
Developing Compensation Systems in Academic Libraries

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ABSTRACT

COMPENSATION, STATED SUCCINCTLY, is what employees get in exchange for their work. The adequacy of the compensation has great impact on the ability of an organization to meet its goals. Inadequate compensation leads to poor performance, absenteeism, excessive turnover, grievances, and strikes. Although such problems will never completely disappear, morale can be positively affected if an organization has formulated and disseminated its compensation objectives.

The purpose of this article is to provide background on a complex personnel specialty rarely covered in library schools. The fundamentals for designing and administering a compensation program are covered. Emphasis is given to job evaluation systems, merit-based reward systems, compensation administration, and current issues and problems in compensation management, including governmental and societal influences.

INTRODUCTION

The technological revolution of the past twenty years has caused profound changes in the function of academic librarians and enabled some to obtain the status and recognition formerly held only by their faculty colleagues. In some instances, academic librarians have exceeded faculty in salary compensation. All of this has come about during a period of great social change and fiscal constraints.

The academic librarian of the mid-1960s was underpaid, still bound by the routines and traditions of the late nineteenth century, and subservient to the power and influence of faculty and administrators.

We have come a long way, but we rightly continue to despair over academic librarians' role in society, the ability to recruit the best and brightest of college graduates, and the alleged meagre financial rewards.

We continue to debate the nature of the profession and sometimes question our professional status. Writing just before the outbreak of World War I, Justice Brandeis (1914) defined a profession as:

an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learnings, as distinguished from mere skill; which is largely pursued for others, and not merely for one's self; and in which the financial return is not the accepted measure of success.
(p. 2)

Whether or not one accepts Justice Brandeis's definition, we assume that librarianship is a profession and that, like professionals in other fields, we pursue it largely for others, whether these others be society as a whole or the clientele of the parent institutions. We assume further that a measure of success must entail appropriate remuneration. Academic librarians are not—if they ever were—passive reactors to faculty or institutional pressures and demands. However, librarianship is a service profession and ranked low like teaching, nursing, and social work. As unlikely as it is that academic librarians will ever attain the salaries and the prestige of lawyers, doctors, or corporate executives, they have in many cases surpassed the compensation levels of the teaching and nursing professions. Social pressures have begun to rectify the compensation problems of teachers. School librarians may benefit from this phenomenon. It is unlikely that academic librarians will feel much impact, particularly in view of the increased attention being given to the costs of higher education in both the public and private sectors.

Our success as a profession depends on the nature and quality of the services we provide and, as it has become increasingly apparent, on cost effectiveness. We should continue to value the nonfinancial rewards of librarianship for, after all, these were the motivation to become members of the profession. But we do the profession and ourselves a disservice if there is no effort made to understand the many factors involved in compensation and utilize these factors to develop appropriate programs.

Compensation programs are based on a number of complex factors internal and external to an organization. These include status and governance, the nature of compensation of faculty and other professionals within the institution, the general cost of living in the area, salary equity and comparable worth considerations, and a variety of other factors, including unionization.

Compensation is many things. It is undoubtedly the most important communication element within an organization. It involves a number of methodologies and philosophies. As Milton Rock (1984) has stated, it is one of the great challenges to management, requiring the creation of "an environment which stimulates people in their jobs" (p. xix).

As important as compensation is in recruiting, maintaining, and motivating staff, it is not the *sine qua non* in an organization. Job content, developmental opportunities, and performance appraisals are all important parts of the total reward system. In addition, the management style of an organization is becoming an increasingly more important factor in the total reward system. As Rock (1984) has pointed out:

compensation is more than pay. It is a total reward system involving incentives and noncash benefits, performance appraisal, and work force development as well as base wages and salaries. Thus, in addition to providing for material needs, the compensation administrator must consider the employee's need for self-realization—the need to feel that he or she is having a real impact on the organization. While money, in one form or another, is a major source of satisfaction and motivation, other factors can be equally important to employee morale. These include the nature of the work, the organizational environment and style of management, and the company's past performance and its outlook for the future. (p. xix)

The goal today is to provide an introduction to a complex personnel specialty by outlining the fundamentals for designing and administering a compensation program and reviewing the current issues and problems in compensation management. Although some emphasis will be given to professional positions in academic libraries, the methodologies and philosophies covered are applicable to various types of positions and to various types of libraries.

OBJECTIVES OF COMPENSATION MANAGEMENT

Compensation management is a specialization that developed in business and civil service in response to the growth in the size and complexity of organizations. As a specialization within the personnel area, it is one that gets scant attention in library administration courses. Library directors and library personnel administrators must therefore learn how to deal with compensation as they must learn how to deal with other aspects of library management, whether it be budget planning or fund-raising. Because libraries are part of larger entities, they rely on staff in central administration offices to provide expertise on compensation. This often presents serious disadvantages because of the lack of understanding of the function and duties of academic librarians, a problem compounded by the dramatic changes in academic libraries during the past two decades.

Those who have responsibility for administering compensation programs must educate the specialists in their central personnel offices by presenting them with facts on the nature of library work, particularly that of the professional. The director has an even more important role—i.e., educating the administration of the institution and obtaining funds.

Compensation, stated succinctly, is what employees get in exchange for their work. The adequacy of the compensation has great impact on the ability of an organization to meet its goals. Inadequate

compensation leads to poor performance, absenteeism, excessive turnover, grievances, and strikes. Although such problems will never completely disappear, morale can be positively affected if an organization has formulated and disseminated its compensation objectives.

