
Commission on Faculty Compensation and Economic Benefits Annual Report, 2017-2018**A. Summary and recommendations**

The Commission focused its efforts on assessing the current state of compensation and benefits for tenured and tenure-track faculty and considered some alternative compensation tools. As detailed in Section D, the commission concluded that tenured and tenure-track faculty salaries across the board at UW-Madison continue to remain significantly below those at comparable institutions as a result of the inadequate funding provided to the University by the State legislature. The lack of funds causes salary compression between the associate and full professor levels equating to a 'loyalty penalty' of salaries falling farther behind those at peer institutions the longer one works at the University. This negatively affects faculty morale, and perhaps more importantly, costs the University more money to execute reactive retention packages versus instituting a program of proactive regular salary increases based on well-defined merit criteria.

As indicated in Section E, the simplest and most fiscally responsible solution for achieving faculty salary parity is through state legislative action that earmarks part of a UW-Madison budgetary increase expressly for this purpose. Without such funding, the University will be subject to a continued decrease in preeminence due to faculty departures to institutions offering higher salaries. The state of Wisconsin benefits in myriad ways from the excellence of the University: through educating our young people, generating research which benefits industry, and training the workforce needed to create innovation that boosts the state's economy. The departure of distinguished faculty directly diminishes those benefits.

The Commission offers potential supplemental solutions in Section F of the report that cannot solve the larger problem but may provide minor improvements in some departments.

B. The Commission on Faculty Compensation and Economic Benefits

The Commission on Faculty Compensation and Economic Benefits (CFCEB) is comprised of nine elected or appointed faculty commissioners and two liaisons:

Bruce Thomadsen, Medical Physics (Chair)
Jessica Weeks, Political Science (Co-Chair)
Randolph Ashton, Biomedical Engineering
Amir Assadi, Mathematics
Asligül Göçmen, Planning and Landscape Architecture
Daniel Grabojs, Music
Aparna Lakkaraju, Ophthalmology and Visual Sciences
Eric Sandgren, Pathobiological Sciences
Jason Yackee, Law
Amy Wendt, Liaison from the University Committee (through May 2017)
Barbara Bowers, Liaison from the University Committee (starting June 2017)
Michael Bernard-Donals, Liaison from the Provost's Office

C. Statement of charge from the University Committee

The official charge from the University Committee was presented to the CFCEB as follows:

“As specified in *Faculty Policies and Procedures* 6.34, the commission’s charge is to address matters of faculty compensation and benefits by preparing information for the faculty on the state of their compensation and benefits, including comparative data from other universities and professional fields as it deems necessary. The commission represents faculty in campus-wide discussions and prepares recommendations on these matters for the faculty senate, which may transmit them to the administration, the board of regents, the governor, and the legislature. To the extent possible, it coordinates its work with the Academic Staff Executive Committee (ASEC).

“In the current funding climate, significant demands have been placed on existing faculty compensation options and processes. Increased need for retention and other funding has limited options and flexibilities. In this context, the UC charges the commission specifically with the following for the remainder of this academic year:

- Work with Vice Provost for Faculty and Staff (VPFS) to understand how new legislation in most recent biennial budget affects our ability to offer pay plans or supplementary pay tools;
- Work with VPFS to brainstorm alternative compensation tools (including those used before — critical compensation fund, high demand, compression-equity and post-promotion tools — or variations on them, and new ones).

“The nature of this charge may not lend itself to a formal report and recommendations. Nevertheless, we look forward to receiving your feedback and eventual activities report to the faculty senate.”

The Commission only addressed salary issues involving tenured and tenure-track faculty (i.e., assistant professors, associate professors and full professors) but understood that academic staff classifications of faculty, as well as other employee classifications, also have significant issues with salary that should be addressed. As UW-Madison is currently restructuring its HR system, action on the first part of the charge was deferred.

