UNDERSTANDING SALARY GUIDES: PART I

THE IMPORTANCE OF SALARY GUIDES TO THE BOARD

The salary guide is the method used to compensate teachers and most other school district employees throughout New Jersey. The salary guide affects not only the district's financial resources, but also the district's personnel resources. The composition, or the structure, of the guide directly and indirectly affects the board's ability to meet many of its management goals, such as attracting new hires to the district, retaining excellent employees in the district, encouraging the desired amount of continued academic preparation, and appropriately compensating staff members. The structure of the guide can also have strategic implications for the construction and negotiations of successor salary guides. For all of these reasons and more, it is critical that boards thoroughly understand their salary guides prior to going to the bargaining table.

This article, which is the first in a series on this topic, will provide a conceptual overview of salary guides: the anatomy of a guide, the structure and cost, the effect on district needs, the purpose of analysis, and some approaches for achieving the board's salary guide goals. Subsequent articles in this section of *The Negotiations Advisor* will focus on the "how to's": how to analyze a salary guide, how to use the results of the analysis to establish bargaining goals for successor guides, and how to use various tools to restructure the guide. Throughout this series, a sample guide—"our" guide—will be utilized for illustrative purposes. Note that while this article focuses on teacher salary guides for discussion purposes and examples, most of the concepts are applicable to salary guides for other employee classifications as well.

The Salary Guide: An Approach to Compensation

The salary guide establishes the district's compensation policy for the classification of employees it covers. While it is not the only way in which employees may be compensated (e.g., another method could be salary ranges with minimums and maximums, possibly a mid-point, but no incremental steps), the salary guide approach has become an almost universal method of compensating teachers.

In New Jersey as well as throughout the United States, school employee unions (and to a lesser extent, school management) have demonstrated a strong preference for salary guides. Union philosophy contends that the salary guide approach treats employees consistently, fairly, and equitably (not always true, but typical union rhetoric). In addition, from the employee's perspective the standardized guide structure suggests a certain level of predictability of future guide advancement and anticipation of potential future earnings.

While there is no question that a salary guide limits board's discretion in compensating employees, the guide's standardized approach can also hold some benefits for management. Because of the specific rules and guidelines for paying employees, decisions about how much to pay existing staff as well as new hires are relatively straightforward. Although some districts have negotiated discretion in placing new hires on the guide, in general districts do not need to wrestle with the difficult decision of how much to compensate staff since salary guides, by their very nature, establish guidelines for paying employees based on experience and educational attainment. As a result, there is a lesser likelihood that compensation decisions will become a source of dispute within the management team or that employees and their unions will claim that individual salary rates have been set arbitrarily, capriciously or discriminatorily. A salary guide provides school management with a consistent, uniform compensation policy.

The standardized format of compensating school employees on the salary guide does not eliminate boards' ability to meet district needs and to achieve boards' personnel goals. Rather, boards that understand salary guides know that the structure of the guide can help, or hinder, their ability to meet their personnel goals. And they know that the salary guide (including the guide structure) can be changed through negotiations. While the existing guide structure can create employee expectations that can present some interesting challenges in negotiating changes to the guide, boards can meet the challenge by thoroughly understanding their guides, by establishing bargaining goals for successor guides, and by planning their bargaining strategy to achieve those goals. Meeting that challenge begins with a thorough understanding of how a salary guide works.

Anatomy of a Guide

The salary guide establishes a method of compensating staff that provides a certain uniformity, consistency and predictability. The standard salary guide approach uses a rectangular grid in which the columns represent different levels of educational preparation (e.g., Bachelor's degree, Master's degree, Master's degree plus 30 additional credits, etc.) and the rows (or steps) relate to various levels of experience in the profession or in the school district.

"Our" district's expiring guide, as shown in Example 1, has 17 steps and three columns: BA, MA, and MA+30.

EXAMPLE 1

OUR EXPIRING SALARY GUIDE

Step	BA	MA	MA+30
1	45,800	47,800	50,800
2	46,100	48,100	51,100
3	46,400	48,400	51,400
4	46,700	48,950	52,200
5	47,000	50,000	52,500
6	48,500	51,500	54,000
7	50,000	52,000	55,500
8	51,800	52,600	57,800
9	53,800	54,700	59,800
10	56,000	57,500	62,000
11	58,300	63,300	64,300
12	60,700	65,700	67,700
13	63,200	68,200	70,200
14	66,200	70,200	76,200
15	70,200	70,800	80,200
16	74,700	74,900	84,700
17	79,700	87,700	89,700

This guide tells us that, in this district, teachers on Step 10 holding less than a Master's degree are being paid on the BA column at an annual salary rate of $56,000. The guide also indicates that, subsequent to attaining a Master's degree, those teachers may be entitled to move to Step 10 of the MA column, in which case their salary rate will increase to $57,500.

