employee perspective so they could provide the appropriate advocacy in favor of employees' needs?

All this had a significant payoff in terms of getting staff to think through where we were going as a team as well as our role in implementing institutional change. From those conversations we developed our own set of bullet points for each of these four roles.

CHANGE AGENT

- Help the institution work toward positive change.
- Build capacity for change.
- Help with renewal and transformation.
- Help individuals and organizations cope with change.
- Build flexibility into people, organizations, and processes.
- Provide facilitated opportunities for leaders and employees to prepare for and make changes.

EMPLOYEE ADVOCATE

- Listen to employees' concerns, issues, and ideas.
- Ensure employees' voices are heard.
- Ensure employees are treated fairly and with dignity and respect.
- Ensure resources are available to meet the needs of employees.
- Be an employee champion and advocate.
- Coach employees to be their own advocate with leadership.
- Help employees understand strategic decisions.



One of the immediate outcomes of drilling this model into the daily context of our jobs was that instead of needing to check with me for every question, team members began to resolve many issues on their own simply because they now had an identifiable framework for their various roles. In addition to posting our four-block model in our own workspaces, HR staff kept this in hand to show managers and leaders as they met to discuss their needs and concerns. We also began using this chart during our new employee orientation to educate employees from their very first day about the HR function and how they could expect to see us performing our roles on campus. This model and the various roles help keep the HR team focused as we model leadership for the campus community.

Business Intelligence

Yet another of the key concepts Ulrich espouses is to always look to ensure that HR is adding value. This may encompass how you set goals, work with managers, counsel employees, or coach executive leaders. I constantly work with leadership to address gaps between their goals and the capacity of the organization. Do they have the skill sets to meet their goals? Do current staff members have the capacity to develop needed skills? What do individuals need to close the gap within their own jobs? Do our structures support this effort? How do we need to change organizational structure to meet goals?

Adding value also entails providing people on a regular basis with the information they need about the business of the organization. In conjunction with challenging my team to think about the business of HR, I have continually pushed them to consider the critical functions throughout the institution and the kinds of data that others need. For instance, what specific challenges and pressures do admissions or academic affairs staff face? By collecting and sharing data freely about everything from student SAT scores to our student diversity profile to progress on the college's capital campaign, we can provide value by offering insight on issues that others are dealing with across the institution. By fostering an employee culture in which faculty and staff understand the business of the organization, everyone is better prepared to perform their roles and advance the institution's mission.

There are still some leaders on campus who don't necessarily want HR to know the business of their operations well enough for us to provide feedback. However, as a team we now see this as part of our strategic partner role to ensure that we have a presence across campus as we come to understand the core functions and how employees are expected to perform. Without being confrontational, we are often able to make suggestions or ask questions that invite managers to reflect on their operations and whether employees are being involved and informed about key issues or changes.

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Resource

Pandemic Readiness

By Karla Hignite

A key to ensuring that your institution is prepared for a pandemic flu crisis is to recognize that readiness is a point in time, says Mark Hayes, a financial director of Aetna's enterprisewide planning performance and management. "The problem with thinking you are ready is that you stop planning. In the event of a pandemic, the situation may quickly change. The virus may spread more quickly or mutate. Unlike other types of business continuity planning in which you can often play out what an event may bring, there are too many variables with a pandemic," says Hayes, who spearheaded Aetna's pandemic readiness initiative.

One component of Aetna's broad-based employee education strategy included development of an online training course (see "Pandemic Primer" sidebar) that has been completed by more than 27,000 of Aetna's employees. Its purpose, says Hayes, is to provide information about a pandemic as an event and to encourage individuals to consider their own personal wellness and their obligations to help mitigate the risks of a pandemic spreading within the context of their families, coworkers, and their broader community.

"Aetna's pandemic preparedness planning is focused on two critical objectives: to be there—no matter what—for the people who use our services, and to help employees stay healthy," says Elease Wright, Aetna's head of human resources. "The e-learning course was designed to help employees understand the facts about the avian bird flu, the pandemic threat, and steps we can take to protect individuals and their families."

After rolling out its training course, Aetna engaged in a series of pandemic-related simulations. One involved the same scenario played out at two work sites. "What was interesting is that the leaders at each site made a series of decisions that resulted in different outcomes," says Hayes. "Neither outcome was necessarily more favorable, but this brought home to us all that the decisions you make lead to interrelated activities and decisions that may have very different outcomes."