The objectives of compensation programs are quite practical:

1. *Recruitment.* Compensation needs to be competitive to attract qualified applicants. It also needs to respond to the supply and demand of workers.
2. *Retention.* Competitive compensation prevents excessive turnover.
3. *Equity.* Internal equity requires that pay be related to the relative worth of jobs. That is, similar jobs get similar pay. External equity involves paying workers at a rate equal to the pay that similar workers receive in other companies.
4. *Reward desired behavior.* Compensation should reinforce desired behaviors and act as an incentive for those behaviors to occur in the future.
5. *Control costs.* A sound compensation program helps an organization to obtain and retain its work force at a reasonable cost. Without a systematic wage and salary structure the organization could overpay or underpay its employees.
6. *Comply with legal regulations.* As with other aspects of personnel management, wage and salary administration faces legal constraints. A sound pay program considers these constraints and ensures compliance with all government regulations that affect employee compensation.
7. *Further administrative efficiency.* In pursuing the other objectives of effective compensation management, wage and salary specialists try to design the program so that it can be efficiently administered. Administrative efficiency, however, should be a secondary consideration compared with other objectives (Werther & Davis, 1981, p. 318).

JOB EVALUATION OR CLASSIFICATION

To determine what to pay employees in exchange for their work, some method of evaluating or classifying their duties is needed. As O. Glenn Stahl (1962) pointed out, this need was recognized by the U.S. Senate some 150 years ago:

On the insistence of a number of government clerks urging equal pay for equal work in 1838, the United States Senate was moved to pass a resolution instructing department heads to prepare a "classification of the clerks...in reference to the character of the labor to be performed, the care and responsibility imposed, the qualifications required, and the relative values to the public of the services of each class as compared with the others." (p. 148)

Despite an early recognition of problems in the federal service, Congress did not take comprehensive action to establish classification systems until 1923.

It is the rare exception now to find an organization that does not have some system of organizing positions or functions along with salary

schedules outlining compensation levels. In academic libraries, we find a variety of job evaluation systems in effect. The most common are based on systems developed in business and industry, namely, job ranking, job grading, factor comparison, and point systems. Libraries with faculty and academic status often develop ranking systems for professional positions using the model and often the titles of teaching faculty. The Columbia University Libraries developed a system which combines both traditional position classification and faculty ranking systems (Duda, 1980).

The most common job evaluation systems follow systematic procedures to determine the relative value or worth of a position and generally take into consideration skills, responsibilities, experience, and work conditions. They all involve some degree of subjectivity.

Job Ranking. The simplest and least precise method of job evaluation is job ranking. Specialists review the job analysis information. Then each job is ranked subjectively according to its relative importance in comparison with other jobs. These are overall rankings, although raters may consider the responsibility, skill, effort, and working conditions of each job. It is quite possible that important elements of some jobs may be overlooked while unimportant items are weighted too heavily. Even more damaging, these rankings do not differentiate the relative importance between jobs. For example, the job of a janitor may be ranked as 1, the secretary's job may get a 2, and the office manager is ranked 3. But the secretarial position may be three times as important as the janitorial job and half as important as the job of office manager. The job ranking approach does not allow for these relative differences between jobs. Pay scales based on these broad rankings ensure that more important jobs are paid more. But since the rankings lack precision, the resulting pay levels may be inaccurate.

Job Grading. Job grading or job classification is a slightly more sophisticated method than job ranking, though still not very precise. It works by having each job assigned to a grade. The standard description in the figure that most nearly matches the job description determines the grade of the job. Once again, more important jobs are paid more. But the lack of precision can lead to inaccurate pay levels. The largest user of this approach has been the U.S. Civil Service Commission, which gradually is replacing this method with more sophisticated approaches.

Factor Comparison. The factor comparison method requires the job evaluation committee to compare critical job components. The critical components are those factors common to all the jobs being evaluated—such as responsibility, skill, mental effort, physical effort, and working conditions. Each of these factors is compared, one at a time, with the same factor for the other jobs. This evaluation allows the committee to determine the relative importance of each job. The factor comparison method involves the following five steps:

Step 1: Determining the critical factors.

Step 2: Determining key jobs.

Step 3: Apportioning present wages for key jobs.

Step 4: Placing key jobs on a factor comparison.

Step 5: Evaluating benchmark jobs.

Point System. Research shows that the point system is used more than any other method. This system evaluates the critical factors of each job. But instead of using wages, as the factor comparison method does, it uses points. Although more difficult to develop initially, the point system is more precise than the factor comparison method because it can handle critical factors in more detail. This system requires six steps and is usually implemented by a job evaluation committee or by an individual analyst.

Step 1: Determine critical factors.

Step 2: Determine levels of factors.

Step 3: Allocate points to subfactors.

Step 4: Allocate points to levels.

Step 5: Develop the point manual.

Step 6: Apply the point system (Werther & Davis, 1985, pp. 319-26).

As noted earlier, the problem with these systems is subjectivity. In their study of pay equity, Donald Treiman and Heidi Hartman (1981) observed:

It is important to recognize that job evaluation ultimately rests on judgments. Jobs are described in terms of their tasks, duties, and responsibilities, and these descriptions are rated or ranked with respect to some set of factors. The factor ratings are seldom based on objective information; rather, they represent judgments about such amorphous features of jobs as the responsibility entailed or the experience required. The nature of job evaluation makes it possible for bias to enter at two points: in the writing of the job descriptions and in the evaluation of the descriptions with respect to a set of factors. (p. 77)

Despite the problems inherent in job classification systems, Treiman and Hartman (1981) recognize that job evaluation systems do "provide a systematic method of comparing jobs to determine whether they are fairly compensated" (p. 81). They also recognize the possibility of improving them.