In addition to indicating salaries that will be paid during the current year, salary guides have traditionally held expectations for annual increases, based on the attainment of one additional year of experience. For example, teachers on Step 10 may expect to receive an increase in salary next school year simply based on attaining an additional year of experience and moving to Step 11. *However, it is very important to understand that, although in the past, movement through the guide was based on additional experience, this is no longer necessarily the case.* For several decades, districts have been restructuring their guides; consequently, step numbers and advancement on the guide may no longer directly correspond to years of experience. In some districts, the parties may negotiate alternative movement on the guide, such as no movement at all for the life of the new agreement, or perhaps only one step advancement over the life of a multi-year agreement. And teachers with differing amounts of experience may be placed on the same step.

Terminology

In understanding salary guides, it is necessary to become familiar with the terminology associated with guides. Some of the most commonly used terms follow.

Differential refers to the difference between the salary rates at the same step on two adjacent columns. A differential is the additional salary that an employee would receive for placement on the next column as a result of increased academic preparation. Example: on "our" sample expiring guide, the differential between BA step 1 ($45,800) and the MA step 1 ($47,800) is $2,000.

Increment refers to the difference between two consecutive salary rates on the same column. An increment is the additional salary that an employee would receive if that individual advanced one step on the expiring salary guide. Example: the increment value between BA step 1 ($45,800) and BA step 2 ($46,100) is $300.

Number of Increments indicates the number of movements required to travel from the minimum salary rate to the maximum salary rate on a given column. The number of increments is one less than the actual number of steps. Example: in our sample guide, the number of increments is 17–1, or 16.

Cost of Increments refers to the increased cost that would result if employees were advanced one step on an expiring guide. It is the cost of moving staff on the guide only, and does not reflect the distribution of any additional money on a successor guide.

Structure refers to the overall composition of the guide, that is, the minimum and maximum salary rates, the pattern and size of the increments, the pattern and size of the differentials, the length of the guide, and any aberrations (such as "balloons").

Balloon or "bubble" refers to an inordinately large increment. Example: there is a balloon of $5,000 between BA step 16 and BA step 17.

FTE refers to the number of full-time equivalent employees which is based on an employee's full-time or part-time status: each full-time employee is counted as 1.0, and each part-time employee is counted at his/her decimal equivalent (e.g., 0.5 for a half-time employee, or 0.6 for an employee who works three days a week).

Distribution of the Salary Increase refers to the way in which the negotiated salary increase is allocated to FTE throughout the guide. The increase may be distributed as a flat dollar amount for each FTE or a flat percentage amount, or by using some other approach that results in different amounts being granted to different FTE on different steps of the guide.

EXAMPLE 2

EFFECT OF GUIDE LENGTH ON SIZE OF INCREMENTS

1	45,000 1,000	45,000 2,000
2	46,000 1,000	47,000 2,000
3	47,000 1,000	49,000 2,000
4	48,000 1,000	51,000 2,000
5	49,000 1,000	53,000 2,000
6	50,000 1,000	55,000 2,000
7	51,000 1,000	57,000 2,000
8	52,000 1,000	59,000
9	53,000 1,000	
10	54,000 1,000	
11	55,000 1,000	
12	56,000 1,000	
13	57,000 1,000	
14	58,000 1,000	
15	59,000	

The "structure" of the guide refers to the overall composition of the guide including minimum and maximum rates, length of the guide, size and pattern of increments and column differentials. (See the Terminology box for definitions.) Whereas, increments reflect possible future earnings based on additional experience and vertical movement through the guide, column differentials reflect possibilities for additional earnings based on continuing education and horizontal movement across the guide.

The salary rates on the guide are related to each other by the guide's length, its increments, and its differentials. For example, the length of the guide (i.e., the number of increments) not only affects how quickly a teacher travels through the guide to maximum, but it can also affect the size of the increments. Longer guides (i.e., those with a large number of increments) tend to have smaller increment values, while shorter guides (those with a fewer number of increments) will more likely have larger increment values. Example 2 illustrates how the length of the guide can affect the size of the increments. Although the minimum rate and maximum rate are the same on both of these guides, the length of each guide is different, and this affects the size of the increments. The longer guide (Guide A) has increments of $1,000, whereas the shorter guide (Guide B) has increments twice that size, $2,000.