That reflects another key point: A pandemic event is ultimately a local issue, says Hayes. Different localities will inevitably experience a pandemic differently based in part on geography and in part on the variety of decision-making mechanisms and decision makers in place.

Ensure Employee Welfare

Chief among an institution's concerns in the face of such a crisis is the readiness of its employees to respond at work and at home. "If employees don't feel prepared to take care of themselves and their families, then they aren't going to function well at their jobs," says Vivian Moore Lawyer, chief human resources officer at Montgomery College, Rockville, Maryland. Training sessions that the community college has provided through its faculty and staff assistance program have drilled employees on the importance of developing response plans at home.

As for the college's plan of action, Lawyer says it is taking its lead from Montgomery County, which has in place an elaborate emergency command center. Because the college has been designated as a potential site for administering emergency services, it is centrally involved in broader regional crisis planning. In her own role, Lawyer and her staff have worked to help each campus develop a general plan that includes defining and designating essential personnel and their backups—recognizing that who is considered essential could be different in the event of a pandemic compared to more typical considerations such as weather-related events.

"It's difficult to say, step by step, what we would do in the event of a pandemic, but the general focus is on preserving our capacity to continue to conduct the essential work of the institution," says Lawyer. At least in her technology-rich county, that could include allowing more employees to work remotely either from their homes or from various telework centers located throughout Montgomery County.

Identify Employee Motivations

Aetna has coupled its focus on preparing employees with planning efforts to maintain continuity in delivery of services to its customers. And that, says Hayes, requires a keen understanding not only of employee composition but also their motivations. "Employers really have to question their fundamental assumptions about the makeup of their workforce. Much of the best practice guidance available even from primary sources such as pandemicflu.gov may provide too generic of a picture. You have to ask how much the general statistics apply to your work site and your employee base," says Hayes.

For instance, while a high absenteeism rate may be more likely in a densely populated area, other reasons exist for why employees may choose to stay home in the event of a pandemic. Don't assume you know how your employees will respond, advises Hayes. At the same time, employers don't have to sit back and guess about employee response. Because demographic differences can account for significant differences in response, employers can develop possible scenarios based on a solid understanding of their unique employee composition, says Hayes.

"Are your employees mostly younger or older? While older workers are among those who may be more susceptible from a personal health risk, if you have a high percentage of younger employees with school-age children or working adults who are a primary caregiver for an elderly parent, you have to be honest about allowing for the decisions these segments of your workforce might make in the event of a crisis," says Hayes. "If the news media is announcing a potential life-or-death situation and it is a question for employees of showing up to work versus sacrificing the health of at-risk family members, you have to allow for the reality that more will choose to stay home," says Hayes. "Any planning has to reflect that reality."

Which leads to a need for appropriate planning to allow more individuals to work remotely to ensure your institution maintains its essential functions, says Hayes.

Equip Employee Productivity

"At Aetna, we started by looking at our current work-at-home population." Approximately 15 percent of Aetna's employees nationwide currently work from home on a regular basis.

"Next, we asked what upward range our current technology would support if we suddenly needed to increase the number of employees who could work remotely in the event of a pandemic," says Hayes. A Valentine's Day ice storm earlier this year provided a good test. The number of Aetna employees working from home that day doubled—without additional infrastructure put in place to accommodate this, notes Hayes.

Aetna has since begun to categorize and prioritize who could or should be prepared to work at home in the event of a pandemic and is taking steps to equip employee productivity. "If, as part of its pandemic planning, an institution determines that it does not have the requisite technology to allow essential personnel to work remotely, the logical next step is to acquire that capability," says Hayes.

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Pandemic Primer

- Among the resources available from Aetna's Web site is a 30-minute online training course available to the wider public and to employers for use at their work sites. Go to www.aetna.com/employer/pandemic/ to access the training program and other pandemic-related materials.
- For a compilation of Centers for Disease Control and Prevention and OSHA guidance and other NACUBO resources including webcasts and resource lists, go to www.nacubo.org/x8850.xml.
- CUPA-HR has compiled a comprehensive "Pandemic Toolkit," available at www.cupahr.org/knowledgecenter/kc_template.asp?id=2250.
- U.S. government pandemic resources are available at www.pandemicflu.gov.