D. Statement of the problems

The Commission identified the following problems with salary at the University¹:

Lack of Parity. Faculty salaries at the University of Wisconsin fall well below those at comparable institutions². *This lack of parity is the largest problem with faculty salaries at the University and directly results in the subsidiary, or resultant, problems numbered below. This lack of parity is the direct result of years of state neglect in funding the University System and is the major threat to the University’s quality and ability to fulfill its missions of teaching, research and service.* Between 2008 and 2018, the faculty received raises in only two biennia of one percent each year, for a total of 4% over 10 years. This has resulted in the average UW-Madison faculty salary deficit of 8.4% compared with averages of comparable, or peer, institutions. It is estimated that bringing average faculty compensation to par with comparable institutions would require a \$22 million dollar increase in base budget (as distinguished from

a one-time allocation, which has become routine with state funds), based on 2017-2018 comparison with peer institutions. In this year, there was an average 2% salary increase with another 2% increase next year, for a total of 4% for the two years. These increases will not close the gap, and without a commitment to do so, faculty salaries will begin to lag the following biennium.

Figure 1 shows the history of the salary gap over time in terms of the increase in salary in a given year to bring UW salaries to parity with the average of our peer institutions.

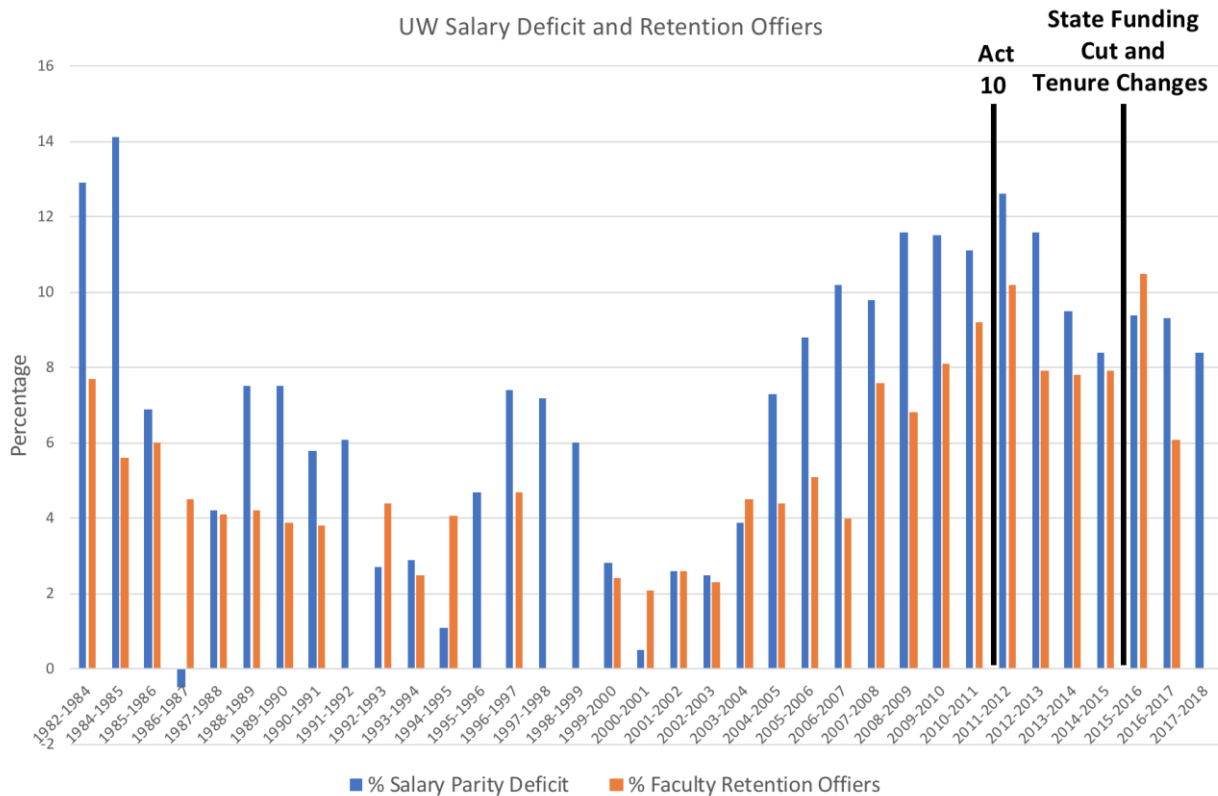


Figure 1. The blue bars show the increase in the average faculty salary necessary to eliminate the parity deficit for faculty at UW compared with peer institutions.³ The orange lines show the percentage of the faculty to whom the university extended retention packages based on either faculty receiving offers from other universities or the high likelihood of receiving an offer.⁴ No data were available for years with no orange bars.