Depending on staff placement on the guide, a fewer number of increments can result in a large built-in cost of increment, which has economic and bargaining strategy implications (discussed later in this article). Also, a guide that has fewer increments may mean that employees will reach the maximum salary rate in fewer years; thus, a shorter guide may have more staff at the maximum salary rates, resulting in an overall higher salary cost for the board.

A better understanding of the relationship among salaries on the guide will be gained when performing a structural analysis of a guide. A description of how to analyze the structure of the guide is provided in Part II of this series of salary guide articles. However, here it is important to understand why assessment of the guide's structure is so critical.

Impact of Guide Structure on District Needs

The interrelationship of salaries on the guide can have a profound effect on a board's ability to address district personnel goals. While each district's personnel goals can differ at any point in time based upon the district's immediate and anticipated needs, all districts need to assure that their compensation policies support their ability to address several major goals of school management:

- To meet basic staffing needs: to attract, to retain and to compensate employees;
- To provide the desired level of incentives for increased academic preparation;
- To provide a logical, rational relationship between district salary rates and to avoid aberrations such as balloons;
- To provide relatively equitable salary increases to staff throughout the guide.

The following discussion of management goals presents general considerations for boards. However, each board will need to determine for itself what its own goals are and how to address those goals based on the particular circumstances in its district.

Basic Staffing Goals

What are boards' staffing goals? As mentioned, these will vary from district to district. In spite of variations among districts, all districts' staffing goals are ultimately based upon the same underlying principles that control employers' personnel needs. Boards need to assure their ability to attract quality staff when hiring. Boards need to be assured that they will be able to retain the staff they value and not lose them to other districts or to other pursuits. Boards need to compensate staff in a way that is consistent with the district's principles, values, and financial resources.

All of these board goals can be helped or hindered by the structure of the salary guide.

Attracting highly qualified individuals for employment both now and in the future is a goal of every employer. While there are a variety of factors that are considered by prospective employees (e.g., the entire compensation/benefits package, facilities, location, and the reputation of the district), starting salary and the potential for future earnings, particularly during the first few years of employment, are generally a high priority to candidates. Even in an era where the supply of candidates is much greater than the demand and boards have a very large pool of candidates from which to choose, boards cannot be certain that they will be successful in recruiting their preferred candidates. Top notch candidates may choose positions in other districts that have better starting salaries or better potential for future earnings.

Thus, as part of its assessment of its salary guide, a board will want to determine whether its starting salaries are competitive enough to attract quality candidates to the district. Even boards that have stable staffing patterns and are not currently in the position of hiring new staff may want to maintain their competitive standing to be able to attract high quality teachers to the district in the future.

Some boards neglect minimum salaries when the district is not in a hiring mode based on the assumption that low minimums can be easily made more competitive in future years when there is a pressing need. However, such may not be possible because of the impact a sudden and sharp increase in minimums would have on the rest of the guide. Also, some boards believe that non-competitive starting salaries are not a problem because potential candidates may be placed on the guide at a higher step than experience warrants; but this often is not possible given constraints that exist in contract language and in past practice. Thus, maintaining competitive minimums should be an ongoing goal for boards. Having said that, the Board should be guided by the district's history of attracting qualified staff. There may be no need to raise the minimum to state or other averages. If a district's minimum salaries have been below the averages, but it has not experienced hiring problems, a minimum below the averages may be desirable.

Retaining quality staff is another important management concern. Some districts find that they do not necessarily have a problem recruiting high quality new staff but do have a problem in retaining really good existing staff. Again, there may be a variety of reasons for this, one of which could be the salary guide. Some districts have competitive minimum salary rates but have small increments at early steps which result in depressed salaries for other less senior staff. If surrounding districts have more competitive salaries at the early steps, a district may find that some employees (particularly those in disciplines of greater demand) are being lured away by better salaries elsewhere. In some cases, potential candidates for employment in a district may choose employment elsewhere if the district's guide shows depressed salaries at early steps. (Of course when the supply of teachers in the job market is much greater than the demand, boards may not find attraction and retention of teachers to be a pressing concern.)

In addition to the guide's incremental pattern, a guide's increases for educational achievement (differentials) may affect a district's ability to retain staff. Very small differentials throughout the guide may result in less competitive salaries for staff with advanced degrees and may contribute to those teachers' decisions to seek employment in another district. Clearly, a district's ability to retain staff is closely linked to its ability to provide appropriate financial compensations.