Although the point system method of job evaluation is not void of subjectivity, it is generally considered the most objective. The best known is the Hay System, which was developed by Edward N. Hay and Dale Purves in 1951. It has been applied in some library settings; however, it has not gained wide acceptance in academic librarianship. This may be due to the real or imagined problems academic library administrators see in assigning points to management functions and to the functions of so-called knowledge workers, that is, librarians engaged primarily in collection development, reference, and bibliographic control. Personal experience has demonstrated that this is not necessarily the case. In updating the classification scheme for librarian positions at Columbia in 1985, the professional classification task force recognized certain drawbacks to position-grading systems which "can

lead to inequities and to an eventual erosion of the scheme" (Columbia University Libraries, 1985, p. II-17). To compensate for this, a set of principles or point factors were developed to provide "a more consistent approach in the overall assessment of positions" (Columbia University Libraries, 1985, pp. II-17).

The difficulties in evaluating professional and managerial positions are found, as Paul Pigors and Charles Myers (1977) have noted, in all professions:

[Professional jobs] are much more difficult to describe and analyze in terms of the job content and job factors. Job assignments to many professional people are given on the basis of their individual professional qualifications, and only in large organizations is it possible to describe broad categories of engineering or scientific jobs. This has been called the "generic" approach, which is used in place of either the individual approach or the "career-curve" approach based on professional degrees and years of service. In the latter, the more advanced professional degrees a person has and the longer the service, the higher the salary. Public school teachers are often paid on this basis.

Some authorities believe that managerial positions at the higher levels are difficult to evaluate because the work of the job is so much a function of the individual in it. As one management consultant has said, "It is pointless to talk about evaluating an executive job, when the real evaluation relates to what an individual has made of his job, compared with what others have made of their jobs. In the final analysis, an executive is 'worth' what his superiors believe he is worth." He might have added, "and what other firms might pay him if he left." (p. 368)

The quality and success of a job classification scheme will depend to a large extent on the process used in its design and implementation. Since it is impossible for one person to have all the knowledge and understanding necessary to evaluate all jobs in an organization, a job classification committee can play a critical role in the development of a scheme. The committee should be comprised of appropriate representatives from the organization and conduct its work openly. The latter is particularly important because the more open the scheme is to review by employees whose jobs are affected, the better the likelihood that the scheme will be accepted (Henderson, 1985, pp. 268-69).

DESIGNING A COMPENSATION PROGRAM

The completion or modification of a job classification or evaluation scheme is the first step in designing a compensation program. The authority of the library director in the design and implementation of either job classification schemes or compensation programs will vary considerably, depending on the organizational structure of the institution, the status of the librarians in the institution, and governance. The authority of directors in libraries with collective bargaining agreements and those in the public sector is often limited, and they may face seemingly insurmountable obstacles in both classification and compensation. Academic library directors in private institutions, on the other hand, often have considerable discretion in these areas.

Regardless of local constraints, directors have the most important role to play in establishing and modifying compensation programs. As

chief administrators of the library, they are responsible for meeting the service objectives of the institution. Their success in this effort will depend on their ability to recruit, motivate, and retain high quality staff. They should rely on their library personnel administrators to provide the data and expertise to support their arguments, but they must also understand the dimensions of salary compensation and the factors common to all organizations and to libraries specifically.

Common Organizational Factors

There are a number of factors common to all organizations that should be considered carefully in any effort to design or modify a compensation program (Pigors & Myers, 1977):

1. the quality of employees the organization needs for effective operation,
2. the competition of other organizations for employees of this quality; and
3. the ability of the organization to pay levels of wages and salaries that will attract and hold the people it needs (pp. 334-35).

Internal Differences

An important initial step in designing or modifying a salary program involves a review of existing policy, both institutional and library. Institutional policies generally include the following factors:

1. Minimum and maximum levels of pay (taking into consideration ability and willingness to pay, government regulations, union influences, and market pressures).
2. The general relationships among levels of pay (between nonexempt and exempt senior management and operating management, operatives, and supervisors).
3. The division of the total compensation dollar (i.e., what portion goes into base pay, what portion into benefits, what portion into merit pay or pay-for-performance programs) (Henderson, 1985, p. 379).

Within these general guidelines, the following determinations then have to be made:

1. What is the lowest rate of pay that can be offered for a job that will entice the quality of employees the organization desires to have as its members?
2. What is the rate of pay that must be offered to incumbents to ensure that they remain with the organization?
3. Is it wise or necessary to offer more than one rate of pay to employees performing either identical or similar work?
4. What is considered to be a sufficient difference in base rates of pay among jobs in a class series that require varying levels or knowledge and skills and responsibilities and duties?
5. Does the organization wish to recognize dangerous and distressing working conditions within the base pay schedule?

6. Should there be a difference in changes in base pay progression opportunities among jobs of varying worth?
7. Do employees have a significant opportunity to profess to higher-level jobs? If so, what should be the relationship between promotion to a higher job and changes in base pay?
8. Will policies and regulations permit incumbents to earn rates of pay higher than established maximums and lower than established minimums? What would be the reasons for allowing such deviations?
9. How will the pay structure accommodate across-the-board, cost of living or other adjustments not related to employee tenure, performance, or responsibility and duty changes (Henderson, 1985, pp. 379-80)?

