



University Senate TRANSMITTAL FORM

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| Senate Document #: | 12-13-05 |
| Title: | Consideration of a Faculty Salary Step System |
| Presenter: | Ellin Scholnick, Chair, Senate Faculty Affairs Committee (FAC) |
| Date of SEC Review: | March 13, 2013 |
| Date of Senate Review: | April 4, 2013 |
| Voting (highlight one): | <ol style="list-style-type: none"> 1. On resolutions or recommendations one by one, or 2. In a single vote 3. To endorse entire report |
| | |
| Statement of Issue: | <p>Faculty salary step systems provide a set of intermediate steps within ranks that include promotion raises for those who move up the steps. The steps are tied to time in rank and merit criteria, and allow for continuous review of faculty along with regular procedures for assessments and pay raises. Some universities have adopted such systems to mitigate inequities in salary between and within ranks, to ensure that faculty are compensated appropriately for their performance at regular intervals during their careers.</p> <p>In September 2012, the University Senate Executive Committee (SEC) charged the Faculty Affairs Committee (FAC) with reviewing faculty salary step systems, especially those at peer institutions. The charge originated from concerns regarding disparities in salary at the University of Maryland (UMD), and the FAC was asked to make recommendations on whether a step system would be appropriate at UMD.</p> |
| Relevant Policy # & URL: | N/A |
| Recommendation: | <p>As a result of the research conducted by the committee on step systems and the salary issues at UMD, the Faculty Affairs Committee does not recommend the adoption of a faculty salary step system at this time. However, the FAC recommends that the President appoint a standing committee charged with conducting salary studies of all faculty and with making recommendations to address salary inequities and the overall principles of distribution of raises devoted to merit, promotion, and salary inequities. The FAC also recommends that the University revisit the post-tenure review system and consider ways in which it can be used to</p> |

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| | detect and reduce inequalities in salary. |
| Committee Work: | <p>The Faculty Affairs Committee reviewed the charge at its meeting on October 4, 2012, and devoted five meetings to reviewing step systems and the salary issues visible at UMD. The FAC investigated two step systems, the University of California (UC) System and Rutgers University. The committee analyzed the characteristics of these systems, the problems step systems were designed to address, and their success at handling those problems. It examined whether similar problems exist at UMD and whether a step system or alternative mechanisms might be successful in addressing UMD's salary problems. The committee consulted with the Chair of the Senate on her research regarding salary step systems and discussed the impact of a step system at UMD with a representative of the Provost's Office.</p> <p>The FAC found that the step systems examined do not seem to mitigate the problems of salary inequities within ranks and salary compression. The FAC found that market forces tend to increase the starting salaries and startup funding of new faculty, and at the same time increase the ability of stellar faculty to find more lucrative offers at competing Universities. No conditions or structural forces in step systems help institutions to avoid such pressures. In addition, the FAC found that a step system may be redundant for the UMD. The University presently has two review processes in place that address evaluation of faculty and compensation: the post-tenure review and merit review processes. The FAC feels it may initially be more productive to examine (a) whether the inequities that step systems were designed to mitigate exist at UMD, and (b) if so, whether the procedures UMD has in place might be modified or enhanced to address these putative issues.</p> <p>After researching step systems, the systems in place in the UC system and at Rutgers, and the current salary disparities at UMD, the FAC determined that a step system may not be the appropriate course of action at this time. Instead, at its meeting on January 24, 2013, the FAC voted to recommend measures to review and adjust the current salary structure at UMD.</p> |
| Alternatives: | The Senate could reject the recommendations for addressing the salary issues at UMD. |
| Risks: | There are no associated risks. |
| Financial Implications: | There are no financial implications. |
| Further Approvals Required: | Senate Approval, Presidential Approval. |

Senate Faculty Affairs Committee

Senate Document # 12-13-05

Consideration of a Faculty Salary Step System

March 2013

BACKGROUND

On September 5, 2012, the University Senate Executive Committee (SEC) charged the Faculty Affairs Committee (FAC) with reviewing faculty salary step systems, especially those at peer institutions, and making recommendations on whether a similar system would be appropriate at the University of Maryland (UMD). In its charge to the FAC, the SEC noted that “some universities have established salary step systems in order to ensure that faculty are given compensation commensurate with their performance at regular intervals throughout their academic career” (Appendix #2). The charge from the SEC originated from concerns regarding disparities in salary at UMD, and the SEC asked the FAC to review the issue and make recommendations on the best course of action.