Compensating staff appropriately is the third basic staffing goal of management. For many years, teaching staff salaries were perceived to be rather low compared to other professions; however, over the past several decades, this perception has been reversed. In general, the public believes that teachers are well compensated for their work. Nevertheless, boards will want to review their salary guides to ascertain whether staff are being appropriately compensated throughout the guide. In analyzing its salary guide, a board may find that some areas of the guide seem to provide more than adequate salaries, while other areas of the guide are lacking. The board will want to determine whether these internal inequities have had an adverse impact on district needs and goals and whether such inequities should be addressed when successor salary guides are constructed.

Clearly, the guide structure has a pervasive effect on the district's staffing goals. In addition, to these basic personnel goals, the board must consider other more specific goals that interrelate with staffing goals, such as adequate advanced academic preparation, logical relationships among salaries on the guide, and distribution of the salary increase.

Adequate Incentives for Academic Preparation

Most teacher salary guides have more than one column. The columns beyond the Bachelor column indicate salaries paid to teachers with increased academic preparation. For example, the guide may pay greater salaries to teachers with 30 credits beyond the Bachelor degree, or with a Master's degree, or a Master's degree plus 30 credits, or a doctorate. Movement across the guide to columns compensating greater educational attainment is known as "horizontal movement."

A board will want to assess whether the number of columns and differentials between columns are meeting district needs. In making this assessment, several factors will need to be considered. First, the board will need to decide how much, and what type of, additional academic preparation beyond the BA it considers desirable. Then, the board will need to assess whether teachers are continuing to further their education to the extent that is consistent with the board's goals. If they are not, the board will want to examine whether or not the guide is serving as an incentive to support the coursework preferred by the board.[1]

Of course, boards will need to balance the educational benefit of staff's greater academic preparation against the additional cost of providing horizontal movement on the guide. If there are many columns and/or large differentials between columns, these "rewards" or "incentives" for continued educational attainment can be very expensive (also true for the cost of tuition reimbursement). Boards that are concerned about the high cost of horizontal movement on the guide or about the type of coursework being rewarded may want to consider negotiating limitations on the types of credits that would apply toward horizontal movement on the guide.

If a Board no longer feels it needs to offer as much incentive for advanced course work, it can seek to negotiate lower differentials or fewer columns.

Logical Relationships Between Salaries on the Guide

Ideally, a salary guide should have some consistency, logic or reason behind its pattern of increments and differentials. For example, there may be a pattern of constant dollar or constant percentage increments throughout the guide (as illustrated in Guide A in Example 3). Or there may be a pattern of increasing increments (see Guide B in Example 3). Or there may be no discernible pattern at all, perhaps best described as a haphazard pattern (see Guide C in Example 3). Based on Guide C, one may ask: why should one additional year of experience be worth $1,500 for teachers moving from Step 5 to Step 6 and $500 for teachers moving from Step 6 to Step 7? Of course, there are some guides that may appear to have no discernible pattern when, in fact, there is a rationale behind the approach which may not be readily apparent.

There may also be aberrations in the pattern of differentials. Referring to the two-column guide in Example 4, one may ask: why is someone at Step 14 of the BA column who obtains their Master's degree paid an additional $4,000 when someone at Step 16 of the BA column receiving their Master's degree is only paid an additional $200? There frequently is no answer to such questions because aberrations often develop over the years as a result of distribution of salary increases that focused on areas of the guide where existing staff (or particular individuals) were placed, and that did not take into account the effect on the overall guide structure.

1 Guide structure is not the only contractual factor affecting ongoing educational experiences. Boards that wish to encourage formal graduate studies, rather than workshops or the type of activities that fulfill the State's continued education requirement, will also want to check their tuition reimbursement clauses and the type of educational development it credits for horizontal movement. For more information on this topic, please see *The Negotiations Advisor* article "An Analysis of Professional Development Clauses" in the Selected Contract Clauses section. Also note that 18A:3-15.3, passed in 2010, requires that for additional education to be eligible for horizontal movement the coursework must be taken at an accredited institution (as defined by the New Jersey Department of Education) and the coursework must be related to the employee's current or future job responsibilities.

EXAMPLE 3

DIFFERENT INCREMENT PATTERNS ON DIFFERENT GUIDES

Step	GUIDE A	GUIDE B	GUIDE C
1	45,800 1133	45,800 1,030	45,800 300
2	46,933 1133	46,830 1,054	46,100 300
3	48,066 1133	47,884 1,077	46,400 300
4	49,199 1133	48,961 1,102	46,700 1,300
5	50,332 1133	50,063 1,126	48,000 1,500
6	51,465 1133	51,189 1,152	49,500 500
7	52,598 1133	52,341 1,188	50,000 1,800
8	53,731 1133	53,529 1,214	51,800 2,000
9	54,864 1133	54,743 1,254	53,800 2,197
10	55,997 1,000	55,997	55,997

The increment is calculated by taking the difference between two consecutive steps on the same column (e.g., on Guide A, Step 2 of $46,933 minus Step 1 of $45,800 = $1,133).