Salary Surveys

Salary surveys are considered an essential step in designing or modifying a salary program. They involve several steps:

1. *Selection of area or industry, and firms or organizations to be included in the survey.* This is frequently a point of difference with unions since the inclusion of low-wage, nonunion firms in the sample will usually cause a particular firm's wage level to compare "favorably" with the community or industry.
2. *Listing key jobs and positions common to most firms in the survey.* Detailed descriptions of these jobs [are needed], so that valid comparisons can be made.
3. *Making a schedule of information to be obtained, e.g., hourly rates or earnings, weekly earnings or salaries, hours worked, shift premiums, other wage and salary supplements, and methods of wage payment.* These data are necessary since the meaning of "wages" and "salaries" often varies in different organizations.
4. *Collection of accurate wage and salary data* on jobs that are essentially similar, by questionnaires, or preferably interviews, in each firm.
5. *Compilation of the wage and salary data for each job, showing the mean or arithmetical average, the median, the range of rates paid, and supplementary wage and salary data.* The data may also be reported by companies or organizations, labeled *A, B, C*, etc.
6. *Finally, presentation of results and recommendations to management* (Pigors & Myers, 1977, pp. 335-36).

Salary surveys may be taken before or during the actual design of a salary structure and are generally considered the most helpful tools in compensation management. They should not be undertaken without thorough review of survey techniques and methodology.

A critical aspect of any salary survey is identifying key or benchmark positions. Simply identifying job keys by title does not provide sufficient information. For example, the scope of responsibilities of an interlibrary loan librarian may vary considerably from one library to

another. To avoid this pitfall a job summary should be developed. This should consist of a clear summary of the job description, which provides information on both the general and specific responsibilities of the position (Henderson, 1985, p. 343).

Fortunately, the library profession has access to important salary data. For many years academic librarians have relied on the annual salary surveys of the Association of Research Libraries which in recent years has been expanded to provide data on ranks and minority status. Another important source of data is the *ALA Survey of Librarian Salaries*, first published in 1982 and expanded in 1984 to include members of the Association of Research Libraries.

There are a variety of informal regional salary surveys in academic librarianship such as those conducted by the Big Ten, the Gnomes (Chicago, Columbia, Cornell, Harvard, M.I.T., Princeton, Stanford, Yale), and the ACRL Personnel Officers Discussion Group. In addition, libraries interested in salary information on specific specialist positions can contract with ARL for the manipulation of their database.

Mechanics of Designing a Compensation Program

Both job classification and salary surveys involve a number of complexities that cannot be mastered without considerable study and the expertise of specialists. Neither can be approached without careful consideration of institutional policies and guidelines. There is much at stake here because the final product carries great weight. It tells employees what value the organization places on jobs, the job and compensation advancement opportunities available, and how competitive the pay practices are with other organizations.

Although librarians might seem to be at a disadvantage when faced with the technical aspects of compensation design, the fact that academic libraries are components of larger institutions or governmental bodies means that compensation specialists should be available to provide the necessary expertise. A brief summary of some of the technical aspects involved in designing a pay structure provides an indication of the complexity involved.

1. *Determining a pay policy line.* A pay policy line is one that best represents the middle pay value of jobs that have been evaluated or classified to have particular worth. It is arrived at through various mathematical formulas.
2. *Deciding on the need for more than one pay structure.* Since there are different forces at play for different occupational groups, different pay structures are required for, for example, clerical workers, unskilled workers, and professionals and administrators.
3. *Identifying lowest and highest rates of pay.* Consideration here must be given to legal issues, such as the Fair Labor Standards Act as well as to the ability of the organization to pay.

4. *Developing pay grades.* Pay grades are basically convenient groupings of a wide variety of jobs or classes similar in work difficulty and responsibility requirements. They provide a link between the evaluation and classification process and the assignment of pay to a particular job or class (Henderson, 1985, p. 343).

After the technical aspects of design have been completed, compensation experts need to review the program to ensure that there is an orderly and logical progression in the structure. This is necessary to ensure that:

1. All jobs have been analyzed and described.
2. Jobs have either been classified or evaluated so that an internally equitable ordering of jobs can be established.
3. Jobs have been located on a scatter diagram and clusters of jobs have been identified so that a first attempt can be made at a potentially acceptable grouping of jobs for classification or grading purposes.
4. One or more benchmark (key) jobs have been identified for each potential pay grade.
5. A survey has been completed in which actual rates of pay and pay range data have been collected. (This is a huge assumption as many surveys are not designed to collect actual rate of pay.)
6. Pay survey data have been analyzed and a summary of the data includes mean and median (50th percentile) rates of pay for each job; 10th, 25th, 75th, and 90th percentile data; lowest and highest rates of pay reported for each job; average established range maximums and minimums for each job; and highest maximum and lowest minimum or reported established ranges (Henderson, 1985, pp. 418-19).

EXTERNAL INFLUENCES ON COMPENSATION

Government Influences

The British Parliament passed a minimum wage act in 1562 (Henderson, 1985, p. 64), but it was not until several hundred years after the beginning of the Industrial Revolution that society began recognizing the inhumane aspects of working conditions. Although President Martin Van Buren issued an executive order establishing a 10-hour day for workers on government contracts in 1840, it was not until after the Civil War that efforts began to reduce working hours and increase wages in the United States (Henderson, 1985, p. 65). Modern legislation dealing with employment and compensation began in the 1930s. The major acts relating to compensation practices may be categorized under the broad headings of wage and hour legislation, income protection legislation, and antidiscrimination legislation (Henderson, 1985, pp. 67-68).

Wage and Hour Legislation. The *Davis-Bacon Act* of 1931 was the first national legislation on minimum wages. It required construction contractors and subcontractors receiving federal funds in excess of \$2,000 to pay at least the prevailing wages in the area.

The *National Industrial Recovery Act* (NIRA) of 1933 was an attempt to establish a national minimum wage. It was declared unconstitutional by the U.S. Supreme Court in 1935.