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Big Picture

Trends Shaping the Talent Search

By Elizabeth A. Neumann



During a recent executive search on behalf of a large university, a prime candidate from the corporate world emerged. This woman, who had extensive operational experience in publishing, had two young children and wanted to return to the geographic area in which the institution was located. When considering the senior HR position, she asked two telling questions:

- If I take this position now, where do I go in three years?
- Aside from tuition remission, what are the other big benefits?

These questions get to the heart of current trends in higher education and help identify several strategies to consider employing as part of your efforts to recruit and retain world-class administrative talent.

Succession and Progression

The major trend, of course, is the aging of the baby boom generation. Within the next five to 10 years, your institution may see substantial numbers of employees move into the ranks of retirees. Their departures will lead not only to vacant administrative positions but also a loss of valuable institutional memory. What can you do to fill the former while preserving some of the latter?

Revisit internal succession planning. Say, for example, you have an executive vice president of finance and administration who is likely to retire in five years or so. Senior positions related to finance, IT, HR, and facilities may all report to that person. Historically, educational institutions have tapped the finance person to grow into the EVP role. Yet the other positions also require skills that are essential to the EVP job description.

Be willing to look differently at how a particular role is structured and the talent available to fill it someday. Instituting procedures that encourage people to work across their silos will give them wider experience and help you develop a bigger internal talent pool.

On the academic side, educational institutions typically have a natural succession plan in place. On the administrative side, however, senior personnel don't necessarily think about grooming a successor as part of their legacy. That may be, in part, because presidents often bring in their own senior administrators. And, with presidents now staying on the job for five-plus years on average—instead of the 10-plus years they used to stay—senior administrators don't presume to think they'll always have a job.

Still, having qualified people ready to step into a position is a big advantage. Just think of how much institutional memory you'd lose if two or even three people resigned tomorrow. How might you begin to address that void today, with the talent you already have available?

Develop a training program. Understandably, this can be difficult for public institutions operating on very tight budgets. Yet having a structure in place to train people about the business of higher educa-

tion can create a career ladder for current employees and serve as a recruitment tool.

Consider the area of enrollment management, for example. A strong enrollment management person has mastered institutional research, financial analysis, and data processing—all skills that can be applied elsewhere within an institution. Today's senior managers in enrollment management essentially "grew up" in the field and don't necessarily want to spend another 20 years in it—unlike their predecessors, who were the pioneers in the then-emerging field. With no other logical step to take careerwise, many of today's enrollment managers have joined the ranks of entrepreneurs and started their own consulting firms.

Rather than watch valuable skills and institutional memory walk out the door, where else might you be able to employ these people? A training program would enable them to go from one department to another, learning the entire business of higher education along the way—just like a corporate training program.

In fact, a training program can be a draw for corporate executives who are willing to make the move to higher education—sometimes for less compensation. They're accustomed to such programs and see them as career development opportunities.

Say someone who has a strong background in finance or research administration—but has worked in corporate healthcare—expresses interest in a senior-level position at your institution. Teach him or her the business of higher education. That's exactly what you'd do in the corporate world.

High-Level Attention

From the HR perspective, another key trend is the evolution of educational institutions. They're becoming larger and their missions are becoming more complex, all of which underscores the need for top talent. How might your institution respond to that growing need?

Ensure HR is involved in strategic planning. Human capital, in terms of compensation and benefits, represents the largest percentage of an institution's budget dollars. That's why HR executives need to be "at the table" and actively participate in strategic conversations. They know the trends, have a global perspective, and can help identify the implications of a particular institutional objective.

For instance, academics historically staffed or supported higher education administration. As staffing has evolved, more professionals—many without academic backgrounds—have joined the administrative ranks. HR executives are in the best position to guide institutions through the learning curve associated with this change.

As another example, research has become a bigger focus at many universities. Research is not only a source of revenue and recognition but also an engine for economic development within the local community. This growing focus calls for an administrative structure that supports research: applying for grants, monitoring and reporting progress to grant-making groups, and so forth. In fact, research administration is poised for the type of growth that previously occurred in the area of enrollment management.

Many institutions take a strategic approach to hiring faculty. They may, for instance, look to hire entry-level instructors and nurture them along a track to tenure. Or, they may want to attract world-class

researchers who have the potential to bring high-profile projects and personnel with them. Each approach, or a combination of the two, calls for resources and personnel to be deployed in different ways.

