ARIZONA STATE UNIVERSITY

December 4, 2017

Mr. Stephen H. Potter
President, ASU Staff Council
Mail Code: 6203

Dear Stephen:

Thank you for your letter of October 30, 2017. I always look forward to hearing from the ASU Staff Council. I'm grateful for your partnership and very mindful that having an engaged staff has been integral to our many successes over the years.

The letter opens an important dialogue about compensation, performance and culture at ASU. At my request, the Office of Human Resources has provided some contextual data directly pertaining to the two main issues raised by the Council.

Staff Compensation

The Staff Council points out that in Fiscal Year 2014, average salaries trailed the market by almost 14% and now trail the market by 9.6%. This is true and I believe that this reduction in the market gap is directly attributable to our adherence to an annual merit increase program. As noted, we now have less than a 10% variance from the local labor market. And while we wish we were at or above that market, most compensation experts agree that a 10% differential is considered to be competitive.

Of course, salaries and wages are only one element of a total compensation package. The value of employer-paid benefits must be included in any analysis of overall competitiveness.

The table below takes actual average salary in our three non-Director job categories and makes some basic benefits assumptions. You can see that those at entry level who may be using a tuition waiver for one child are receiving employer-paid benefits that are equal to almost 83% of their salary. A mid-level manager or skilled employee who covers his/her family through the Preferred Provider health insurance option, participates in the Optional Retirement Program and does not use the tuition waiver still receives benefits equal to 38% of salary compensation. Other possible compensation scenarios result in benefits percentages that range between those two rates.

Category	Average Salary	Benefit Coverage	Benefits Included				ASU Contributions	Total Compensation	% Benefits to Salary
1 (non-exempt)	$35,361	'EE + Adult	Hlth PPO	Delta Dental	ASRS	Tuition*	$29,311	$64,672	82.9%
1 (non-exempt)	$35,361	Family	Hlth PPO	Delta Dental	ASRS	n/a	$23,626	$58,987	66.8%
2 (exempt)	$50,908	'EE + Adult	Hlth PPO	Delta Dental	ORP	Tuition*	$30,199	$81,107	59.3%
2 (exempt)	$50,908	Family	Hlth PPO	Delta Dental	ORP	n/a	$16,774	$67,682	32.9%
3 (mid-level mgr)	$74,334	'EE + Adult	Hlth PPO	Delta Dental	ORP	Tuition*	$33,789	$108,123	45.5%
3 (mid-level mgr)	$74,334	Family	Hlth PPO	Delta Dental	ORP	n/a	$36,198	$102,438	37.8%

*1 child @ tuition value of $10,792

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The Office of Human Resources (OHR) also provided me with data on our rehire pay practices over the past three years. I learned that 33 staff were rehired into the same position and that two-thirds of them actually returned at the same or lower pay. About 130 staff came back to us in a different job; two-thirds of them with higher pay. This is to be expected as the experience they gained away from ASU, combined with prior experience at the university, makes them a more marketable employee.

Salary Increases Tied to Performance
Your second concern is about the tie between compensation and performance. As you know, our system of compensation review is driven by merit, rather than cost of living or other factors. While we would not argue that there is no room for improvement in this system, we do know that OHR logged about 3700 performance reviews last cycle (about half the total staff base; we believe that more are being administered, but not being entered into PeopleSoft). About **25%** of staff received an overall rating of **5** and received an average merit increase of **3.1%**. About half the staff received a **4** rating and an average merit increase of **2.7%**. The large majority of the balance of staff received a **3** rating and an average merit increase of **2.1%**. Those who received the lowest ratings did not receive any increase at all. There is clearly a correlation between performance ratings and salary increases in those areas of the organization that are using the program as designed and intended. I have asked OHR and our deans and vice presidents to redouble efforts to ensure that all departments are doing so.

Additionally, it may be of interest to note that staff actually received a larger average merit increase last year (2.7%) then did faculty (2.3%).

Finally, Kevin Salcido informs me that his Leadership and Workforce Development group trains about 150 to 180 leaders every year on performance management, and that they maintain a web page that is filled with resources for anyone who administers evaluations at ASU. We are of course open to suggestions by the Staff Council for how we might improve our merit-based compensation system.

Closing Thoughts
As mentioned earlier, our staff salaries are trending towards market. As a non-profit, it is unlikely that we will ever be able to pay private-sector salaries. This is true from the most senior administrators down through our most entry-level positions. Nevertheless, I hope the Council sees that salaries are moving in the desired direction because of the merit increase process and the design changes in our classification and compensation system that were made several years ago. Our benefits package, when combined with direct compensation, results in an even more competitive total compensation package.

Several years ago, OHR published a calculator that shows the value of the total compensation (salary and benefits) package at ASU. To ensure that there is a broader understanding of the value of our total compensation, I am asking Executive Vice President Morgan Olsen and Kevin Salcido to begin production of individual benefits statements that can be delivered to staff and faculty on an annual basis. We will continue to emphasize the need to pay competitive compensation in order to remain an employer of choice. Finally, I do hope you see that the data provided above demonstrates a link between performance and annual increases.

We have elected to provide the university with a consultative versus compliance-oriented HR department. Their focus is on building leader capability and providing simple, coherent and flexible programming that can be adapted to departmental use. I trust our deans and vice presidents to take full ownership of any university-approved program that originates in OHR, or any other department for that matter. That said, we encourage the Council to continue to bring specific matters of concern or perceived noncompliance to the attention of the administration.

Finally, I believe that ASU is an organization devoted to learning, and the Office of Human Resources, the Office of the President and many other departments do their best to provide best-in-class developmental opportunities to our staff and leaders. We do this through internal programming and external partnerships. Of course, access to the tuition reduction program is a powerful benefit that is unique to university employees.

We believe that our relationship with the Staff Council is a productive one. I appreciate that the Council feels free to express their opinion to me and my senior leaders. I hope I've addressed the larger concerns of the October 30 letter. I look forward to working in partnership with you on this and other significant and impactful challenges we will continue to face in the future.

Sincerely,

Michael Crow

Michael M. Crow
President