The *National Labor Relations Act* of 1935 gave employees the right to bargain collectively for wages, benefits, and working conditions.

The *Walsh-Healy Public Contracts Act* of 1936 was another attempt of the federal government to deal with minimum wages. It required that prevailing wages be paid in all government-sponsored contract work exceeding \$10,000 and time-and-a-half for work exceeding eight hours a day and forty hours a week.

The *Fair Labor Standards Act* (FLSA) of 1938 enabled the "federal government to become deeply involved in regulating minimum wages for all employees engaged in interstate or foreign commerce or in the production of goods for such commerce, and for all employees in certain enterprises" (Henderson, 1985, p. 68). It also established wage requirements and defined specific occupations. The Fair Labor Standards Act, as amended, has had considerable impact on wages and hours, including the establishment of the minimum hourly rate.

Income Protection Legislation. Both federal and state governments have become increasingly involved in providing economic protection for the compensation of employees beginning with the enactment of Worker's Compensation in 1911 (Henderson, 1985, pp. 71-79). Other landmark laws enacted are the Social Security Act of 1935 and Unemployment Compensation (Title IX of the Social Security Act of 1935).

Laws relating to pensions are the most recent in the income protection area. The primary ones are the Welfare and Pension Plan Disclosure Act of 1959 and the Employee Retirement Income Security Act (ERISA) of 1974.

Antidiscrimination Legislation and Compensation. Starting in the 1960s, a number of laws and executive orders, based on the Bill of Rights, have been passed that have brought civil rights into the workplace. Those relating most directly to compensation are:

The *Equal Pay Act* of 1963, an amendment to the Fair Labor Standards Act. It is the first federal antidiscrimination law relating directly to women. It requires equal pay for equal work for men and women, defining equal work as that which requires equal skill, effort, and responsibility under similar working conditions. Under the Equal Pay Act, employers can only establish different wage rates on the basis of (1) a seniority system, (2) a merit system, and (3) a differential based on any factor other than sex. All such exemptions must apply equally to men and women (Henderson, 1985, p. 80).

Title VII of the Civil Rights Act of 1964, known also as the Equal Opportunity Employment Act. It prohibits unlawful employment practices including failure to hire, failure to provide employment, or failure to promote because of a person's race, color, religion, sex, or national origin (Henderson, 1985, p. 81).

Equal Pay and Comparable Worth. The concept of "equal pay for work of comparable value" is commonly known as "comparable worth" and "pay equity." Although the terms are sometimes used interchangeably, there are important distinctions. Both the Equal Pay Act and Title VII address discrimination in compensation which is why both acts are considered in cases involving sex discrimination in compensation.

Title VII came into play in discrimination cases because the Equal Pay Act is limited to situations in which men and women do the same or similar work as described in the standards of the act, namely, that the jobs require equal skill, effort, and responsibility. Although the standard for comparing jobs is the same under Title VII as under the Equal Pay Act, the prohibition against discrimination in compensation in Title VII is stated more broadly than in the Equal Pay Act, implying that there may be a broader base of recovery under Title VII. For example:

An individual seeking to redress sex-based wage differentials under the Equal Pay Act must demonstrate that persons of the opposite sex working for the same single establishment are paid higher wages for substantially equal work. Title VII, however, does not contain a "single establishment" requirement. In a Title VII sex-based wage discrimination suit, a bias claimant may properly present to the court evidence that employees of the opposite sex working at separate establishments maintained by the employer receive higher wages for substantially equal work. (Commerce Clearing House, 1986, p. 25)

Comparable worth is fundamentally an approach to expanding coverage of sex discrimination in compensation under Title VII of the Civil Rights Act of 1964. Although there have been more than 100 state and local government initiatives on comparable worth since the late 1970s, no federal legislation has been enacted which identifies and defines a method for determining comparable worth. Recent initiatives dealing with equal pay and comparable worth range from a pay equity study in New York State to the appropriation in Minnesota of \$21.7 million in the spring of 1983 for pay equity increases over a two-year period. (In the spring of 1985, the Minnesota legislature allocated an additional \$11.7 million to complete pay equity implementation for state employees by 1987 [ALA, 1987].)

Treiman and Hartman (1981) recognize that there are no simple answers to the questions raised by comparable worth. They are convinced, however, that bias does exist:

Our economy is structured so that some jobs will inevitably pay less than others, and the fact that many such jobs are disproportionately filled by women and minorities may reflect differences in qualifications, interests, traditional roles, and similar factors; or it may reflect exclusionary practices with regard to hiring and promotion; or it may reflect a combination of both. However, several types of evidence support our judgment that it is also true in many instances that jobs held mainly by women and minorities pay less at least in part *because* they are held mainly by women and minorities. First, the differentials in average pay for jobs held mainly by women and those held mainly by men persists when the characteristics of jobs thought to affect their

value and the characteristics of workers thought to affect their productivity are held constant. Second, prior to the legislation of the past two decades, differentials in pay for men and women and for minorities and nonminorities were often acceptable and were, in fact, prevalent. The tradition embodied in such practices was built into wage structures, and its effects continue to influence these structures. Finally, at the level of the specific firm, several studies show that women's jobs are paid less on the average than men's jobs with the same scores derived from job evaluation plans. The evidence is not complete or conclusive, but the consistency of the results in many different job categories and in several different types of studies, the size of the pay differentials (even after worker and job characteristics have been taken into account) and the lack of evidence for alternative explanations strongly suggest that wage discrimination is widespread. (p. 93)

It is clear that equal pay and comparable worth issues will be the primary area of focus in compensation for some time. In view of the different approaches underway in states such as Minnesota, California, and Washington, it seems that a variety of different methods will be used to resolve salary inequities (Treiman & Hartmann, 1981, pp. 69-90; ALA, 1987).