COMMITTEE WORK

The Faculty Affairs Committee reviewed the charge at its meeting on October 4, 2012, and devoted five meetings over the course of the academic year to reviewing step systems and the salary issues visible at the UMD. The FAC investigated two step systems, the University of California (UC) System and Rutgers University, which is a unionized campus. The committee analyzed the characteristics of these systems, the problems step systems were designed to address, and their success at handling those problems. It examined whether similar problems exist at UMD and whether a step system or alternative mechanisms might be successful in addressing UMD’s salary problems. The committee consulted with the Chair of the Senate on her research regarding salary step systems and discussed the impact of a step system at UMD with a representative of the Provost’s Office.

After researching step systems, the systems in place in the UC system and at Rutgers, and the current salary disparities at UMD, the FAC determined that a step system may not be the appropriate course of action at this time. Instead, at its meeting on January 24, 2013, the FAC voted to recommend measures to review and adjust the current salary structure at UMD.

STEP SYSTEM AND UMD SALARY RESEARCH

Step Systems

Faculty salary step systems or plans provide a set of intermediate steps within ranks that include promotion raises for those who move up the steps. The steps are tied to time in rank and to merit criteria. Thus, there is continuous review of faculty and a set of regular procedures for assessing performance and pay raises. Step systems also establish salary targets, which are intended to guide pay levels within ranks. In the UC system, these steps are tailored to each of approximately a dozen broad disciplines.

Theoretically, these salary ranges were designed to mitigate inequities that arise between ranks and within ranks – e.g. new hires within a rank earning more than faculty who have served in that rank for an extended period of time, and faculty at a lower rank being paid more than faculty at a higher rank. In

addition, because there is a review cycle with mandated raises, the step system might prevent faculty whose peak years of productivity occurred during economic downturns-when there was little merit money- from falling very far behind in salaries. The existence of a central commission to monitor the step system theoretically enables the commission to advocate for raises and target some of the money slated for salary increases to faculty suffering from salary compression.

Unfortunately, the step systems examined by the FAC do not seem to have mitigated the problems of salary inequities within ranks and salary compression. The FAC found that new faculty hired at ever-increasing market rates radically alter general salary conditions. Similarly, current faculty in step systems use external job offers, also at market rates, to bargain for increased salary. In short, market forces tend to increase the starting salaries and startup funding of new faculty, and at the same time increase the ability of stellar faculty to find more lucrative offers at competing Universities. No conditions or structural forces in step systems help them to avoid such pressures. In normal market conditions, plentiful opportunities typically entail more faculty hiring at market rates. In dire economic circumstances, current faculty are more likely to use external job offers to enhance their salary. In both instances, the step system salary limits are violated.

The circumstance described above is quite apparent in the UC system. A UC Senate-Administration Taskforce on Faculty Salaries¹ notes in its February 3, 2012 report that at UC system institutions, the majority of faculty received off-scale salaries that are above the salary limits. 80% of faculty at UCLA and 72% of faculty at UC Berkeley were off-scale in 2010 (See Taskforce Figure 2). The exceptions to the salary limit were more prevalent for new hires (89%) than for current faculty (67%). The mean off-scale increment was \$23,627 at UC Berkeley and \$32,119 at UCLA (See Taskforce Figure 6). These exceptions were customarily determined by negotiations between a higher-level academic personnel administrator and the relevant dean; they were often used to handle retention and recruitment cases. Thus, in actual practice, the step salary system is also not transparent. Aside from being strongly influenced by unpredictable market forces, it is open to ad-hoc circumstances and possibly favoritism. Nor has the step system prevented the erosion of faculty salaries. California's budget problems led to ignoring the published scales by offering a high incidence of off-scale salaries to recruit and retain faculty and resulted in a serious loyalty penalty for faculty who did not wish to re-enter the academic labor market in order to increase their salaries. The Task force also shows a persistent and widening lag between UC's overall average salaries and those of their comparison institutions. In addition, the UC system is constantly faced with a need to recalibrate salary scales and is often engaged in debates about how to divide salary increases between faculty at the various steps and those faculty whose salaries have lagged.

Evaluation and Relevance to UMD

The FAC found in its review that, in theory, a step system offers the following advantages:

- (1) It provides continuous review of faculty, particularly those who have been in rank for extensive periods of time. It also puts that review within a positive framework, rewarding high levels of performance with promotions and raises.
- (2) It presupposes a centralized committee that monitors the overall salary picture for the university, which could provide information about that picture to faculty and other decision makers.

