

## Report of the Ad Hoc Committee on University Faculty Compensation Practices

January 25, 2013

In February 2010, Provost Rosenbaum asked the following faculty members to serve on an ad hoc committee to review university faculty compensation practices: Halina Brukner (Pritzker School of Medicine), James Conant (Philosophy), Richard Leftwich (Booth School), Kathy Levin (Physics) and John Lucy (Human Development). At the committee's initial meeting, Richard Leftwich was designated chair.

The charge to the committee was:

*"1. What are the appropriate factors to consider as we seek to reward our colleagues in accord with our ideals of outstanding scholarship, teaching and citizenship?"*

*2. Would schools and divisions benefit from more formal processes, or articulated guidelines, with respect to salary setting?"*

The committee met multiple times, frequently with Associate Provost Mary Harvey and Associate General Counsel Bruce Melton attending ex-officio. To assess more systematically the views of our colleagues who recommend and set compensation, the committee developed an interview script (attached) and interviewed a sample of colleagues in spring 2011. At least two members of the sub-committee interviewed each of the following colleagues:

Peter Constantin, Chair, Department of Mathematics

Kathleen Conzen, Chair, Department of History

Michael Foote, Chair, Department of Geophysical Sciences

Conrad Gilliam, former Chair, Department of Human Genetics (representing all BSD basic departments)

Christopher Gomez, Chair, Department of Neurology

Neil Guterman, Dean, School of Social Service Administration

Richard Jordan, Chair, Department of Chemistry

Christopher Kennedy, Chair, Department of Linguistics

Vinay Kumar, Chair, Department of Pathology

Margaret Mitchell, Dean, Divinity School

Howard Nusbaum, former Chair, Department of Psychology

Colm O'Muircheartaigh, Dean, Harris School of Public Policy

Jay Schleusener, Chair, Department of English Language and Literature

Michael Schill, Dean, Law School

Everett Vokes, Chair, Department of Medicine

Ralph Weichselbaum, Chair, Department of Radiation and Cellular Oncology

Kazuo Yamaguchi, Chair, Department of Sociology

We appreciate the time and candor of the interviewees. Our findings follow.

## **Heterogeneity**

We found considerable variation in the compensation practices in place in the various departments and schools. Stronger dissatisfaction with the existing system was voiced by chairs in the Physical Sciences Division, the Social Science Division and the Humanities Division. At the same time they (and others) stated their strong opposition to having a standardized process imposed on them. There was, however, considerable interest in learning about best practices in other units in the university.

## **Activities that are Rewarded**

It is clear that, universally, research productivity and research excellence are the most heavily valued and rewarded activities (except for clinicians). There is general agreement that this is appropriate and highly desired, although what constitutes research varies from field to field. For example, in some fields books are the primary research output, whereas in others, articles in peer-reviewed scientific journals are the norm.<sup>1</sup>

The implicit weights attached to other factors vary across units but appear appropriate for the circumstances of those units. For example, teaching is given more weight in units with heavy teaching loads (in terms of student numbers in classes and dissertation advising). Service to the unit is rewarded in many units, although university service is often given less weight. There is some perception that institutional contributions and loyalty are not rewarded in that some longer-serving faculty members have fewer opportunities for adjustments in compensation. We believe there is a need to think more about the place of accumulated institutional service in compensation.

We eschew a “one size fits all” approach to the question of appropriate weights for various activities, except for endorsing the universal view that research is paramount. We suggest that, for this university, teaching and research are complements, not substitutes. Although there is consensus on the importance of research, there is considerable uncertainty in most units about the weight attached to other activities when salary decisions are being made.

## **Components of Compensation**

For most faculty, the main component of their compensation is their nine month salary, although a lab budget is often important for a physical scientist. Other discretionary components of a faculty member's compensation include: a research budget, fourth quarter support, paid leaves, teaching load, an administrative supplement, and a housing supplement. There is considerably less variation in the other compensation components than in salaries across faculty within a given unit. Consequently, we focused primarily on the salary component of discretionary compensation, but it bears emphasis that the non-salary components that are most critical in recruitment and retention are Lab School admission and tuition support and the college tuition remission program.

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<sup>1</sup> Articles in law journals are not peer reviewed, but are considered research in the field.

## Offers from Other Institutions

The role played by offers from peer institutions varies widely. In some units (such as medicine) there are many local competitors so relocation costs may be low for the faculty members who are recruited elsewhere. Failure of the departments to match (or even anticipate) outside offers in those cases is likely to result in loss of the faculty member. In addition, salaries for various specialties in medicine are widely known nationally and by region so there is a metric and associated pressure to anticipate and pre-empt outside offers for valuable faculty members. In other units, relocation barriers are higher for individual faculty members because there may not be abundant local opportunities. In addition, in some fields salary differences are less visible because there are no clear national metrics of compensation levels. In such contexts, department chairs may not face as much pressure to anticipate, pre-empt, or match outside offers. Furthermore, some faculty members are more mobile than others, depending on their research paradigm (e.g., reliance on a specialized lab facility) or personal circumstances (e.g., the mobility of their spouse or partner). Some chairs expressed the view that faculty in those situations were at some disadvantage with respect to salary. Similarly, outside offers in some areas are rare because the field is small and not growing.

