

# TOWARD A COMPENSATION PHILOSOPHY

*Leaders Discuss Ministry Pay, Benefits*

“Difficult” was the word several people used recently to describe certain compensation issues in the Catholic health ministry. The occasion was a forum in which the Catholic Health Association (CHA) brought together a group of healthcare leaders, most of them experts in mission or human resources, to begin work on a compensation philosophy. The forum did in fact produce several dramatic exchanges. But by the end of the day the group had at least outlined such a philosophy’s vital elements.

The forum, held in St. Louis in February, followed a teleconference on the topic in September 1998 (see Gordon Burnside, “Compensation in Catholic Healthcare,” *Health Progress*, January-

February 1999, pp. 50-52). Teleconference participants had agreed that the “mission orientation” of the ministry should somehow be reflected in employees’ wages and benefits. But they did not say how this might be done.

## THREE CONCERNS

Participants in the February forum (see **Box**, p. 58) began by listing their top three concerns about compensation in Catholic healthcare:

- The discrepancy between the high and low ends of the pay scale
- The low rate of pay at the low end, especially for entry-level employees
- The symbolism involved in compensation discrepancies, implying that highly paid employees are more important than those at the low end

Ann Neale, PhD, the forum’s facilitator, reminded participants that many Catholic healthcare facilities are now making entry-level jobs available to former welfare recipients—but at the federal minimum wage of \$5.15 an hour, a rate that does little to help such workers climb out of poverty. “Among such people are many of our nurse aides, especially those in long-term care centers, whom we categorize as ‘unskilled workers,’” Neale noted. “It astounds me that we consider aide work unskilled.”

Bob Porter said a good solution to the compensation dilemma would both raise the low end of the scale and reduce discrepancies. “The obvious way to do that would be to redistribute the total wage package—that is, take money away from top managers and add it to the pay of low-end workers, possibly in the form of benefits. But there would be significant difficulties in doing that. Whatever answers we come up with will require careful thought.”

Sr. Jean deBlois, CSJ, PhD, agreed that some sort of redistribution would be necessary.

## A CATHOLIC PHILOSOPHY OF COMPENSATION

The group came up with 10 elements of a Catholic philosophy of compensation. Healthcare organizations adopting such a philosophy would:

- Eliminate symbols of privilege (e.g., reserved parking spaces)
- Establish the preferential option for the poor as a guiding principle
- Develop a holistic approach to compensation (compensation is more than money)
- Reduce gaps in the pay scale (begin with a 5 percent cut in all executive salaries)
- Make information about compensation more available to employees (salary ranges, if not salaries themselves)
- Include employees in the process whereby compensation is calculated
- Commit to raising the pay of those at the bottom of the scale (to be offset by improvement in the organization’s productivity)
- Move toward universal coverage of all employees (pay for employees’ insurance)
- Recognize that benefit plans should be flexible (because different employees have different needs)

"Tinkering is not enough—we need to look at the whole pay structure," she said. "If we don't address bonuses and incentives, we've got our heads in the sand."

But **Rev. Gerard Magill, PhD**, was cautious about the prospects for systemic reform of compensation structures. "We can't forget the political implications," he said. "Democratic Catholics and Republican Catholics don't agree on compensation and on many other issues. And Catholic theology is not intended to reconcile political differences. My sense of the problem is that we need to emphasize the Catholic tradition in suggesting effective incremental changes that can perhaps lead to wider systemic reform."

Sr. deBlois said it was true that the ministry would face political hurdles in trying to reform compensation structures. "But the common good doesn't just fall out of the sky," she argued. "We have some responsibility to look at how good is distributed."

#### **MISSION AND MARKET**

Participants agreed that forces outside healthcare organizations prevent them from setting compensation rates as they might wish. Porter, for example, told how a U.S. auto manufacturing firm opened a factory in Mexico and announced

that it would pay wages higher than those normally prevailing in the area. "The company had intended to do a good deed, but it wound up devastating the economy in that town," Porter said. "Everybody quit his or her regular job and flocked to the auto plant."

**Brian O'Toole, PhD**, said Porter's story illustrated the inescapable fact that the market determines most compensation rates. "This is especially true of long-term care, where the lowest rates are usually found. If you tried to give every worker a living wage, you'd have to get out of the long-term care business."

"Maybe fair pay and healthcare simply aren't compatible," Fr. Magill said. "Which is our mission—healthcare or social reform?"

However, **Regina Clifton** suggested that healthcare organizations sometimes have more market leverage than they realize. "Several years ago St. Louis's largest system decided to raise its nurses' salaries. The other local systems grumbled about that at first, but eventually they had to go along and raise their nurses' pay too."

**Lynn Widmer** warned her colleagues against being too critical of the ministry's compensation practices. "Let's not just condemn ourselves. Yes, we have a lot of work to do. But when it comes to making pay ranges fair, Catholic healthcare is

## **RESPONSES TO COMPENSATION SURVEY**

A survey on compensation in the Catholic health ministry (*Health Progress*, January-February 1999, p. 53) brought a variety of responses, including a few from people who were apparently upset that the topic had even been raised. Here are the survey questions and some replies to them:

#### **Should the compensation structure in Catholic healthcare be different in any way from that in other-than-Catholic organizations?**

"I believe pay should be based on what's fair in the market, comparable to what a person would get working in the same position in a non-Catholic organization," wrote one respondent. But another said, "Compensation based on financial achievement is incompatible with serving vulnerable populations. And compensation in Catholic healthcare should recognize workers' need for meaning, dignity, and autonomy."