In actual fact, however, the FAC found that a step system is only as good as the steps it creates and the specific salaries assigned to them. Neither Rutgers nor the UC system is explicit about their definition of steps, in part because definitions of excellence vary markedly across disciplines. Thus, the UC system

¹ The report can be found in full here:

http://senate.universityofcalifornia.edu/underreview/FacSalariesTFrpt_reviewrequest.pdf .

comprises a series of discipline-specific steps with different criteria and salary ranges. Moreover, given market dynamics beyond control, step systems have to rely on exceptions to the established salary steps, which in time end up creating a parallel system of inequities. Obvious related issues include whether relevant criteria should be set within colleges, departments, or centrally, as well as who would update the relevant ranges and decide on necessary exceptions to the established steps. Much of the discussion in institutions with step systems focuses on these controversial issues.

Step systems are also labor intensive and would involve much effort at UMD. It would take extensive faculty engagement to create the steps and define what progress through them entails. Additional labor would then be required for implementation of the step system itself, on a yearly basis, since a step system requires a complex apparatus for reviewing faculty progress. Creating a step system at UMD would require a protracted legislative process involving department, College, University and USM approval and is dependent on fiscal resources that the University presently lacks. Providing sufficient resources could divert resources from other priorities.

In addition, the FAC found that a step system may be redundant for the UMD. The University presently has two review processes in place that address evaluation of faculty and compensation: the post-tenure review and merit review processes. The FAC feels it may initially be more productive to examine (a) whether the inequities that step systems were designed to mitigate exist at UMD, and (b) if so, whether the procedures UMD has in place might be modified or enhanced to address these putative issues.

Salary Issues at the University of Maryland

The University faces similar issues with respect to salary as those faced in the UC system. UMD faces the same market pressures that UC does, which, combined with the lagging economy, appear to have created salary inequities. The FAC did a superficial analysis of UMD faculty salaries, based on data provided by UMD's Office of Institutional Research, Planning, and Assessment (IRPA) (Appendix #1). As in the UC system, UMD – whose faculty have experienced furlough days and have had no merit raises for the past five years – shows a significant lag in salaries. In FY 2006, Assistant Professors on average earned approximately \$6000 more than those at peer institutions; today the average is over \$1000 less than at peer institutions. The disparity between Full Professor salaries in peer institutions and at UMD has doubled: in FY 2006, professors' salaries averaged \$7000 less than peers. Today it is approximately \$14,000 less than at peer institutions.

As in the UC system, UMD experiences salary disparities within and across ranks. The FAC examined data provided by IRPA on salaries for faculty who have been in rank for different amounts of time. The data show that new faculty members at UMD have been recruited at higher salaries than current faculty at the same rank. This is particularly the case for Assistant Professors, where in some cases new faculty earn more than Associate Professors. Moreover, newly hired Assistant Professors are offered salaries 21.6% higher than they were offered 5 years ago, whereas the average salary of all Assistant Professors is only 8% higher. Such drastic differences are not observable at other ranks, but there are still some significant anomalies. One might expect that more senior Full Professors would earn more than those who have been newly promoted; however, some cohorts, e.g. those in rank for 15-20 years, show a dip in earnings and as a consequence these faculty make less than their less senior colleagues. A more detailed analysis of productivity factors might perhaps provide an account for these anomalies,

These data suggest that certain faculty at UMD may be receiving higher pay than others with similar accomplishments, even within comparable departments and seniority. Again, market forces create situations in which salaries for new hires rise faster than pay for existing faculty in that rank, and faculty who receive retention adjustments are paid more than others with similar records. In contrast, due to the recession, UMD faculty promoted in the past five years have received reduced promotion raises and faculty who have been highly productive in the last five years have not received the merit increments they

would have normally received. In addition, despite recent reviews on unit merit criteria, some pay inequities may arise because of problems with the merit system as a whole. If the University were to focus on a comprehensive review of our existing salary system, merit pay system, and aspects of post-tenure review, the University might perhaps be able to alleviate salary problems without adopting a step system.

RECOMMENDATIONS

In light of the research conducted by the committee on step systems in general and at our peer institutions, the FAC does not recommend the adoption of a faculty salary step system at this time. However, the FAC finds that salary disparities do exist at UMD and do need to be addressed. At its meeting on January 24, 2013, the committee voted to approve two recommendations to move towards addressing these issues.