The American Library Association

The American Library Association, which represents a profession dominated by women, has been active in supporting the concepts of equal pay and comparable worth and is represented on the board of directors of the National Committee on Pay Equity. Through its Office for Library Personnel Resources, ALA provides a variety of information sources on pay equity and is committed to educating members through programs such as the pay equity institute held at its annual conference in 1986 (ALA, 1987). ALA's Office of Library Personnel Resources recently announced plans to develop a casebook that would help library workers document discrepancies and work toward establishing pay equity.

The Influence of Unions

Although there has been a decline in union influence since the 1970s, unions continue to have a strong influence on compensation. Moreover, minorities and women are becoming more active in the union movement, which makes issues of equal pay and comparable worth of particular interest in organizing campaigns and collective bargaining. Unions were in the forefront in making progress in, for example, Connecticut, Washington, and Minnesota. They will continue to be actively involved in issues of equal pay and comparable worth.

MERIT OR PERFORMANCE-BASED REWARD SYSTEMS

Financial incentive systems supplement salary and should be addressed in the design of a compensation program (Werther & Davis, 1985). A variety of incentive systems are common in business and industry—production bonuses, profit-sharing, incentive programs,

commissions—but are not relevant in the academic library environment. Others, such as overtime and shift differentials, generally apply only to individuals in nonexempt classifications.

Merit Systems

The most common financial incentive system found in academic libraries is merit, often referred to in business and industry as “performance-based reward programs.” Merit systems are found in a variety of academic libraries, including those covered by collective bargaining agreements and civil service. There is a great variety in merit pay programs and each organization should consider the variables that apply to its situation when designing or implementing such a program. Among the variables that are particularly applicable to libraries are:

1. ability to specify quality and quantity of good service;
2. employee needs, perceptions, and demands; and
3. external environmental pressures, including consumers of goods or services, market demand for goods or services, legal requirements, and society in general (Henderson, 1985, p. 488).

The Equal Pay Act permits employers to administer merit raises without concern that a differential that may result can be found to be unlawful under the act (Commerce Clearing House, 1986, p. 20).

Performance Standards

The success of a merit system will depend to a great degree on standards which will be scrutinized and analyzed by those affected. All work-related standards, whether they apply to evaluating jobs, establishing pay rates, or assessing work performance, should meet two criteria:

1. *Consistency.* Standards must be consistent; that is, a standard must recognize similar employee inputs by providing similar employer output. (If job knowledge, responsibility requirements, and working conditions are similar, base rates should likewise be similar. Similar work effort by employees having similar skills and motivation should result in comparable piece-rate earnings or performance appraisal ratings.)
2. *Fairness.* Standards must be fair. Whatever the final purpose of the standard, those persons working under its rules must accept it as just and reasonable (Henderson, 1985, p. 489).

A major problem with performance standards is, of course, interpretation. Individual biases in the form of differing expectations come into play which require continual discussion and review to ensure equity and consistent application. Normally the responsibility for interpreting and assessing performance standards rests with management, the chief administrator, and the personnel administrator. The personnel administrator, however, should not have the final say in such matters.

Performance Appraisal Programs

Implicit in any merit system is an ongoing performance appraisal program which may be similar or different from the program used for merit raises. In addition to their function in merit, performance appraisals are important in promotional opportunities within an organization and in identifying developmental opportunities for future advancement. As such, they are an integral aspect of an organization's compensation program.

Responsibility for Merit Adjustments

Line management clearly has responsibility for getting effective results and should be concerned with the wages and salaries paid to those they supervise. Personnel administrators have an important function to perform in the development, implementation, and interpretation of performance standards; but they should not overrule the line. Any disputes between the personnel administrator and a line manager should be referred to the head librarian who can resolve the matter with the appropriate senior administrator.

BENEFITS AND SERVICES

Fringe benefits are an important part of any compensation program and have been the focus of considerable attention in the 1980s because of increased employee needs and the escalation of costs to the employer. It is not uncommon to find employers cutting back on fringe benefits, eliminating some programs completely, or requiring employees to carry a portion of the cost.

It is not uncommon to find that 35 percent of payroll costs—that is, an additional 35 percent of an employee's annual salary—are allocated to benefits. It is predicted that this figure will increase to 50 percent by 1990 (Henderson, 1985, p. 432).

There are five reasons given to explain the spiraling cost of benefits in the past forty years:

1. The imposition of wage ceilings during World War II forced organizations to offer more and greater benefits in place of wage increases to attract new employees and to keep current workers.
2. With the increasing unacceptability of autocratic management and the decline of paternalism, instead of using threats or a variety of protective procedures, organizations have used benefits to gain employee compliance and loyalty, which has resulted in a more acceptable form of paternalism.
3. Possibly the most important reason for the increases has been the rise of union influence and the steady increase of wages to the point where they now satisfy the basic needs of the employees they represent. In turn, this has led to increased interest and bargaining for more and greater benefits.

4. In the 1970s, inflation, rising wage levels, and heavier income tax burdens aroused increased interest in tax shelters at lower levels in the organizational structure. Many employers are now providing an even greater array of benefits than employees consider valuable. This approach reduces the tax burden of the employer and, at the same time, increases the disposable income available to employees by providing benefits and services they would otherwise have to purchase with after tax dollars.
5. More recent changes in public policy to shift the cost burden from the federal government to private sector employers regarding health care services and protection and continuing public concern over the long-term viability of social security have placed even greater pressure on employers to provide more protection in these already costly areas (Henderson, 1985, pp. 432-33).