EXAMPLE 4

EXAMPLE OF ABERRATION IN THE PATTERN OF DIFFERENTIALS

Step	BA	Differentials	MA
1	45,800	2,000	47,800
2	46,100	2,000	48,100
3	46,400	2,000	48,400
4	46,700	2,250	48,950
5	47,000	3,000	50,000
6	48,500	3,000	51,500
7	50,000	2,000	52,000
8	51,800	800	52,600
9	53,800	900	54,700
10	56,000	1,500	57,500
11	58,300	5,000	63,300
12	60,700	5,000	65,700
13	63,200	5,000	68,200
14	66,200	4,000	70,200
15	70,200	600	70,800
16	74,700	200	74,900
17	79,700	8,000	87,700

The differential is calculated by taking the difference between the salary rates at the same step of two adjacent columns (e.g., MA Step 1 of $47,800 minus BA Step 1 of $45,800 = $2,000).

Balloons A problem that is particularly troublesome in many districts is the presence of one or more balloon increments. A balloon (sometimes referred to as a "bubble") is an inordinately large increment. Sometimes the question arises: how large does an increment have to be to be considered a "balloon"? Unfortunately, there is no magic size or amount. Comparing individual increments within a given column to the average increment for the entire column can be a useful method for determining whether an increment is inordinately large. On some guides, a $2,500 increment may be deemed a balloon if increments throughout the rest of the guide are less than $1,000. On other guides, a $4,000 increment may not be a balloon if there is an overall pattern of large increments. Some balloons have grown to enormous proportions and have been as high as $35,000! Whatever the size, balloons need to be identified so that they can be reduced or eliminated.

Why should the parties be concerned with balloons? First, it should be emphasized that balloons are not just a problem for the board and the district, they are also a problem for employees and the union. Because a balloon is an increment, employees approaching the balloon have an expectation (although, an often misguided expectation) of receiving at least that much of a salary increase the year that they pass through the balloon. If the balloon is very large and a significant number of employees are moving through the balloon in a given year, the cost of increment on the guide may be very high (or even completely unaffordable), and simply funding the cost of the balloon could consume a disproportionate amount of the aggregate salary increase.

When this happens, there may be comparatively little money left for employees throughout the rest of the guide. This will present a problem for a board that wants to ensure that enough money is available to maintain competitive salary rates at the minimum and early steps of the guide in order to address district needs of attracting and retaining quality staff. It will also be a concern to a board that wants to appropriately compensate all staff throughout the guide. Additionally, it may be a problem for employees (and their union) if a disproportionately small amount of money is left to increase salary rates for employees at maximum who do not receive an increment or for employees at other steps of the guide where the increments are relatively small.

Although balloons present a problem for both sides, they still can prove to be a major stumbling block in negotiating the distribution of the salary increase. The reason is that employee expectations to receive the large balloon increases are powerful influences which frequently shape the union leadership's bargaining priorities. In addition, breaking balloons often requires adding steps to the guide, an approach that may meet with resistance from the union which has a goal of advancing employees to maximum in the shortest time possible. Nevertheless, many boards have been successful in addressing their balloon problems and in moving toward a better, more logical guide structure. (For more information about balloons, how they come to exist, and how to break them, see the article later in this section entitled "Breaking Balloons.")

Relatively Equitable Distribution of the Salary Increase

Typically, when the contract is negotiated, the parties agree on an aggregate increase. Often, but not always, the settlement rate will be stated as an average percentage increase (inclusive of increment), with the distribution of the increase to be subsequently negotiated. For example, a 2.0% salary increase will not necessarily result in every employee on the guide receiving 2.0%. Depending on how the increase is distributed, some employees may receive a salary increase of 1.0% (just as an example) while others may receive an increase in excess of 4.0% (not unlikely if the guide contains a balloon). Translated into dollars, that could mean some employees receive a $300 salary increase while others receive $2,000 or more. Generally, such distribution strongly favors the senior employees and is often proposed by the union; however, that type of distribution is at the expense of the lower paid junior staff.

Boards sometimes wonder why they should be concerned with such distribution if the employees are willing to accept and ratify the salary guides as proposed by the union. The answer is that inequitable distribution may not only be bad for employee morale, but may also be detrimental to district needs.