Recommendation 1. The FAC recommends that the President appoint a standing committee charged with conducting salary studies of all faculty (tenure-track, non-tenure track, librarian faculty, instructors, lecturers, research faculty), and with making recommendations to address salary inequities and the overall principles of distribution of raises devoted to merit, promotion, and salary inequities.

(a) It is difficult to make recommendations about future salaries without information about the past and present state of salaries at UMD. One of the objectives of such a committee should be the development of campus-wide summaries of salary distributions based on broad measures such as rank, years in rank, discipline, productivity, demographic characteristics such as gender and ethnicity, and other known predictors of salary. These summaries should include measures of central tendency (mean and median) and measures of distribution so that overlap of salaries across rank can be adequately assessed. The committee should also assist in the design and evaluation of periodic salary studies and develop a database that includes benchmark institution data.

(b) The committee should also be charged to work with Colleges to review current practices and determine the extent to which the salary inequities that exist arise from the merit freeze period or from flaws in the merit pay process. The College-level analyses should examine how merit pay is determined, if changes to the merit pay system are needed, and the magnitude of equity issues in the College. The FAC suggests that the design of College salary analyses might be guided by the framework of the campus-wide salary analyses, so that there is a common framework to exchange and compile information. The Colleges could also provide suggested plans to address equity issues and the available and needed resources to do so. The Committee should compile and analyze these reports and their findings on equity. The aim of this endeavor would be to make rectifying inequities part of the salary distribution process.

(c) Structural issues are implicit in this recommendation. The committee should also address the procedures and policies for determining where salary inequities exist and how rectifying inequities should be financed. The FAC suggests one concrete procedure: that the committee compilation and analysis of College data-collection be the basis for recommendations to the Provost on the financing of salary adjustments, which might include funds from the unit, the College and/or the University. However, the committee might need to consider other financing arrangements. Note also that the proposed committee should be charged with examining systemic inequities, not with adjudicating specific cases. This issue might be addressed by strengthening the review processes.

Recommendation 2. The FAC recommends that the University revisit the post-tenure review system and consider ways in which it can be used to detect and reduce inequalities in salary.

The UC campuses pride themselves on their rigorous merit review system that enables progression through a series of steps within ranks. The UC system facilitates continuous review of faculty accomplishments which is tied to salary advances. At UMD, there are three general mechanisms for review: the APT process, merit review, and post-tenure review. Promotion and merit reviews are tied to salary raises. There is currently a task force that will examine the appointment and promotion review process. The proposed salary committee can build upon recent reviews of merit pay procedures and criteria to examine the effectiveness of our current merit pay process. However, the merit pay evaluation depends on uncertainties in funding. The timing is unpredictable and to date, there is no mandate to distribute pay to make up for inequities. Unlike merit pay, the timing of post-tenure review is set by the University System Board of Regents: post-tenure review must occur every five years. The post-tenure review process should be used to detect and reduce inequities. The post-tenure policy should be amended to incorporate evaluation of salary within the review. It might also be possible to include a small raise for exemplary performance.

