

Toward Human Development: Integrating Just Wage Principles in the Administrative Staff Compensation Program at the University of St. Thomas

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In their article, “The Integrity of a Catholic Management Education,” Michael Naughton and Thomas Bausch proposed areas of integration that they believed were essential for management education at a Catholic University.¹ I found the integrating area “Management as a Profession: Integrating Principles and Techniques” to be of particular interest to me. Naughton and Bausch wrote:

If management education is to be a form of professional and lifelong learning, then it must also engage the student in the essential dimensions of how their skills and techniques can be ordered toward human development.²

Being in the midst of reviewing our compensation program at the University of St. Thomas (which technically began a few years ago), I wanted to provide an overview of how our compensation practices might be “ordered toward human development.” Specifically, this paper will focus on how the compensation philosophy and pay practices for administrative staff at the University of St. Thomas could better reflect a commitment to promote the economic, spiritual, and moral development of employees, in the Judeo-Christian tradition. Particular consideration will be given to the issue of compensation that is “living, equitable, and sustainable.”³

Numerous studies have shown that surveys of employees indicate that at least 50% will report that they are dissatisfied with their pay.⁴ Author Peter Block in his book *Stewardship* wrote:

We have energy about pay that far transcends what you would expect from an economic transaction between employee and employer. Our feelings about it rank right up there with births, weddings, and the big bang theory. Looking at our paycheck, we draw conclusions about self-worth, justice in the work, our political and economic system and our personal security.

All of this makes examining and trying to improve a pay system quite a daunting task. Certainly there are no magic formulas for ensuring that wages are “living, equitable, and sustainable” nor ensuring that there will be 100% agreement or satisfaction with pay and pay practices. Nevertheless, within our institutional mission as a Catholic university, it is our moral responsibility to ensure that we follow just principles when administering pay programs.

In his essay, “Managers As Distributors of Justice: Taking Seriously The Subjective Dimension of Work,” Michael Naughton indicates that in order to determine whether wages are just in the Judeo- Christian tradition, the answers to the following questions must be examined:

Is it a living wage (need)?

Is it an equitable wage (contribution)?

Is it a sustainable wage (order)?⁶

The following is an examination of the principles of need, contribution, and order as they relate to pay practices for staff at the University of St. Thomas.

A Living Wage: The Principle of Need

John A. Ryan wrote in his classic book, *A Living Wage*,

All persons are equal in their claims upon the bounty of nature; this general right of access to the earth becomes concretely valid through the expenditure of useful labor; and those persons who are in control of the goods and opportunities of the earth are morally bound to permit access thereto on reasonable terms by all who are willing to work. In the case of the laborer, this right of reasonable access can be effectuated only through a living wage.⁷

What then is a “living wage”? What each individual considers a living wage can vary widely. We hear about entertainment industry and sports personalities filing for bankruptcy when they have incomes in excess of several million. Clearly their definition of a living wage would be quite different from the single mother trying to raise two children on a minimum wage salary. A living wage is not the Federal minimum wage. Ryan stated that the living wage should be “at least the amount of income which is necessary for decent living and reasonable self-development.”⁸ Naughton describes the living wage as:

The minimum amount due to every independent wage earner by the mere fact that he or she is a human being with a life to maintain and a personality to develop.⁹

Certainly a living wage must be sufficient to provide for basic needs such as housing, food, clothing, health insurance, pension, leisure, and other general living expenses.

As a start, we might consider the recent work of others exploring the concept of a “living wage” versus “minimum wage.” A few years ago, a pastor of a downtown Baltimore church noticed that a number of the people at the food shelf of his church had full time jobs, but couldn’t live on what they were making. He, along with other pastors in the area, decided to push for a city ordinance requiring companies with city contracts to pay

their workers a “living wage.” That law went into effect a year ago and was the beginning of the recent “living wage” movement. Community activists in St. Paul obtained more than twice as many signatures as needed to place a livable wage initiative on last year’s November ballot. The proposed wage was \$7.21 an hour, which was to lift a family of four above the poverty line. (So far advocates for a living wage have targeted companies with city contracts so the minimum wage of \$4.25 an hour would remain the same for most private sector companies.)¹⁰

At one local company, Reell Precision Manufacturing, a Salary Review Committee established a target wage of \$10.91 an hour, which they had determined to be a just living wage, while the minimum wage paid at the company continued to be the market rate of \$6.80 an hour. However, employees have the opportunity to increase their skills in order to eventually reach the “target” wage.¹¹

The average wage for hourly staff at the University of St. Thomas is around \$11.25 an hour with a minimum rate being paid at \$7.00 an hour.¹² It would be important for us to determine what we believe a just living wage is for employees at the University and establish our own target wage. This does not mean that we must pay above the going market rate for a particular position, but it does mean that we must provide development opportunities for employees (who wish to take advantage of these opportunities) to increase their earning potential to the target wage.