Similarly, a strategic approach is needed on the administrative side. For instance, if your institution believes in growing its own talent, you'll need to ensure that appropriate support is in place for career development and succession planning processes. At one institution, the board chair includes succession planning on the agenda for each meeting.

Tinker with tradition. Remember the publishing executive interested in the senior HR position? In the end, she did not pursue the position in higher education, partly because she didn't see enough potential for career growth. Also, the education-related benefits didn't hold strong appeal for her.

Traditionally, tuition remission has been one of the largest draws in higher education. But it may not greatly interest people who still have young children and come from the corporate world of stock options and profit-sharing bonuses.

Executives who have been successful in the corporate world, especially those under the age of 40, are looking for different types of benefits. They might, for instance, want job flexibility to accommodate more time with a young and growing family. Or, with two-career families now common, relocating executives might require educational institutions—especially those in rural areas—to provide employment assistance for trailing spouses.

In addition to exhibiting a willingness to reconfigure benefits, higher education needs to accept higher turnover rates. Many institutions seem to have an unofficial tenure policy among administrative staff, with many employees being there for decades. Yet a trend surfacing among today's job seekers is a desire to stay in a position just until their children finish high school—perhaps eight or 10 years in the future—and then make another move.

As educational institutions develop career ladders, define succession plans, and offer different benefits, they'll find it easier to recruit people wanting to make the transition from being driven by the bottom line to being mission-driven. And when you do attract senior-level administrators from outside of higher education, don't be surprised if they only stay at your institution for three years before moving on again. The reality is that three years in a position is the corporate model. But think of the value they'll bring, even in that short time, thanks to their experiences in the corporate sector.

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Perspective

Double Check Retirement Model Assumptions

By Dallas Salisbury



Faced with growth of the retired population, the volatility of markets and interest rates, and ever-escalating health costs, many institutions of higher education have revisited—and redesigned—their pension and retiree health programs in recent years. The trend has been toward contraction of defined-benefit pension plans and other post-employment benefits.

GASB 45 is likely to accelerate action in these areas. Even institutions that have over-funded defined benefit pension plans and advance-funded retiree health may move toward defined contribution arrangements to attain greater predictability of costs—even if those costs are higher and the benefits less generous.

As governing boards and state legislatures assess the implications of GASB 45, many public institutions will likely need to take a hard look at the benefits they provide employees. Colleges and universities may also need to consider educating their employees on retirement planning. To better prepare its teachers and other employees for such changes, the California system, among others, has greatly expanded its financial and retirement planning educational offerings.

Savings Targets

Education efforts are needed. In fact, Employee Benefit Research Institute's (EBRI) 2007 Retirement Confidence Survey finds growing concern among employees about their ability to afford healthcare in retirement. At the same time, despite ongoing political debates about funding Social Security and Medicare, the survey indicates that few people are taking action to increase their savings. The public continues to believe that Medicare covers more than it actually does. Most survey respondents mistakenly believe that Medicare covers the majority of retiree health expenses; in past surveys, more than two thirds incorrectly thought Medicare would pay for long-term care.

According to the Urban Institute, for a family with earnings of \$40,000 at the age of 65 and average life expectancy (age 81 for the man and 85 for the woman), Social Security has a current value of just under \$600,000 and Medicare just under \$300,000. Medicare, on average, pays for about 51 percent of the average retiree's total retiree health expenses, which means the family would need about \$300,000 in savings to fill the gap. If family members live to 100, this savings need more than doubles. Social Security replaces 37 percent of income at this income level, which means personal savings would have to exceed \$1.2 million to achieve full-income replacement that holds steady with inflation.

These numbers can serve as savings proxies for employees at higher education institutions that have adopted, or are considering, defined-contribution retiree health savings programs. If your institution has employer-paid, defined-benefit pension and retiree health programs, become familiar with the targets and assumptions your actuaries are using to estimate the post-retirement liabilities.



Coming Up Short

Whether public or independent, institutions of higher education will undoubtedly see changes in retirement patterns. Many workers, for example, may choose to defer retirement if they do not have defined-benefit and employer-funded health insurance. Across the older population, we are already seeing labor force participation rates rise in every age segment, as well as reduced numbers of people taking retirement when health insurance is not available. Many employers, faced with slower growth rates within the new labor force, view these as favorable trends and actively encourage “phased retirement.”

