

Compensation Task Force (as of June 30, 2014)

Compensation issues at NOLS are challenging due to operating in multiple locations with a mobile staff of multiple nationalities. Our goal is to have a wage that honors the contributions of all employees and is in alignment with local norms and customs.

NOLS' compensation philosophy is defined in our employee guidelines as "Compensation is based on a realistically achievable budget that balances mission priorities with pay and benefits. NOLS considers the following factors in looking at our compensation design: Staff satisfaction and participation, balance of specific compensation priorities, overall financial health of NOLS, comparables, and budget/mission priorities." These factors are expanded upon in the NOLS Employee Guidelines.

Recent comparative studies indicate that, while we have made progress, we continue to be behind comparison wages for in-town positions. It is challenging to find both organizations willing to share their salary information and to find positions to compare. Some positions only exist in our NOLS world.

Local economies vary across the NOLS world and a unit of currency in one location can exchange into a very different value in another location. This and many other factors make the design of compensation systems complex.

A compensation task force has been created that consists of Chris Agnew, Deborah Nunnink, Jeff Buchanan, Linda Lindsey and Rachael Price. This group has met on multiple occasions to discuss some of the school-wide challenges that we are facing with compensation and benefits. We expect to progress through multiple stages that include:

- Identifying issues
- Fact gathering
- Brainstorming solutions
- EDT approval
- Implementation

We will be identifying broad issues, seeking external counsel from board members and providing periodic updates. We are intentionally choosing to not use words like fair, consistent, equal or equitable because it is hard to define what that looks like. We are trying to be as balanced as possible when dealing with compensation issues to the best of our ability. This is a process that will take time.

Some of the challenges that are on our list include:

- *Inflation rate or cost of living differences between locations.* At present we have a system where in-town supervisors allocate pay increases based on merit and performance, adhering to budgeted school-wide pay increases. For our faculty we have multiple pay scales. Each originally had the basis of the US system to start. However, local minimum wages in some destinations necessitate that the wages are higher than in the US. Compensation increases have been allocated differentially across the field levels based on needs in that location. In some locations recruitment was a challenge so more was allocated to the entry levels. In other locations retention was the issue so more was allocated to higher seniority levels. All locations don't have the same number of field instructor levels as in the US simply because we don't have instructors at those levels at this point in time. To date, we have not taken into consideration variation in inflation or cost of living across the school's operating areas. There is also a relationship between inflation rates and exchange rates.
- *Exchange rate impacts on pay scales.* In response to feedback that field instructors were unhappy with accepting a contract quoted on a US wage we started to create local instructor pay scales in 2005. Instructors were faced with a situation where a contract would be accepted, but when worked was worth a different value due an exchange rate fluctuation. This left the individual not knowing for sure what the compensation would be until the paycheck was issued. In essence the employee was bearing the exchange rate impact. With the intention of providing more consistency to non-US staff working in their home country, over the last nine years we've used the US scale to set pay scales in local currency. When there is a school-wide pay increase, this is applied to the local currency pay scale. We have not made adjustments based on exchange rate fluctuations. This was because the wage is now set in the home country currency and we felt it irrelevant to continue to compare to USD. In a retrospective look over the past nine years, it is evident that in some locations there has been significant fluctuation. During this period the school has borne the risk of exchange rate changes, and employees have had predictable compensation rates in their local currency. We do have some locations where the value of the US dollar has increased and staff assess the current exchange rate and decide that conditions are such that working in another location is more beneficial to them than working in their home country.
- *Housing inclusion for some positions in some locations and not in others.* Branch directors' base pay includes the value of housing if housing is provided. However, other positions do not have an adjustment. This results in some individuals receiving housing in some locations, but the same position not receiving housing in another location.
- *Minimum wage differences in different locations and the associated impact on tightness of ranges.* Minimum wages range from state to state and country to country. An entry-level position will be paid varying amounts based on location. The result is that the width of the range (how close the pay is to the next level position) is much narrower in some locations. Additionally the same position is paid differently based on location.

- *Cultural norm influences.* In some locations it is not acceptable to have a supervisor earn less than a supervisee. Our NOLS pay scales are built on overlapping levels, which results in individuals at the top of their range earning more than a supervisor at the bottom of their range.
- *Nationality wage differences.* Course leaders earning less than patrol leaders can occur where patrol leaders are nationals in their own country (paid on their local wage) and the course leader could be a foreign employee paid on the US system. The pay for these positions differs when you convert to the same currency. For in-town staff a situation can occur when two people working in positions at the same level earn significantly different wages if one position is filled by a local national working on local comparable pay scale and the other is a foreigner working on the US-based pay scale.
- *Compensation packages.* When we calculate an international position at the management level we utilize the US system. A calculation is created that includes the base wage and the value of the benefits such as retirement, PTO, health, etc. We then input the legally required benefits in the employee's home country. With this as the basis we back in the wage until the two packages represent comparable investment from NOLS in the position using a two-year average exchange rate. However, if benefit changes occur, such as government-mandated changes to pensions, holidays or NOLS benefits change, we have not recalculated the salary basis. The result is that some employees' compensation packages are enhanced by additional investment in benefits over the course of their tenure, while some others don't get the same enhancement. These changes have gone in both directions: Benefits in the home country can increase, or the US comparison.
- *International moves.* As an international, complex organization we have times when staff move from one location to another. Exchange rates have similarly fluctuated during this period. This can result in an individual making significantly less or more than someone in the same position that the individual is moving into.
- *Income tax.* To date we have not factored in the variable income tax impact by state or country.

There is no perfect, ideal solution. We will always need to prioritize labor laws in each country. We operate in global financial markets where we have no influence and there are many variables. There will always be compensation differences between individuals and locations. This task force strives to educate our community on the challenges faced, to seek solutions to pressing issues where possible, and to enhance our current system to be clear and consistent. All of this work will be done in alignment with the school's compensation philosophy for NOLS staff globally.

There are certainly other situations that we will learn about in the course of our work. Please communicate at the branch level or with the field staffing office if you are aware of a situation that isn't yet on our list.

Thanks for your support.

Compensation Task Force – Chris, Deborah, Jeff, Linda and Rachael