APPENDICES

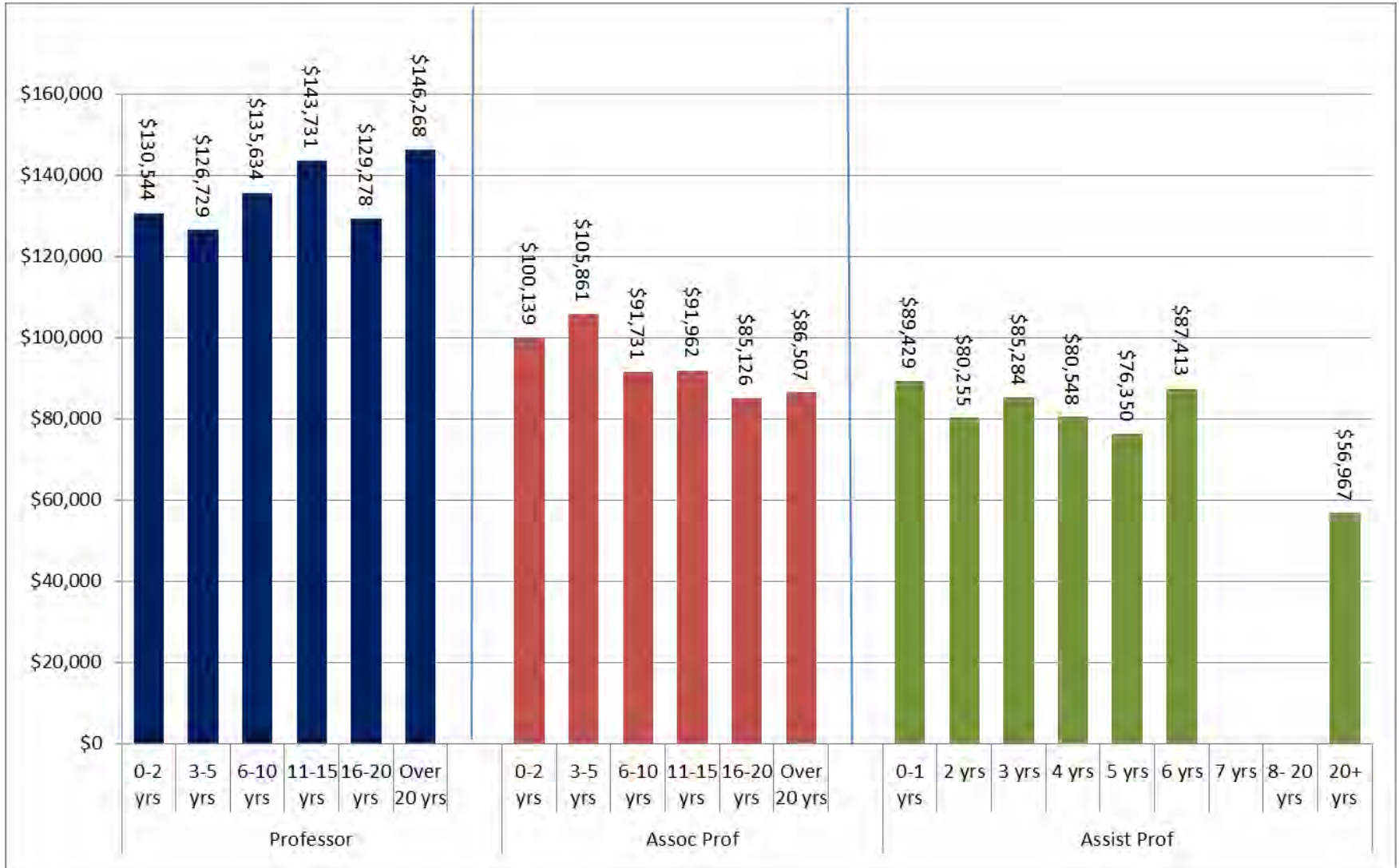
Appendix 1 – UMD Salary Data Provided by Office of Institutional Research, Planning, and Assessment