When a disproportionate amount of the settlement money goes to employees at some senior steps, less senior staff's salaries (those at minimum and early steps of the guide) are shortchanged. When this happens over a period of several negotiated agreements, those salaries become less competitive and a board may find that its ability to attract and retain top notch employees is severely hampered. In addition, an inequitable distribution of the salary increase can create or exacerbate structural problems, such as aberrations on the guide. This, in turn, will likely perpetuate future difficulties in distributing the salary increase on the guide in a manner that is both equitable to employees and consistent with district needs.

Sometimes boards buy into the idea that the salary guide belongs to the union and the employees, and that the board's only concern should be cost. But nothing could be further from the truth. That is why boards need to analyze their salary guides, identify district needs, and establish and work toward their bargaining goals. But before establishing its bargaining goals, a board will also need to analyze the guide's costs which are very much affected by the structure.

Understanding Guide Costs

For many years, boards' primary concerns with their salary guides pertained to cost. And while boards have come to recognize that the educational and operational implications of salary guides are equally (if not more) important, cost still remains a vital consideration. To understand the economic implications of the guide, the board will need to calculate the salary base for the final year of the expiring agreement as well as the cost of increment on that expiring guide. Boards also need to understand how the *structure* of the guide can affect the district's future *costs.*

Salary Base The "salary base" refers to the total cost of salaries for a frozen complement of staff at a given point in time. It is a function of the salary rates on the guide and the placement of staff on that guide. The salary base is calculated using a tool known as a scattergram. (For a discussion of how to use a scattergram to calculate the salary base, please see Part II in this series on salary guides.) Once the parties have agreed on the salary base and the number of FTE and placement of FTE on the guide, these figures are kept as a constant throughout the remainder of negotiations and serve as the basis for negotiating salary increases and successor salary guides.

Cost of Increment In addition to understanding the salary base, boards must also understand and calculate the "cost of increment." The cost of increment refers to the increased cost that would result if each staff member advanced to the next step on the same salary guide, that is, the last year's salary guide in the expiring agreement.

Typically, the negotiated salary increase for the successor agreement includes the cost of increment. For example, if the cost of increment is 1.0%, then a 2.0% salary increase should be *inclusive* of the 1.0% cost of advancement on the guide, *not* in addition to it. Since this is the case, one may wonder why it is necessary to calculate the cost of increment separately. The reason is that the cost of increment holds not only economic implications for boards, but also bargaining strategy implications.

PERC has found that boards are legally required to maintain the *status quo* when a negotiated agreement expires and a successor contract has not been reached. This means that boards are required to maintain all terms and conditions of employment of the old contract, including any automatic incremental advancement on the expired guide. A very significant exception to the status quo rule is this: under case law, boards are prohibited from paying increments to any classification of employees at the expiration of a three-year contract that cover certificated staff.[2] Under these circumstances employees will not receive an automatic salary Increase.

In case of a one or two year agreement, barring contract language to the contrary, PERC has held, with few exceptions[3] that the increment should be paid.

If the cost of increment is high, a board may find it even more difficult to obtain a settlement within its desired parameters. For example, a board negotiations team found itself in an extremely challenging set of negotiations when it realized that the expiring salary guide had a built-in increment cost of 2.7%, but the board had only authorized the team to negotiate up to 2.0%, including increment. This is the main reason that a board must be aware of, and concerned about, the cost of increment on its expiring guide.[4]

Interrelationship Between Guide Cost and Guide Structure Because the cost of increment reflects the cost of advancement on the guide, in particular, the size of the increments between steps, will impact upon the cost of incremental advancement. And while boards frequently look at the cost analysis separate and apart from the structural analysis of the guide, the future cost of the guide is actually very much tied to the guide's structure.

If the guide has large increments and/or balloons, this could contribute to a large cost of increment and, consequently, have an upward influence on the cost of the settlement. Even if the cost of increment is currently low because a large number of FTE are on the maximum step, future costs could become quite high as senior staff retire and new hires begin to move through the guide. The board goals to restructure the guide not only have educational and personnel implications, but also have important budgetary implications as well.

Establishing and Achieving Salary Guide Goals

The board's identification of its goals will be based on an assessment of the salary guide in conjunction with the district's history and experience and its anticipation of the district's future needs. Once a board has assessed how well the guide is meeting district needs, it can establish its goals for the upcoming round of bargaining. If a board's analysis reveals that the salary guide is consistent with district needs (i.e., the guide is serving to attract, retain, and compensate staff, encourage the desired amount of continued academic preparation, does not have a large cost of increment, etc.), then a board's goals for the upcoming negotiations may simply be to ensure that the guide remains competitive, free from aberrations, and that distribution of the negotiated increase is relatively equitable.