The Equitable Wage: The Principle of Contribution

We cannot be concerned about paying a base living wage only. A living wage concerns the consumptive needs of employees and does not mean it is an equitable wage. An equitable wage is “the contribution of an employee’s productivity and effort within the context of the existing amount of profits and resources of the organization.”¹³

All positions at the University are currently evaluated using the Hay Evaluation System. Positions are evaluated and assigned points based on certain factors. The higher the points are, the higher the pay is. The evaluation factors fall under the following categories:

Know How: What managerial, technical, and human relation skills are required for the position?

Problem-solving: What level of critical thinking skills are necessary for the position? What are the “thinking challenges?”

Accountability: What impact does the position have on the institution? (This factor includes financial and non-quantifiable measures). What is the magnitude of the decisions made? How much “freedom to act” is allowed in the position?

This is an excellent method for determining comparable worth of positions and determining market value; however, the plan ignores what an individual brings to the position outside of the evaluation factors and how well the individual performs in the position. This system requires an individual to assume more responsibility in a hierarchical fashion, rather than acquire more skills or proficiency in his/her position, in order to receive more pay. The opportunities to move up the hierarchy are not always available or in some cases, it might not be the best move for the employee (or the University).

For maximum employee development and organizational effectiveness, employees cannot be tied to a non-changing set of duties listed in a job description. The system needs to be modified to include the ability to be paid for working or managing better in a position, or moving (transferring) laterally. Employees who learn additional jobs or tasks in a department or unit should be paid for their contributions and competencies rather than for only the specific job requirements for the position they hold or are assigned. Modifying the current system to pay for increasing one's skills and competencies that increase organizational effectiveness can enhance the flexibility of the workforce, flatten the hierarchy, promote support for teams, and demonstrate a concern for employee development.¹⁴ Under this model, there would also need to be a long-term commitment to training in order to provide the resources necessary for employees to acquire knowledge and/or skills.¹⁵

Employees can also be paid for their contributions through a merit pay program. Survey results from UST administrative staff employees concerning merit pay indicated that half of those surveyed favored having a merit pay program and half were not in favor of merit pay. Strong differences of opinion existed. A committee formed to review the issue of merit pay concluded that decisions concerning merit pay needed to be discussed at the departmental level. It was believed that this approach would enhance the collaborative involvement of all employees in important decisions that affect them, thereby enhancing the participative process already begun by a new performance appraisal program. An "Outstanding Achievement Award" program was implemented whereby departments could decide to either grant individual or team merit awards, or distribute the merit pool equally among all departmental/unit employees or groups of employees. Although close to 50% supported having a merit pay program, 20% of the employees received performance awards. The remainder distributed the pool equally among themselves.

There were some fatal flaws in the program, however. For smaller departments or units (less than 10 employees) the committee had asked the Vice Presidents to pool smaller departments for merit pay purposes. Some tried to make natural groupings where none really existed. (This was a problem particularly in Academic Affairs where the department secretaries for example, do not yet work in a team environment with other department secretaries). There also occurred an inequitable distribution of merit dollars (i.e. some groupings/departments are much larger than others which allowed those in larger units the opportunity for higher merit awards). Finally, there was not a way to recognize "cross-functional" teams or teams consisting of members from various departments on campus.

As a result of these flaws, the program was revised. Under the new program, merit moneys are not allocated to individual departments or units. Rather anyone can submit a merit award nomination for a department, team, or individual (including self-nominations). The ultimate decision concerning the payment of the awards rests with the Provost who reviews the nominations and the comments provided by Division heads. The distinguished performance award criteria remain the same.¹⁶ One of the best and most encouraging signs of this program is the granting of team awards, particularly to cross-functional teams. Cross-functional teams bring groups of employees together from different areas to work together for the good of the university. An emphasis on team achievement rather than focusing only on individual achievements moves individuals to focus more on the common good than on their own self-interests. Monetary rewards then become a form of gainsharing.¹⁷

A Sustainable Wage: The Principle of Economic Order

Certainly the ability of an organization to maintain viability is important when reviewing pay practices. The principle of economic order can be defined as “the employer’s ability to pay wages that are sustainable for the economic health of the organization as a whole.”¹⁸ We need to ensure that we can continue to invest money in programs that will enhance our institutional commitment to provide a quality education for our students. We also need to continue to examine how the pool of money is designated for wages and benefits every year. Naughton states:

The integration of a just and strategic pay will occur not through some technique or plan, but through the way individual managers “think” through the process.¹⁹

In times of crises, all must be willing to make sacrifices. We should not look only at those who are in the lower level positions when considering controlling labor costs. The wealth of an organization is created at every level of the organization, not just by the higher level positions. “If the leadership of the company can create conditions which foster the development of people, and respond to a crisis justly and competently, a work community can be strengthened by the sacrifices given.”²⁰

Concluding Comments

In studying the results of employee surveys on the issue of merit pay at the University and the recent survey on the performance appraisal plan, it became evident that a “one size fits all” mentality about pay and performance evaluation does not work here. One survey respondent commented:

It feels like we have so many different shaped pegs trying to fit into the same shaped hole. I certainly don’t envy your position of trying to help either reshape the pegs or stretch the hole so the different shapes can slide in. The problem with stretching the hole

is that a square peg sliding through a big round hole still won't feel as good as if it could slide through a square hole.