Appendix 2 – Faculty Salary Step System Charge from Senate Executive Committee



APPENDIX 1 - UMD SALARY DATA PROVIDED BY OFFICE OF INSTITUTIONAL RESEARCH, PLANNING, AND ASSESSMENT

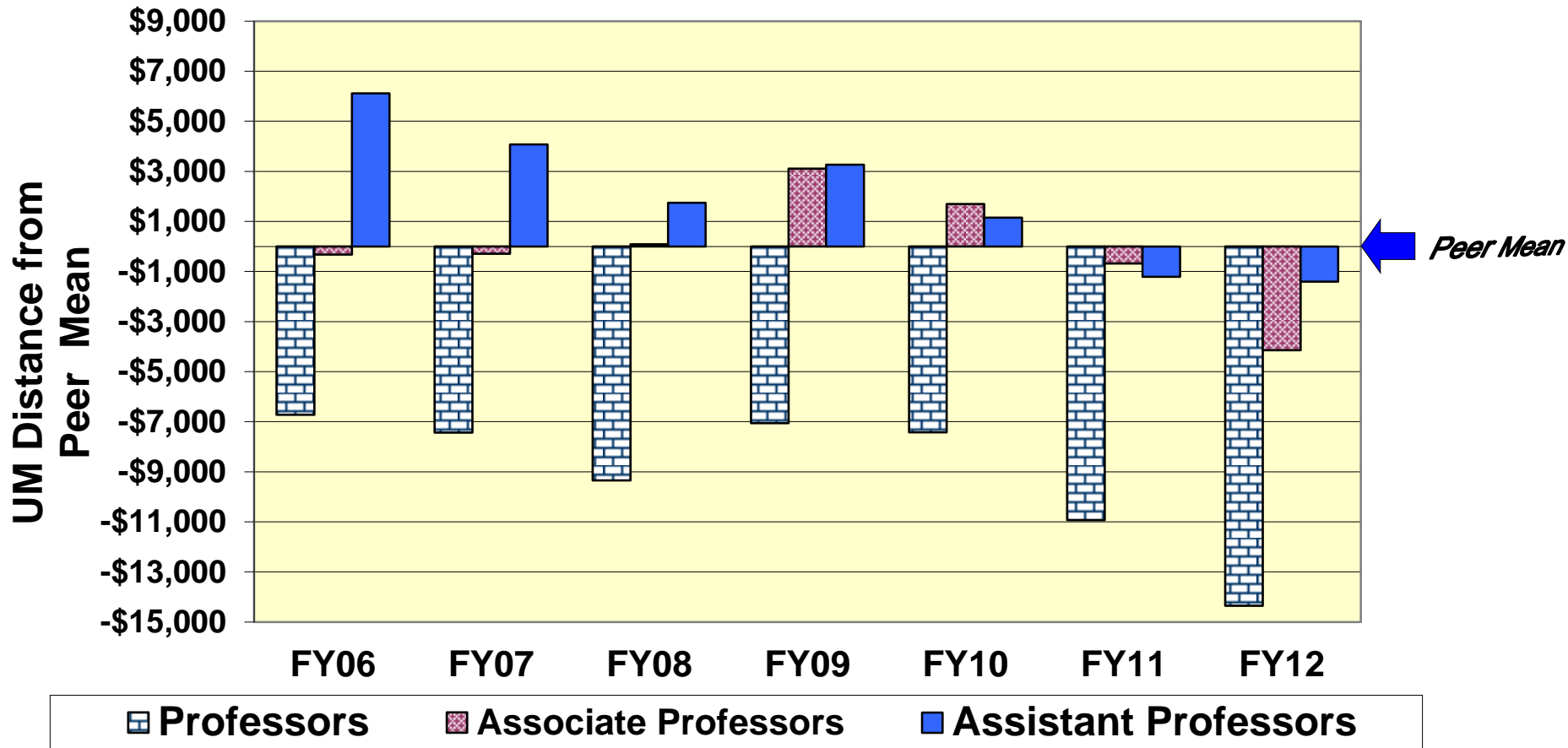
T-TT Faculty Average Salaries by Years of Service, 2011-12





Another Year Without Increases Moves All Three Ranks Further Below Peers Means in FY12

UM Faculty Salaries, Distance From Peer Means, FY06 to FY12



Source: AAUP 2011-12 Faculty Salary Surveys - exchanged via the AAUDE.

**APPENDIX 2 - FACULTY SALARY STEP SYSTEM
CHARGE FROM SENATE EXECUTIVE COMMITTEE**



**University Senate
CHARGE**

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| Date: | September 5, 2012 |
| To: | Ellin Scholnick Chair, Faculty Affairs Committee |
| From: | Martha Nell Smith  Chair, University Senate |
| Subject: | Consideration of a Faculty Salary Step System |
| Senate Document #: | 12-13-05 |
| Deadline: | March 30, 2013 |

Some universities have established salary step systems in order to ensure that faculty are given compensation commensurate with their performance at regular intervals throughout their academic career. The Senate Executive Committee (SEC) requests that the Faculty Affairs Committee review faculty salary step systems at other universities and make recommendations on whether a similar system would be appropriate for our institution.

Specifically, we ask that you:

1. Review salary systems at our peer institutions, specifically those that have a faculty compensation system that includes a fixed schedule of salary steps within rank that is tied to performance.
2. Consult with the University's Office of Faculty Affairs concerning what the impact of such a system might be on our campus.
3. Consult with the Senate Chair regarding her research on salary step systems.
4. Review existing salary-related policies for faculty at our University.
5. Consult with the University's Office of Legal Affairs regarding both our current procedures and versions of step systems that might be proposed.
6. If appropriate, recommend whether and how existing policies should be revised.

We ask that you submit an interim progress report to the Senate Office no later than February 1, 2013. We ask that the committee's final recommendations be submitted by

March 30, 2013. If you have questions or need assistance, please contact Reka Montfort in the Senate Office, extension 5-5804.