We will continue to see efforts to restrict the percentage of the payroll that goes to benefits. Many institutions and organizations have recognized the need for cost containment and have either renegotiated their benefits coverage with their usual carriers or contracted with new carriers. The advent of employee spending accounts and flexible benefit plans are the results of efforts of the federal government to bring the rapidly escalating costs of benefits under control.

We usually consider benefits as components of the compensation program that provide protection in case of health-related problems and income at some future date, such as upon retirement or termination of employment. Employee services, which vary greatly, are also part of the total compensation program. The two major elements of employee services are (1) pay for time not worked—holidays, vacation, jury duty; and (2) income equivalent payments (education subsidies, child-care, subsidized housing) and reimbursements for incurred expenses (moving expenses, travel reimbursement).

Although benefits and services are sometimes viewed as the forgotten stepchild of the total compensation package, they have become increasingly more important in the recruitment and retention of staff. They are complicated because of the variety of components and options available, legal requirements, and financial implications. Although benefits present many complexities, it is incumbent upon compensation and personnel administrators to develop a fundamental understanding of benefits so that they can work with the specialists in efforts to provide the best coverage for available dollars.

COMPENSATION ADMINISTRATION

Timely and Proper Administration

A compensation program is not complete until procedures and processes are in place to ensure timely and proper administration. This includes taking steps to ensure that employees understand the nature of

the program. Employees should not have to search for answers to such basic questions as:

1. When is the next pay day?
2. When is the first increase possible?
3. What are the criteria for raises?
4. What are the eligibility requirements for vacations?
5. How long is the first vacation?
6. How many paid holidays are there? What are they? Are there eligibility requirements?
7. What are the criteria for promotions?
8. Are cost-of-living adjustments provided?
9. How are overtime opportunities determined?
10. Is an employee's pay ever reduced (Henderson, 1985, p. 582)?

A great amount of time and money is expended in developing or modifying a compensation program. Its success should not be endangered by a failure to apprise employees of the nature of the program or to take steps to ensure that all payroll transactions are processed in a timely fashion. The latter is often the major flaw in salary administration. Delays in processing payroll transactions can seriously damage the credibility of the personnel office. Regardless of where the snags develop—within the library or in some central institutional office—the library personnel staff should resolve the problem.

Pay Structure Adjustments

Most organizations make annual adjustments to the structure of their salary program. In organizations covered by collective bargaining agreements or civil service, the adjustments are often known several years in advance, and the function of the library personnel administrator is limited to processing payroll adjustments. In organizations where there is more flexibility, it is not uncommon for library directors to take an active part in determining changes in the salary structure, particularly in the program for professional librarians.

Merit Guidelines

When merit increases are a part of a salary program, many libraries follow guidelines to determine adjustments and to assure that salary differentials are based on demonstrated performance. Although merit guidelines vary, they have certain basic characteristics.

- Maximum*: Performs in a superior manner for sustained period of time (“superior” or “distinguished”). Performs in a commendable manner; consistently exceeds fully satisfactory levels of performance for extended periods of time (“commendable” or “fully satisfactory”).
- Midpoint*: Consistently performs all responsibilities in a fully satisfactory manner; is fully trained and normally has from 2 to 4 years of experience on the job (“satisfactory” or “competent”). Performs

responsibilities between a marginal and a satisfactory level. Incumbent is still in a learning stage and has not performed all responsibilities at a fully proficient level for a reasonable period (e.g., 6 months). —*Minimum*: Performs responsibilities at a marginal or less level. If in this pay bracket for more than 24 months, should be assigned or terminated (“unacceptable”). Probationary range (Henderson, 1985, p. 595).

Words like “distinguished,” “superior,” and “competent” are loaded and have different meanings to different people which is why they are in quotation marks. In some organizations, descriptive terms are avoided.

Merit Pay Distribution Schedules

Certain aspects of merit pay distribution seem particularly appealing in the academic environment because of the constraints of available funds. These include a policy for paying different rates of pay to individuals receiving identical merit ratings (Henderson, 1985, p. 596). This generally means that individuals in the upper ranges receive a smaller percentage increase than those in the lower ranges. It is an effective way of rewarding and encouraging less senior staff members.

Forced-distribution rating systems are sometimes used, which require distributing percentage increases according to a predetermined mix which includes limiting the number of superior ratings (Henderson, 1985, pp. 594-96). Forced distribution systems present certain psychological constraints and can create inequities and morale problems if applied too narrowly.

Merit pay distribution schedules based on actual percentages, on the other hand, can be helpful tools in budget planning. The following is an example of such a schedule (Henderson, 1985, p. 596):

MERIT PAY DISTRIBUTION SCHEDULE
(based on actual percentages)

<i>Performance Rating</i>	<i>Distribution</i>	<i>Merit Range Increase</i>
Superior	Top 5 to 10%	10 to 20%
Commendable	Next 10 to 15%	8 to 12%
Satisfactory	Middle 60 to 75%	6 to 10%
Marginal	Next 5 to 10%	0 to 5%
Unacceptable	Bottom 0 to 5%	0%

If there is a relatively consistent interpretation of performance standards in an organization, the distribution schedule often remains relatively the same over several years, although the specific individuals within the distribution will vary.

Other Compensation Administration Issues

There are many other aspects of compensation administration and some mention should be made of several because of their importance to the overall program.

Pay Plan Analysis. *Compa-ratio* is one method of analysis which enables management to assess a compensation program (Henderson, 1985, pp. 603-04). It involves an analysis of pay grades or salary ranges which cannot be done unless midpoints are set and jobs are assigned to pay grades. The *compa-ratio* enables an organization to determine its competitiveness and can be used to analyze the pay treatment of specific groups of employees by such factors as gender, race, or age group.