Figure 1 also shows the percentage of faculty for whom the University extended retention packages. The 2015-16 year had a massive reduction in State support to the University and major changes in the rules and protections of tenure, and showed a large increase in requests for retention packages. Salary increases for retention packages for 2015-16 and 2016-17 totaled \$3 million and non-salary incentives amounted to approximately \$37 million.^{5, 6} These retention efforts do raise the average faculty salaries but may contribute to the problem in item D1.

The in-state tuition freeze compounded the problem, but shifting the burden from the State allocation to the students would decrease access to the University.

Resultant Problems

1. **Declining real income with longevity.** While the average salary for assistant professors falls 6.9% below our peer institutions, the gap closes some for associate professors, falling to 2.1% below our peers. However, the gap increases with longevity at the University, with the gap increasing to 10.4% for full professors, which is approximately 60% of the faculty. This gap with longevity is referred to as the loyalty penalty because it hits hardest those faculty members who do not actively seek outside offers. *This effect is a direct result of lack of adequate state funding* and the need to make attractive offers to new hires (assistant professors for the most part). The relatively decreasing salaries increase the likelihood senior faculty will look for offers elsewhere. The potential loss of high-demand faculty has been addressed by retention packages offered in some cases, as noted in the previous item, but such individual increases do little to improve parity or eliminate the overall longevity deficit. Twenty-eight percent of the faculty participating in the 2016 WISELI survey stated that they were somewhat or very likely to leave in the next three years and agreed to some or to a great extent that salary increase was a reason to leave.⁷
2. **Salary Compression.** The relatively small differences in salaries by rank is seen as an area of concern. From the 2017-2018 data, for the University as a whole, the average salaries for full professors across the University are 33% higher than that for associate professors. This is substantially lower than peer institutions, where average salaries for full professors are 44% more than those for associate professors. From the 2016-2017 data, the latest for which information by department is available, 35 departments had differences less than 30%. Figure 2 shows the histogram of the percentage difference for full professors from associate professors. The distributions of differences between salaries for associate professors and assistant professors is shown in Figure 3. Here UW salaries for associate professors were 14% higher than those of assistant professors, while for the peer universities, this difference is 9%. While the compression between the associate and assistant professors at the peer universities is worse than at UW, that only results from a smaller gap in salaries for associate professors compared with peers, as shown in the paragraph above. The compression at the higher ranks becomes a greater problem because faculty members work more years at the highest level.⁸
3. **Equity.** Salary equity based on gender has been identified as an issue to assess and address across the University at the departmental level. The University has a policy on this issue and this report will not address salary equity issues further, other than to note that money to remediate pay equity problems comes from the same sources as that to rectify the other issues.⁹

The CFCEB recognizes that some academic fields provide a higher salary than others, mostly due to market forces, the likelihood of participating in extramurally funded research and the options for employment outside academia. The Commission therefore did not focus on department-to-department total salary comparisons within the University.