#### **To what extent does your organization's compensation structure reflect justice and other mission values?**

"It varies over time," said one respondent. "Our current leaders have adopted policies that promote fairness in compensation." A second person wrote that, in her organization, the idea of just compensation was "probably not incorporated as clearly as it might be." A third person was downright pessimistic. "Because of market pressures, we are moving away from those values rapidly," he said.

#### **If you believe your base salary is fair, to what extent are you motivated by an individual incentive program? If your organization has no such program now but is considering starting one, to what extent would you be motivated by it?**

"I would be motivated minimally by an individual incentive program," replied

one person. "Pay me what's fair—that's all I ask," wrote another. "Incentives give clarity to priorities and help us focus our attention and resources," said a third. "Incentives are highly motivating for a large percentage of employees."

#### **Have you revised, or do you plan to revise, your organization's compensation structure? If so, how and why?**

"We have revised our structure to be more market competitive," wrote one respondent. "We are considering augmenting base compensation with an incentive plan at our organization," said another, "though we're not sure whether individual or group performance outcomes will govern." "We are in the process of revising our structure," said yet another respondent. "Unfortunately, we seem to be moving toward a strict financial approach, which will harm our commitment to the poor and underserved."

in fact doing much better than other businesses.”

But **Sr. Pat Talone, RSM**, argued that the ministry must go yet further. Catholic healthcare has traditionally emphasized the ethical dimension of human relationships, she noted. “We don’t allow economic factors to completely govern the relationship between provider and patient. Why should we let it dominate employees’ compensation? If we can’t break through on this issue, can we have the integrity to do advocacy on others?”

**TOWARD A COMPENSATION PHILOSOPHY**

Neale suggested that by focusing narrowly on the topic’s economic aspects, the group was restricting itself and generating frustration. “Some of us may feel we’re spinning our wheels here,” she

said. “Are there some *mental* adjustments we might make to help change the compensation system?”

**Barbara Prosser** agreed that not all compensation issues are economic. “For example, there’s ego. I was at a dinner party recently with my husband. We went around the table, each of us saying what we did for a living—attorney, executive, physician—and when we got to me I said, ‘I’m a nursing home director.’ You should have heard the silence. That wasn’t terrific for my ego.”

Sr. deBlois agreed that ego gratification is an important, though often forgotten, dimension in compensation. “Yes, I’m for reform,” she said, “but do I really want to give up the perquisites that help validate my sense of self-worth?”

Prosser noted that her long-term care facility had recently conducted a series of focus groups among staff members. “The people in those groups said they were more interested in things like leadership development, flexibility of working hours, and paid time off than they were in pay raises.”

Clifton and Porter agreed on the importance of the symbolism embedded in the different ways employees of different rank are treated. “We could, for instance, do away with private parking spaces for top leaders,” Clifton suggested. Symbolism is involved even in hiring, Porter added. “High-end people are hired one at a time, through negotiations, which underlines the fact that they’re seen as having individual personalities,” he said. “Low-end people tend to be hired in groups, without negotiations, which suggests they are less valued by the organization.”

Fr. Magill said that, in changing its employee compensation structures as well as in providing care for the ill and the injured, the Catholic health ministry should exercise the preferential option for the poor. “Maybe we should commit ourselves to universal access to healthcare for our own employees.”

**Sr. Kieran Kneaves, DC**, agreed with the idea of using the preferential option principle. “I’d rather help employees out with their own health insurance. That would be a genuinely significant step for the ministry to take.”

The forum’s participants concluded their work by listing what they saw as 10 necessary elements of a Catholic philosophy of compensation (see **Box**, p. 56). One element was a commitment to universal access for employees. Another was a pledge to close the gap between higher- and lower-paid employees, to be partly financed by a 5 percent cut in executive salaries. “We in the ministry talk a lot about ‘radical healing,’” Neale noted. “Let’s see if it applies to paychecks, too.”

—Gordon Burnside

**FORUM PARTICIPANTS**

**Regina Clifton**, Senior Associate, Mission Integration, Catholic Health Association, St. Louis

**Sr. Jean deBlois, CSJ**, Vice President, Mission Services, Catholic Health Association, St. Louis

**Julie Jones**, Mission Associate, Mission Integration, Catholic Health Association, St. Louis

**Sr. Kieran Kneaves, DC**, Senior Vice President, Mission, Daughters of Charity National Health System, St. Louis

**Sr. Louise Lears, SC**, Instructor, Center for Healthcare Ethics, St. Louis University, St. Louis

**Rev. Gerard Magill**, Director, Center for Healthcare Ethics, St. Louis University, St. Louis

**Ann Neale**, Senior Associate, Mission and Ethics, Catholic Health Association, St. Louis

**Dan O’Brien**, Vice President, Ethics, Sisters of St. Joseph Health System, Ann Arbor, MI

**Brian O’Toole**, Vice President, Mission and Ethics, Sisters of Mercy Health Services, St. Louis

**Michael Panicola**, Ethics Intern, SSM Health Care, St. Louis

**Bob Porter**, CEO, DePaul Hospital, St. Louis

**Barbara Prosser**, Executive Director, Nazareth Living Center, St. Louis

**Dave Smith**, Director, Human Resources, Daughters of Charity National Health System, St. Louis

**James Spencer**, Ethics Intern, Catholic Health Association, St. Louis

**Sr. Patricia Talone, RSM**, Vice President, Mission and Ethics, Unity Health System, St. Louis

**Lynn Widmer**, Corporate Manager/Division Director, Human Resources Development, SSM Health Care, St. Louis