One concern of the EBRI is that the GASB measurement methodology allowed for defined benefit pension plans may understate the long-term financial needs of your organization. For defined-benefit pension plans, GASB allows the investment return assumption to discount liabilities. For retiree healthcare, assumptions that health cost growth will drop to low levels within seven or eight years has been proven wrong for decades and can lead to understating costs by 100 percent or more. For these reasons it is important to regularly revisit the actuarial assumptions used in the calculation.

Financially conservative institutions should consider running a series of alternative numbers that test many different interest rates and health inflation levels. These numbers will come in handy when assessing the future capacity of employees to retire. Higher than expected health costs are already showing up in surveys as a reason for working longer and for returning to work after already having retired. Inadequate retirement savings levels can have these same effects as financial literacy increases.

More Light on Liabilities

The credit crunch of summer 2007 served as a reminder that information transparency—a goal of GASB 45—is a good thing. Better to over-estimate a liability that affects whether you can maintain a program or afford retirement for 40 years, rather than take action based on an “optimistic” low estimate and later need to terminate the program or have retirees go without basic needs.

GASB 45 does not create new challenges but rather exposes challenges for employers, governing boards, legislatures, contributors, and taxpayers. Because the accounting standard requires quantification of post-retirement promises to employees, it shines a light on liabilities that frequently have not been calculated at all. View it as an opportunity to leapfrog to responsible planning by both institutions and individuals.

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Numbers Crunch

The State of Performance Measurement

By: Karen Hutcheson [IMAGE]

Although many people think of “performance management” as synonymous with the annual performance evaluation, in reality it affects other people-management processes as well—including base pay decisions, promotions, transfers, goal setting, career movement, and training and development.

To gather information about performance management (PM) practices and outcomes in a variety of employers—including colleges and universities—WorldatWork and Sibson Consulting invited a sample of WorldatWork members to participate in a confidential online survey. More than 550 individuals, primarily senior-level HR professionals, responded.

The demographic profile of the respondents is similar to the membership of WorldatWork, an association headquartered in Scottsdale, Arizona. The organizations represented in the study range in size from fewer than 100 employees to more than 100,000 employees. They represent these industries: finance and insurance, healthcare, higher education, manufacturing, professional services, public sector, and utilities.

Here are several key findings from the study.

Cross-Industry Results

Effectiveness of the system: Just over half of all respondents view their organization’s performance management system as effective, giving it an overall grade of “A” or “B” on the traditional grading scale. Forty-eight percent rated their organization’s performance management at a “C,” “D,” or “E” level.

Using three-year shareholder return as the indicator of company performance, Sibson conducted an analysis of the publicly traded corporations to explore how PM programs differ in high-performing organizations. Interestingly, this analysis found that PM techniques and practices are relatively similar between high- and low-performing organizations. The more effective programs, however, have two differentiators: execution and leadership support.

Key goals and challenges: The top three reported goals for performance management programs are fairly consistent among respondents: Distribution of rewards, increasing individual accountability, and improved financial and operational results top the list.

Overwhelmingly, the top challenge faced by organizations is their managers’ inability to have difficult performance discussions with employees. Respondents ranked employee perception of performance as an HR process as the second greatest challenge, followed by poor goal setting.

Rewards tied to PM: More than half of the respondents use information from the performance management process to determine merit increases (76%), promotions (68%), and annual incentive distributions (58%). Only 37 percent of respondents use performance management to determine equity awards (company ownership).

Links between individual and organizational goals: At lower levels of the organization, the alignment between individual and organiza-



tional goals lessens. Respondents indicate a stronger perceived alignment with goals among senior managers (73%) compared to middle managers (48%) and non-managers (26%).

Champions of the process: Just under half (46%) agree that the top HR executive is the greatest champion of performance management within the organization, followed by line leadership (the president, CEO, or COO), cited by 32 percent. Line-leadership support, however, is most closely linked to positive outcomes, including employee perceptions that the system is fair.

Higher Education Results

How do the responses from higher education compare to the overall responses? While the number of educational institutions participating in this study is small (12), their responses are consistent with findings from Sibson's performance management consulting experience. Here are some key differences between higher education and cross-industry results.

Higher education views program effectiveness as being significantly lower. Compared to their counterparts in other sectors, respondents from higher education rate the effectiveness of their PM program far more negatively. Half indicate that their institution's PM program is "below average" in effectiveness, and about one in three (35%) says the program is "average."