Full Professor Salaries as Percent Higher than Associate Professor

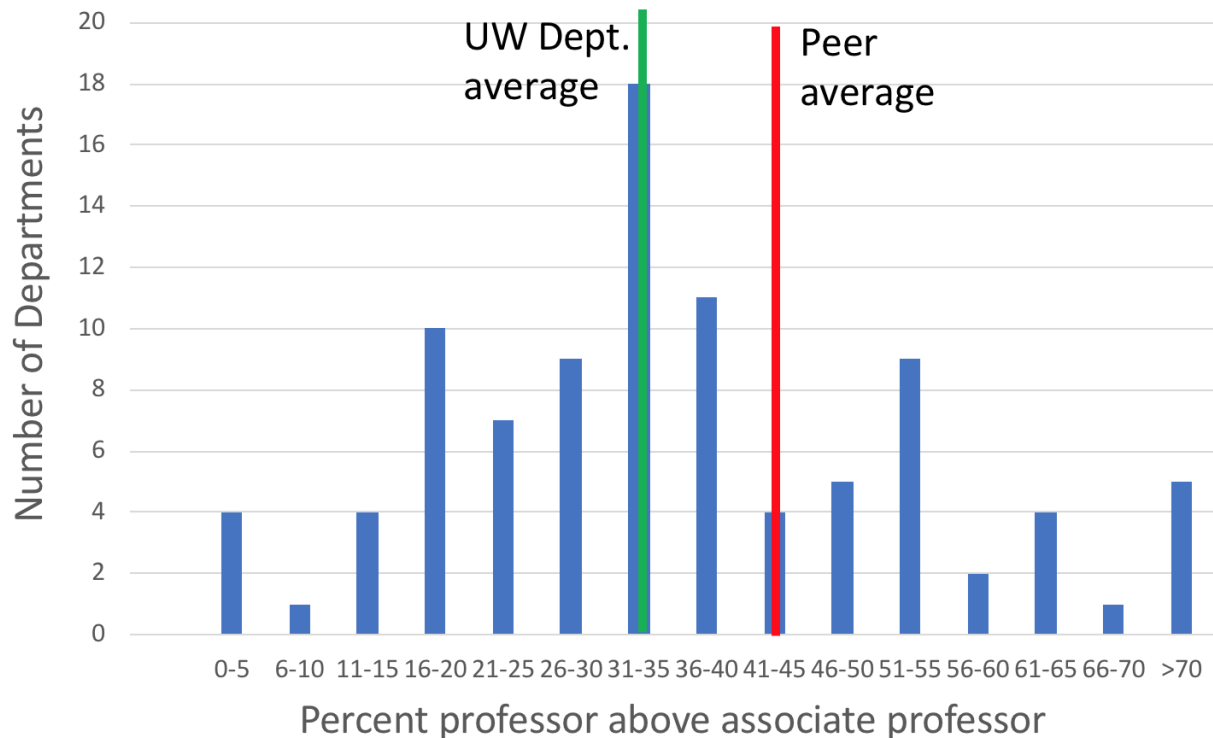


Figure 2. Full professor salaries as a percentage increase above associate professor salaries distributed across departments at the University of Wisconsin. The green line indicates the average increase at UW, while the red line shows the average for our peer institutions.

E. Sources of Funding to Improve Faculty Salaries

1. Current University Sources

The University has some, albeit limited, sources of funding to increase individual faculty salaries. One challenge to funding faculty salary increases is the necessity to continue funding any increase in a base salary in the years to come. In part the need for continued funding limits the sources available.

Funding sources for salary increases to individual faculty members include the following:

1. Reallocation of departmental budget. Departmental funding support comes from the University budget in a mix of historical allocations, a funding model and targeted allocations based on the priorities of the Chancellor and deans. Each department has considerable flexibility in the use of its funds, usually determined by the departmental chair. Such funding must first support the departmental operation; any use for increasing faculty salaries comes from reductions in other operational activities. It is noted that many departments' budgets are already stretched very thin, giving them minimal flexibility.