Guidelines for Promotion and Demotion. There is wide variation in policies on promotion and demotion. To ensure equity it is important to have written guidelines.

Premium Rates and Market Considerations. Major problems for compensation administrators occur when there is a considerable shortage of workers with particular knowledge or skill (e.g., computer specialists). To prevent inequities, these special situations should be recognized in both the classification and compensation systems. Equally problematic are efforts to accommodate so-called "superstars." Such practices are not uncommon in academia, where institutions make a variety of concessions, including compensation, to attract star teaching and research staff. In academic librarianship such negotiations generally only take place with individuals negotiating for directorships.

The Computer and Compensation

Payroll was one of the earliest processes to benefit from computerization, and automated personnel information systems now provide a vast variety of information on payroll, benefits, and other elements of compensation. Libraries often find a need for information not always readily available from the institution's personnel information system. The advent of personal computers with an array of spreadsheet and database systems available at reasonable costs enables the staff in the library personnel office to supplement the institutions' system to meet specific library needs in areas as diverse as budget planning and administration and monitoring performance appraisal schedules and applicant flow data.

RESPONSIBILITIES IN COMPENSATION MANAGEMENT

Line managers have considerable responsibility for accomplishing organizational objectives and should therefore have an appropriate role in compensation management. Their influence in this important area may be quite limited in institutions in the public sector and in those covered by collective bargaining agreements. Regardless of the constraints within the organization, however, senior level administrators and line managers should not be passive observers in the various components that form the basis of an institution's compensation program. The personnel department has an important role to play in compensation administration, but it does not and should not have all the power and the final say in developing, modifying, and administering the program.

The improvement of organizations and institutions is a major challenge of contemporary society. Personnel administrators have an important contribution to make in meeting this challenge. Directors and managers in academic libraries often rely on personnel administrators to resolve problems involving the human resources in the organization in many areas, including compensation. Personnel administrators have a key role in an organization, but that role must be viewed in perspective.

A brief review of contemporary viewpoints of personnel management can help place it in a proper perspective:

1. *Human resource approach.* Personnel management is the management of human resources. The importance and dignity of human beings should not be ignored for the sake of expediency. Only through careful attention to the needs of employees do successful organizations grow and prosper.
2. *Management approach.* Personnel management is the responsibility of every manager. The personnel department exists to serve managers and employees through its expertise. So, in the final analysis, the performance and well-being of each worker is the dual responsibility of that worker's immediate supervisor and the personnel department.
3. *Systems approach.* Personnel management takes place within a larger system: the organization. Therefore, personnel management must be evaluated with respect to the contribution it makes to the organization's productivity. In practice, experts must recognize that the personnel management model is an open system of interrelated parts. Each part affects the others and is influenced by the external environment.
4. *Proactive approach.* Personnel management can increase its contribution to employees, managers, and the organization by anticipating challenges before they arise. If efforts are reactive only, problems may be compounded and opportunities may be missed (Werther & Davis, 1985, p. 25).

Implicit in all these viewpoints is the limited role of personnel administrators. They play a critical role as resources to their directors, but it is the directors who carry the final responsibility for developing or modifying compensation programs not only for professionals but for all members of the library staff.

APPENDIX A

Developing Compensation Systems in Academic Libraries Exercise: Salary Equity Analysis (Columbia University, 1978)

BACKGROUND

As part of its affirmative action analysis for the federal government, University *X* is required to undertake a salary equity analysis to determine whether, and the extent to which, women and minorities have been subjected to salary discrimination by reason of their sex or ethnicity. With respect to professional librarians, the examination will be conducted through a four-step analysis.

Step 1: Determination of Counterparts

The analysis will begin by identifying, for each female and minority person, one or more white male counterparts, determined on the basis of objective factors to be developed in consultation with the university librarian. If one or more of the males match the female or minority person with respect to all of the objective factors, those white males will be considered counterparts of the female or minority person.

The librarians at University *X* are not unionized and have academic status. The counterparts for librarians are determined initially by rank:

Librarian Instructor (Rank I)
Assistant Librarian (Rank II)
Associate Librarian (Rank III)
Librarian (Rank IV)

Step 2: Mechanical Screening

The salary, as of May 1, 1987, of the female or minority person (averaged with the salaries of other female or minority persons who are also counterparts, if any) will be compared with the mean (average) and the median of the white male counterparts. If it is more than 5 percent below either, the case will be considered a situation that warrants further scrutiny and will be analyzed in detail under step 3. If there is no counterpart for the female or minority person, no further analysis will be conducted.

Step 3: Analysis of Nondiscriminatory Factors

Every case identified for further scrutiny will first be examined to determine whether that person's relative salary position is attributable to certain nondiscriminatory factors which will be examined for their relative impact. Where discrepancies remain unexplained by objective factors, the analysis will turn to judgmental factors. Throughout this analysis, differences of 5 percent or less will be considered *de minimis*.

Step 4: Determination of Appropriate Salary Adjustments

Where a salary discrepancy is not fully explained by the analysis of factors in step 3, each situation will be reviewed to determine an appropriate salary in light of the analysis in steps 2 and 3. A salary adjustment will be made after consultation with the appropriate dean or other administrative officer.

Committee Assignment

You have been appointed by the university librarian to a committee to recommend relevant factors to be considered in the salary equity analysis for professional librarians. Your specific assignment involves:

1. Identifying nondiscriminatory objective factors that justify a salary differential among counterparts.
2. Identifying nondiscriminatory judgmental factors that justify a salary differential among counterparts (Columbia University, 1978).

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