PM is not seen as being linked to the effectiveness of managing the education institution. Specifically:

- 60 percent report that their leaders do not view performance management as a critical business process.
- Only one in four (25%) say their leadership's own goals align with the institution's goals. Respondents detect virtually no alignment among goals at the middle-management and non-management levels.
- 70 percent believe PM does not contribute toward helping the institution achieve its strategic goals.

The link between performance ratings and rewards is less direct.

- 63 percent report no differentiation between performance ratings and corresponding pay actions. (This indicates a bias toward across-the-board increases, whether by design or in practice.)
- Only two out of five respondents (40%) report a strong tie between performance ratings and promotions, compared to about two out of three (65%) cross-industry.

Details and Delivery Matter

Overall, the results of the WorldatWork/Sibson State of Performance Management Study indicate that performance management needs improvement in many organizations. Performance management is stronger in higher performing companies, primarily because it receives leadership support and endorsement. When compared to other sectors, colleges and universities seem to have further to go to integrate performance management into their culture, build leadership support, and design and execute effective programs.

The important message for all employers is that, while PM program design is important, the details matter less than the execution. Improv-

ing performance management includes an analysis not only of program design but also of the key elements of execution: leadership support, managerial courage in delivering important performance messages (both praise and constructive criticism), and rigor in execution.

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Snapshot

Top-of-Mind HR Issues

By Tadu Yimam

Do you think your institution's compensation structure could use some tweaking to make it more flexible and more competitive within the marketplace? If so, you're not alone. Improving performance management was one of the hot issues raised by the participants in the Human Resources Roundtable held during NACUBO's 2007 annual meeting in New Orleans, Louisiana.

Anthony Brantley, chief executive officer of College & University Professional Association for Human Resources (CUPA-HR) and Margaret F. Plympton, a NACUBO board member and vice president of finance and administration at Lehigh University, facilitated the group discussion. The 50 HR professionals and business officers who are concerned with HR issues who participated in the roundtable identified their top concerns and then brainstormed potential improvements to implement.

Campus Concerns

These five topics emerged as the primary concerns for HR professionals on campuses across the country.

1. Reward structure. Many HR professionals believe managers are not well-trained in performance management. They'd like to institute a flexible and market-competitive compensation structure that more closely links performance rewards and development with the competencies and skills most valued by the institution. In addition, they typically view compensation as being disconnected from the reward and see few or no options for rewards outside of the performance management cycle.

Potential solutions: Institute "on the spot" recognition; help develop a manager's skill in performance management by giving employees the opportunity to provide feedback; offer non-financial rewards aimed at increasing the work-life balance.

2. A push toward shared services. Limited state budgets are driving more HR departments to use shared services. This limits "in person" contact and can create distance management issues. Related concerns include increased competition among peer institutions, effects of institutional versus governmental politics, and confusion arising from different institutional missions.

Potential solution: Place HR representatives at satellite campuses to provide an on-site presence; use a salary differential for different jurisdictions.



3. Culture changes within HR. Many campus HR departments are led by very few administrators who end up contributing to major strategic HR decisions. Ultimately, those decisions influence the overall HR culture within the educational institution.

Potential solution: Develop HR-related training for university administrators. Topics could include preparing for the future demographics of the workplace, workforce forecasting, and establishing an HR mission as the framework for the HR department.

4. Conflicts of interest. Specifically, HR professionals report dealing with nepotism/favoritism between faculty and staff throughout their institutions.

Potential solution: Intervene as soon as HR learns of the conflict of interest, asking the parties involved to assess whether the situation passes the “newspaper test.” In other words: “Would you be willing to see a story about this in tomorrow’s newspaper, with your name and our institution’s name highlighted?”

5. Job transitions and succession. As campuses face a growing number of retirements, the need to train and mentor potential successors increases. To align with the institution’s current business strategy, these new hires require different competencies compared to 10 or even five years ago.

Potential solutions: Before the retirement occurs, identify how the position has changed and what implications those changes have on the competencies needed. Develop a training system to determine and close the gaps between the competencies desired and the competencies exhibited by potential successors. It was pointed out, for example, that the U.S. military offers a solid example of promotion from within.

Does this list of concerns resonate with your experience? What else would you add to it? Please send your comments to Tadu Yimam, policy analyst at NACUBO; e-mail: tadu.yimam@nacubo.org. Also let her know if you’d be interested in participating in a NACUBO listserv dedicated to these and other pressing HR issues.