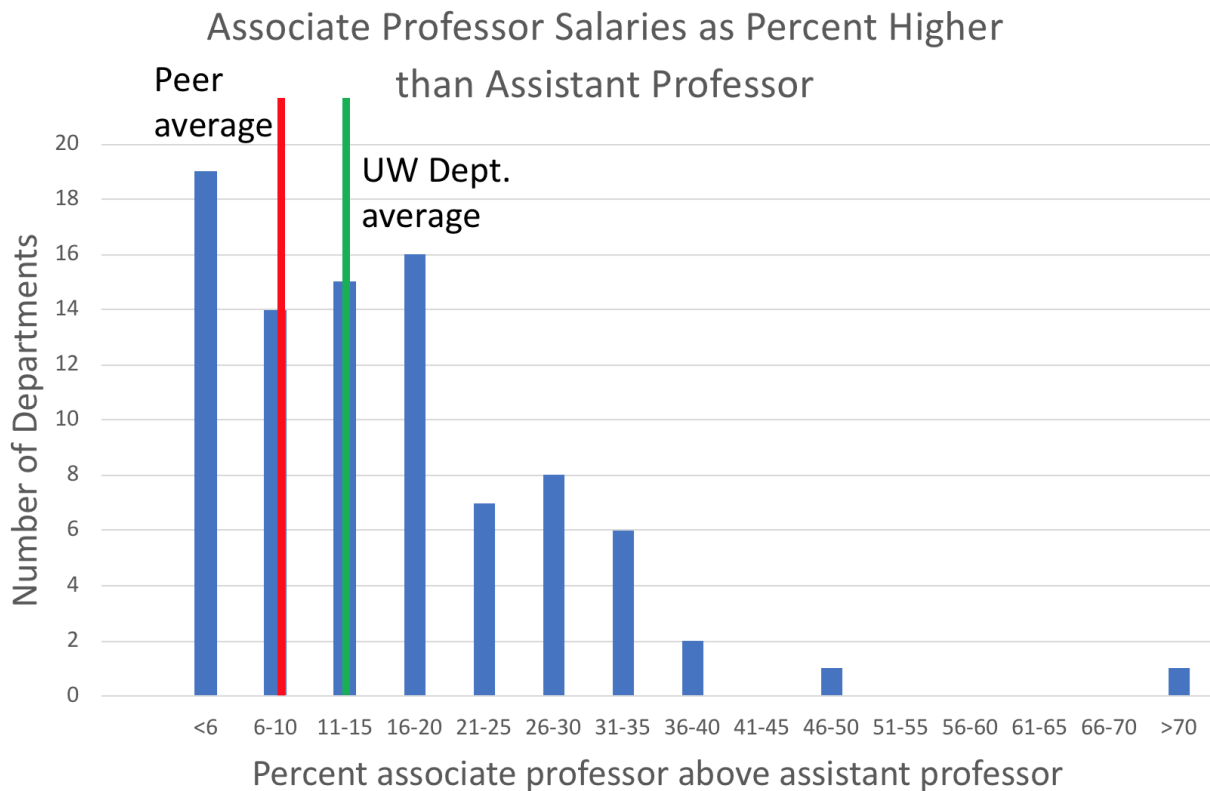


Figure 3. Associate professor salaries as a percentage increase above assistant professor salaries distributed across departments at the University of Wisconsin. Again, the green line indicates the average increase at UW, while the red line shows the average for our peer institutions.

2. Merit increases associated with promotion and post-promotion review. Merit increases form a routine part of the University's budget. The amount of the increases is standard and typically does not vary year to year; supplements to those standard increases depend on the University budget for the given year (and that depends on the State funding and tuition revenue) and recommendations of the department chair, often based on the report of a faculty mentoring committee.
3. Annually, approximately one fifth of the tenured faculty, about 300 faculty members, will have their five-year, post-tenure review, and under this program, a significant number will be eligible to receive a permanent, base adjustment of between \$1500 and an amount equal to five percent of their salary. About 60 assistant professors receive tenure each year and receive an average increase in salary of about 8% to 10%. Because those increases apply to the salary of the lower rank before promotion, the increases do not bring the salaries to the level of the peer institutions.

The roughly 360 faculty receiving raises through tenure review or post-tenure review each year constitute about 20% of the faculty. This mechanism accounts for roughly \$2M in salary increases annually over 2015-2017. A special Post-tenure Review Increment Fund allocated \$600,000 for faculty salary increases. Assuming that the reviews occur every five years, this averages to \$333 per faculty member per year.

4. Block grants. Departments may receive block grants for use in retention of high-demand faculty, to address equity disparities and for increasing faculty salaries compared with peer institutions. In 2017 block grants contributed \$3.5 million.
5. Performance Bonus. In 2017 there was a \$4 million fund for rewarding non-leadership employees for exceptional performance. This amount covered all employees, not just faculty.

Together, the last three funding mechanisms contribute approximately \$8 million to faculty salary increases. That leaves \$14 million of the \$22 million that would be required to bring faculty salaries to peer parity.

During years when the University's allocation from the State falls below normal operational expenses, reallocation becomes difficult at best. During recent years, a relatively high proportion of block grants has had to go toward retention packages. There is indication that the outside offers may be slowing compared with the 2015-16 year, however, the decrease in the 2016-2017 year may just be the result of increase in retention requests the previous year.^{3,4} Overall, these three sources of funding have not been sufficient to overcome the lack of State support in keeping the University's faculty salaries competitive. This situation is unlikely to change in the future and without sustained increased support from the State, the benefits of the salary increases in 2018-19 and 2019-20 will quickly decline.

All of these sources are channeled through the deans of a faculty member's school or college and through requests of the faculty member's department chair.