There are many very diverse departments and staff positions at the University. There are hourly (skilled and unskilled), salaried (professional and technical), supervisory (first line and middle), and administration (deans, directors, and vice presidents). All of these employees have their own diverse backgrounds and expertise they bring to the University. Leaders in departments and units need to have the freedom, with guidance and within a framework, to explore ways to develop and reward their employees. In this endeavor, we must move beyond a philosophy of just attracting and retaining competent employees. Our philosophy must include the application of the principles of just wages in the Judeo-Christian tradition and we must continue to promote the development of people. Further study on establishing a target living wage is also necessary. This is not an easy undertaking. Nevertheless, it is our moral responsibility. As Ryan wrote in 1906:

If there exist moral rules and rational principles applicable to the problem of wage justice, it is our duty to state and apply them as fully as we can. Obviously, we shall make mistakes in the process; but until the attempt is made, and a certain (and very large) number of mistakes are made, there will be no progress. We have no right to expect ready-made applications of the principles from Heaven.²¹

These words are still applicable today. I am encouraged to continue to explore the application of the principles discussed in this paper and I invite continuing dialogue on this issue with other members of the St. Thomas community. As a Catholic University, we have a rich intellectual tradition called the Catholic social tradition. If we can draw on this tradition, we can develop a compensation program that is not only technically competent, but morally sound.

Endnotes

1. Michael J. Naughton and Thomas A. Bausch, "The Integrity of a Catholic Management Education," *California Management Review*, 38, No. 4 Summer 1996, p.3. The four integrating dimensions are: Management as Liberal Learning: Integrating liberal arts and management education; Management as a Vocation: Integrating faith and work; Management as a Profession: Integrating principles and techniques; Management as Service: Integrating management and society.

2. Naughton and Bausch, p.9.

3. Michael Naughton, "Managers as Distributors of Justice: Taking Seriously the Subjective Dimensions of Work in Pay Strategies," p.4. This paper was presented at the John F. Henning Institute's inaugural conference, Labor, Solidarity and the Common Good. I am especially grateful to Michael Naughton for his insights into pay strategies as they relate to the Judeo-Christian tradition, most notably the Catholic social tradition as

presented in his essay. The just wage principles and many of the ideas presented in my paper are drawn from Professor Naughton's work in this area and my discussions with him on this important topic.

4. Edward E. Lawler, III, Pay and Organizational Development (Reading: Addison-Wesley, 1981), p.4.

5. Peter Block, Stewardship (San Francisco: Berrett-Koehler, 1993), p. 161.

6. Naughton, p.5.

7. John A. Ryan, A Living Wage (The MacMillan Co., 1906; reprinted in Economic Justice, Louisville: Westminster John Knox Press, 1996), p. 157.

8. Ryan, p.166.

9. Naughton. p. 7.

10. William Bole, "Citizens Define Their Own "Living Wage," American News Service, ans-1.html@americannews.com ans-1.html@americannews.com (1996), 1-3.

11. Naughton, 9-10. Concerning Reell Precision Manufacturing, Naughton states, "This idea of a target wage was informed by the founders' deep sense of stewardship they have for the growth of employees."

12. The wage breakdown for hourly employees follows:

Wage Per Hour	Percentage of Employee
\$7.00 - \$8.99	2%
\$8.00 - \$8.99	9%
\$9.00 - \$9.99	16%
\$10.00 - \$10.99	16%
\$11.00 - \$11.99	12%
\$12.00 - \$12.99	14%
\$13.00 - \$13.99	16%
\$14.00 and up	15%

13. Naughton, 12-13.

14. Edward E. Lawler, III, "Paying People, Not Jobs", ACA News, May 1997, pp.24-26.

15. Thomas P. Flannery et al, People, Performance, & Pay (New York: The Free Press, 1996), p.90.

16. Merit nominations are accepted for departments, teams, or individuals who have demonstrated exceptional performance or achievement in one or more of the following areas: For a single unique project or outstanding accomplishment; For outstanding service far exceeding expectations; For outstanding achievement in furthering the academic mission of the university; For exceptional stewardship of resources; For outstanding innovation; For outstanding promotion of leadership and collegiality.

17. Block, p. 163.

18. Naughton, p. 16.

19. Naughton, p.19.

20. Naughton, p. 20.

21. Ryan, p. 135.