However, if the analysis reveals specific problems or concerns, then the board will want to establish specific goals and pursue those goals in the next round of bargaining. For example, if a board's analysis reveals that it has experienced problems in recruiting high quality staff in disciplines where teacher shortages exist, it may have a goal to boost minimum rates. Or if a board finds that new staff who have been hired and who have completed the mentoring program frequently leave to work in other districts, perhaps for financial reasons, that board may have a goal to boost salaries at the earlier

2 *In Neptune Township Board of Education*, 144 N.J. 16 (1996), the Court held that school law prohibited boards from paying increments to teaching staff members upon the expiration of a three-year contract as this would result in an impermissible four-year salary policy. In *East Hanover Board of Education*, PERC No. 99-71, PERC held that labor law compelled an extension of the Neptune holding to all noncertificated staff who are in the teachers' bargaining unit.

3 In *Bloomfield Board of Education*, PERC No. 2011-55, PERC held that the hardship to the Board by paying the increments outweighed the harm to the union/employees. Further, PERC held that the interests of the public would be harmed if the payments were made. Cases such as this are very case and fact specific and a Board should not assume a similar result.

4 A discussion on how to calculate the cost of increment can be found in Part II of this salary guide series.

steps of the guide. A board that has identified balloons on the guide may set a goal to eliminate, diminish or at least contain the balloons. If the size of increments is large or the cost of increment is high, the board will want to find a way to restructure the guide to decrease the size and/or cost of increments.

How does a board attain its goals? Goal achievement begins with needs identification. Once a board has analyzed its salary guides and identified its needs, it can establish its goals.[5] Once goals are established, the board can formulate proposals aimed at achieving those goals.

In order to effectively pursue its goals, the board must become familiar not only with techniques to analyze its guide, but also with various techniques for modifying and constructing salary guides. Of course, the board itself does not necessarily need to do the hands-on work; it may utilize the services of an in-district staff person or an outside professional. The key is that the board needs to be able to evaluate the problems, set objectives, and then ensure that it has the resources and the necessary expertise to achieve those objectives. A board negotiator who does not have the practical knowledge and resources to eliminate balloons or to otherwise restructure a guide will find it far more difficult to convince the union of the practicality or feasibility of change, or the range of possibilities. Board representatives need to have enough understanding of salary guides and guide analysis to be able to respond knowledgeably to the union's proposed guides, to offer counterproposals, and to present board-proposed guides. Without such capability, the board team will be at a distinct disadvantage in dealing with a union that likely has far greater experience in guide construction.

Finally, a board that thoroughly understands its guides, has identified goals, and has constructed possible guides to address these goals will find its hard work for naught unless it can effectively negotiate union agreement to management's sought-after changes.

Negotiating Over Salary Guides

All of the bargaining skills and techniques that are required to negotiate the contract settlement (and then some) will be needed when negotiating distribution of the salary increase on the guide.

The process of addressing salary guide goals begins during the board's preparation stage of bargaining. The board should not wait until the tentative agreement is reached to begin analyzing its salary guides and establishing goals; quite the contrary. Ideally, the board should establish its goals and objectives for successor guides before bargaining even commences, or at least during the early stages of negotiations.

The board would be well-advised to include in its initial packet of proposals a proposal on salary guide structure and distribution. The proposal should be broadly stated; for example:

> *The board is seeking relatively equitable distribution of any salary increase and successor guides that are relatively free of aberrations.*

In addition to presenting a proposal to the union, the board must clearly and consistently communicate its salary guide goals to the union. Communicating early on in at-the-table bargaining sessions is particularly important if the board has never taken an active role in salary guide development in the past. A union that has always been given *carte blanche* to distribute the salary increase as it chooses, or that has experienced minimal board interest or involvement in salary guides in the past, may initially react quite negatively to a board's desire to become a full bilateral partner. This negative reaction will be far more intense if the board waits until a tentative agreement is reached before indicating its intention to participate in salary guide development. However, if proposals are presented early on and discussed throughout the bargaining process, the union is put on notice of the board's intention to exercise its right to negotiate the successor salary guide's structure, thus eliminating the element of surprise and diminishing, to some degree, the union's negative reaction.