2. Other initiatives and possible sources of salary support

Departments have some ways to generate additional funds that could be used to increase faculty salaries. Some are listed below. The list is not exhaustive and is intended only as a starting point to generate ideas.

- Cooperative initiatives with foreign universities. New programs that offer teaching to students attending universities in other countries can establish a revenue stream into a 131 fund. For such money, the UW-Madison takes 10% for administrative overhead, leaving 90% to be divided between the college or school and the department, based on an agreement generated for that particular program.
- Early retirement program. The UW-Madison could investigate whether a fair and workable early retirement incentive system would return money to department budgets that could be used in increase salaries. This initiative might also improve the compression of salaries. The financial effects of previous early retirement programs and such programs at other universities should be investigated.
- Research increase. Research brings considerable money into the University. Programs to encourage increased application for research grants could increase the already active research enterprise. Examples of such programs that have been productive at other universities include:
 - Providing staff to compile much of the applications under the guidance of a faculty member, allowing more time for the faculty member to concentrate on the content of the proposed grant.
 - Giving faculty a monetary bonus for each grant application submitted.

- Creation of new courses. New courses may increase funding coming to the department teaching the course, although the funding is also shared by the departments from which the students come who enroll in the course.
- Departmental fundraising. Departments can raise funds, such as through creating of endowed, named professorships, to help pay for selected salaries.

3. Funding Sources not Available

Several funding streams not potentially available for increasing faculty salaries include:

1. Grants and contracts. These sources of funding may pay for faculty salaries, however the salary included in the grant or contract budget is limited to the salaries of faculty involved. While obtaining funding through grants and contracts plays a significant role in establishing a faculty member's salary, that salary must be set by the University (usually by the department chair and dean) based on several considerations.
2. Overhead generated by grants and contracts. Depending on the State funding of the University in a given biennium, part of the overhead generated by grants and contracts is used by the University to support infrastructure. The remaining funds return to the department where they can be used, again, to support departmental infrastructure. While this money cannot go directly to increases in faculty salaries, it can free other departmental funds for that use.
3. Contributions from foundations and endowments. Support from foundations plays an important role in the offers as part of retention and recruitment. Such support entails limited duration commitments.

Additionally, this Commission did not consider the use of funding generated through special service situations specific to particular departments and outside of University control, such as clinical practice income used to support clinical faculty in the School of Medicine and Public Health.

F. Recommendations

1. Sources of funding for pay for salary increases and adjustments
 - a. Regarding faculty salary parity to peer institution median salaries, the Commission recommends the Regents make a strong case for increased funding from the State legislature for this purpose, since this step is specifically based on market-demand and is consistent with the legislature's market model of education. For each dollar the State invests in the University, \$22 dollars in revenue is returned back to the State.¹⁰ Funds spent on keeping the University competitive makes sound fiscal sense.
 - b. The Commission recommends that UW-Madison investigate a fair and workable early retirement incentive system.
2. Allocation of funding
 - a. Historically, the funding combined into the current block grant for salary had been allocated 2/3 to retention and 1/3 to equity and compression. The Commission recommends that future funding continue to address retention, longevity disparities, equity and compression. No fixed proportions among these needs is

recommended as the allocations must adapt to the situations at the time. Notwithstanding the necessary flexibility, the decision makers should not excessively focus on retention to the disadvantage of loyal and productive faculty.

- b. The Commission considers that post-tenure review merit salary adjustment (for meeting or exceeding expectations) is an essential tool and must be maintained.
- c. Regarding funding from the State for increases to faculty salaries, the Commission recommends that at least 50% allocation of available departmental funds go to across-the-board salary distribution.
- d. Establishing a targeted, preemptive retention program, prior to job offers, would improve morale. With such a program, departments and schools and colleges would set benchmarks for their faculty; faculty members achieving the benchmark goals would receive salary increases in the same manner as those offered retention packages in response to outside offers. Such a program also removes capriciousness from salary increase decisions.
- e. The Commission recommends prioritizing equity and compression funding to departments displaying the largest disparities.

3. Additional actions or information requested

- a. The Commission recommends that information about pay tool availability, criteria and deadlines be made accessible in one central online site.
- b. The Commission recommends generating additional data to identify the reasons why faculty stay at, and why they leave, UW-Madison and prioritize their reasons for staying. To this end, targeted survey-based data and formalized exit interviews should be acquired to assist future decision-making.
- c. The Commission recommends that campus and administration in schools and colleges allow and encourage flexibility for individual members of the faculty to work less than full time if that would be compatible with the faculty member's work assignment. Savings from the reduction in work hours would be designated to be distributed to other faculty in the department.
- d. The Vice-Chancellor for Finance and Administration should establish a mechanism to apprise faculty of mechanisms and new opportunities for increasing funds available for salary increases.
- e. The Commission discussed the merits of current Budget Model for funding allocation to schools and colleges based on student enrollment and recommends:¹¹
 - i. The model used should not discourage departments from offering new courses by diluting the per-student funding return to the teaching department, and
 - ii. The model should be discussed and evaluated by the full Faculty Senate since it may strongly affect the teaching mission of the University.

4. Considered but not recommended.

- a. The Commission discussed whether a mathematical model linking faculty satisfaction to salary and environment would be useful for the future but does not recommend that central campus initiate its development.
- b. Regarding program termination as a means to increase salary pool, the Commission does not believe that approach will provide an effective solution. Such an approach would not free much money and would be anathema to the nature of the University. Termination of programs should result from decisions of the faculty based on the educational mission of the University.

G. Summary

Opinions about the role of higher education in American society often vary. Whether college and post-graduate education trains our workforce, generates a more engaged citizenry, or simply enriches the lives of its beneficiaries, however, one thing is clear: the University of Wisconsin-Madison is an economic generator for the state of Wisconsin. A university's success rides on the abilities and achievements of the faculty. Our university has, from its inception, provided students with access to brilliant scholars and teachers, and our graduates have thereupon gone on to achieve great things themselves, whether through business accomplishments, scientific innovation, creative productivity, governmental or social leadership or any number of other means. We can only continue to employ a great faculty if we pay our professors what they are worth in the open market of our peer universities.

H. References

¹ Much of the data comes from Data from 2016-2017 academic year for UW-Madison and 11 peer universities by Association of American Universities Data Exchange faculty salary by Classification of Instructional Programs (CIP). Information from 2017-2018 comes from the same source but without detailed analysis by department.

² The institutions used in the comparison are: University of California at Berkeley, University of California at Los Angeles, University of Illinois-Urbana, Indiana University-Bloomington, Purdue University, University of Michigan, Michigan State University, University of Minnesota, Ohio State University, University of Texas at Austin, and University of Washington-Seattle.

³ ³ Faculty Salary Peer Comparison for 2017-18. Memorandum from A. La Tarte, Academic Planning and Institutional Research, Office of the Provost, University of Wisconsin, April 11, 2018.

<https://uwmadison.app.box.com/s/szasvac713vqdm407nld9x7ji2eug11>

⁴ Summarized from a series of reports on retention efforts over the years, available at

<https://apir.wisc.edu/faculty-staff/recruitment-and-retention/>

⁵ Summary of Outside Offers and Retention Efforts, 2015-16, <https://apir.wisc.edu/faculty-staff/recruitment-and-retention/>

⁶ Summary of Outside Offers and Retention Efforts, 2016-17, <https://apir.wisc.edu/faculty-staff/recruitment-and-retention/>

⁷ <http://wiseli.engr.wisc.edu/facworklife.php> This survey addressed differences in salary satisfaction among schools, colleges and departments; differences in pay and satisfaction between groups of individuals; and department-based correlation analysis based on rank, local (departmental) equity, and years of employment by a department.

⁸ Data by department comes from the 2016-2017 academic year for UW-Madison and 11 peer universities by Association of American Universities Data Exchange faculty salary by Classification of Instructional Programs (CIP). Information for the University as a whole comes from the 2017-2018 report from the same source.

⁹ <https://provost.wisc.edu/academic-policies-and-guidelines/standard-salary-equity-review-policy/>

¹⁰ NorthStar Consulting, The University of Wisconsin's \$15-billion Impact on the Wisconsin Economy. April 2015. Available at

https://aurp.memberclicks.net/assets/documents/2015/uwm_2015_northstar_study.pdf

¹¹ Budget Model Development Committee recommendations, February 2016; available at <https://mbo.wisc.edu/budget-model/>