Although salary guide construction usually (but not always) occurs after the tentative agreement is reached,[6] during the months that the parties are negotiating the terms of the new agreement, the board should ensure that the union understands that any salary settlement is contingent upon it achieving its salary guide goals. In addition, the tentative agreement should clearly state that the guides will be mutually developed. *However, boards should be extremely careful not to agree to specific parameters for developing guides either during negotiations discussions or in the tentative agreement.* Some examples of specific parameters include: specifying that no new steps will be added, that the distribution will be a flat across-the-board increase, or that there will be a pattern of equal increments. Such guidelines, whether proposed by the board or the union, can severely hamper the board in achieving its salary guide goals. While a board may initially believe that such parameters are do-able or possibly even desirable, once guide construction is underway, the board will likely find that the agreed-upon restrictions will reduce its flexibility and options in coming up with solutions to guide problems that address competing needs and goals.

Once the parties actually begin serious discussion over the structure of the successor salary guides, the board may need to emphatically communicate to the union management's commitment to achieving its salary guide goals. Commitment is extremely important. In fact, the board must first examine how committed it really is to its own goals. A board that does not really understand the interrelationship between the salary guide and district needs, or that does not understand the future implications of allowing balloons to continue to expand, will likely have

5 Tools for analyzing salary guides are discussed in Part II of this series.

6 Not until the settlement rate has been determined will either side know how much money is available to distribute on the guide.

only a half-hearted commitment to actively pursuing its salary guide objectives. In which case, the union's commitment will outweigh the board's. The likely result will be successor guides that are most favorable to the highest paid senior staff and that do not address the district's fiscal, educational or staffing needs.

Negotiations over salary guides, like all other negotiations, is a process of give and take. It usually involves slow incremental movement. And, as is true with other negotiations issues, the board needs to build in room for movement; it should not initially propose its bottom line. The union has salary guide objectives, as does the board, and it will be important for each side to understand the other's needs and priorities. Such understanding will help pave the way for exploring different solutions and creative ways to accommodate both parties' needs.

The process involves exchanging proposals, responding to proposals, presenting counterproposals, and so on, until mutually acceptable guides are reached. The board must recognize that it may not fully achieve all of its goals. It will need to realistically assess how much can be achieved in one round of bargaining. Perhaps it is realistic for the board to think that it can completely eliminate the balloons in this round of bargaining; maybe not. Perhaps all that can be accomplished this time is to begin to deflate some of the balloons.

While the board should be realistic about what is achievable, it should start by pursuing its objectives with confidence and optimism. It should be careful not to underestimate its ability to achieve its goals. Some boards have a tendency to reject their own salary guide objectives prematurely based on what they believe the union may find unacceptable. Certainly, anticipating the union's reaction to board proposals demonstrates good preparation; but the board should be wary of dismissing its own proposals out-of-hand on the assumption that the union will find them distasteful or unacceptable. Like everything else in negotiations, if the board has an important goal (whether it be to change ambiguous contract language, to add instructional time to the work day, or restructure the salary guide) effective negotiations skills will be critical in convincing the union that the board's needs must be addressed. But if the board backs off of its proposal because the union rejects the proposal, or if the board does not even present a proposal based on the assumption the union will find it objectionable, then district needs may have been shortchanged in the process.

Salary guide negotiations can be extremely frustrating, particularly if it is an area in which the board bargaining team is not experienced or well-versed. However, a board will find that commitment and perseverance are necessary ingredients to success in this critically important area. And boards should remember that there is a breadth of resources available to them.

Resources

While many boards may find themselves in what appears to be uncharted territory when it comes to salary guides, there are many resources available to help guide the way.

In addition to this introductory article to understanding salary guides, there are several other articles in this section of *The Negotiations Advisor* that provide more in-depth discussion on: how to perform a cost and a structural analysis of the expiring salary guide; how to assess proposed guides against the board's objectives; and how to break balloons.

The New Jersey School Boards Association also offers training programs on analyzing and constructing salary guides.[7] In addition, upon request by a local district, the NJSBA will also provide cost and structural analyses of a district's expiring salary guide plus analyses of one proposal, telephone advice, as well as an in-district consultation, if desired as dues based services. Guide construction and counterproposals are available as fee based services as is at the table representation for negotiating guides.

Summary

A board that understands the effect of the salary guide on its staffing needs, educational objectives, and future costs, and that takes time to analyze the guide and establish bargaining objectives aimed at improving the guide, will be better prepared to ensure that successor salary guides are consistent with the educational, personnel, and fiscal goals of the district.

Part II of this series on salary guides will describe how to perform a structural and cost analysis of the district's expiring guide. After reading Part II, readers may find that reviewing Part I again will result in an even more comprehensive understanding of this critically important, but complex, topic.

7 For dates and locations of salary guide training programs, please see www.njsba.org