Matching offers, or responding strongly to them, is the norm in the professional schools. These schools are also more likely to attend to discrepancies from national norms and to be proactive in remedying them for valued faculty. Those schools also attempt to adjust the salaries of other faculty to maintain internal equity within the unit when one of their colleagues receives a salary increase due to an outside offer. Such behavior is rare outside the professional schools.

Of serious concern in the divisions are reports that some department chairs and senior colleagues tell faculty that the *only* way they will get a significant raise is to get an outside offer and they encourage faculty to seek one. Members of the committee find this practice disturbing. It runs the risk of losing valued faculty, lowering morale, and sending a message that, for some units, there is not a mechanism for recognizing the faculty's member's research achievements and wider contributions to the University. In addition, as mentioned above, the strategy of seeking outside offers is not equally available to all. For example, less mobile faculty and those in small fields may have difficulty in generating such offers and/or face higher personal and professional costs for doing so. Some faculty also believe that female faculty members who are generally more constrained by spousal careers have more difficulty pursuing outside offers.

We recognize that outside offers can convey information about the "worth" of a faculty member to another institution and to the field of the faculty member, and we are not suggesting that this information be discarded. It is often difficult to disentangle the information in an outside offer (e.g. How much of the offer reflects the fact that our peer school has lost a key player in a small field?). However, the *absence* of an offer is typically more difficult to interpret. Does it reflect the well known loyalty of the faculty member to our University, the fact that the faculty member has low mobility, that the faculty member is no longer active, or that the field is shrinking or not expanding and "slots" are available only as faculty retire or leave?

## **Transparency**

Some faculty find the salary setting process in their department opaque and are suspicious of the outcomes. We believe the suspicion could be alleviated if the processes were made more transparent, for example by providing a written description of the process to faculty and by a clearer articulation of the relative weights given to activities other than research.

Communication of the outcomes of the salary setting process is also opaque. The most common practice is to mail the faculty member a letter telling the faculty member the level of his or her new salary. It is unusual for the letter to express the increase as a percentage or to report any statistics (such as the average increase) for the unit. The BSD is a notable exception. Although such opacity frustrates faculty, chairs stated, almost universally, that “the less said, the better.” The goal of transparency is thus subservient to other goals such as flexibility and avoiding conflict.

## **Inputs**

Some units require faculty to provide a formal annual report on their activities, others require updated CVs, and others make no formal requests for information from the faculty. Transparency would be improved if all faculty were required to provide an annual activity report and if there were a template for the report specific to the unit. Such a report would also provide information to faculty about which activities are rewarded.

## **Outcomes**

The salary setting process necessarily involves judgment and is not formulaic, with the exception of a component of salaries of clinicians for whom productivity is believed to be measurable. We believe decisions would be improved if those responsible for setting salaries had more systematic knowledge of faculty member’s activities as provided by the annual activity report we discuss above.

Some interviewees believe that, although university salaries are competitive at the recruitment stage, that is not the case for immobile faculty who have been here for some time.<sup>2</sup> This view seems stronger among the lowest paid fields in the University (and, we suspect, nationally) and it may well reflect absolute salaries in those fields having fallen relatively to a point that makes living in Chicago (and in Hyde Park in particular) prohibitively expensive. We did not collect any data to address this concern because it was not within the scope of the committee’s charge.

## **Variation over Time**

Some units have a stable institutional culture in which a change of dean or chair has little effect on compensation practices. In other units, a change in leadership has a significant impact on compensation and retention strategies making the development and maintenance of consistent compensation practices difficult.

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<sup>2</sup> Refreshingly, one interviewee who offered this observation interpreted it positively – it was to be expected, given the privilege of working at such an institution with such wonderful colleagues!

### **Small Units**

Small units present unique challenges in times of low average salary increases. With a small raise pool and a small department, it is difficult to make a large adjustment to one faculty member's salary without giving other faculty raises considerably below the average. In some units, senior faculty have voluntarily taken reduced increases to allow "catch up" compensation to junior colleagues, although, in some cases, deans have intervened to block such practices.

### **Deans' "Holdback" Mechanisms**

There is a mechanism to alleviate the small unit problem and to facilitate salary adjustments through access to the dean's "holdback." We understand that many deans are allocated a raise pool as part of the budget process and they are supposed to pass that on to department chairs, after holding back a portion of it for recruitment, retention, and other special cases. Department chairs may present a case to the dean to obtain more compensation for a given faculty member, effectively, to obtain a share of the holdback. For many units, this is the only mechanism for addressing major internal equity issues. We recommend that more attention be paid to the use of the holdback to address internal equity issues.

### **Outside Benchmarks**

Information about salaries at peer institutions varies widely across units. In some units (most notably medicine), published benchmarks for compensation result in detailed information about salaries at peer institutions; similarly for units in large homogeneous fields, salary surveys are available to deans and chairs, if not to faculty. For faculty, the most common source of information about salaries at peer institutions comes from budgets attached to grants they are reviewing. Salaries for beginning assistant professors are virtually public information in most fields, creating difficulties if those salaries creep above existing salaries for more senior faculty.

## Recommendations

1. We recommend that the provost inquire into the extent to which faculty are being encouraged to seek outside offers as the sole means of achieving a substantial salary increase. The pervasive belief in some departments that outside offers are the only effective means for faculty members to achieve substantial salary increases undermines the institutional loyalty we value so highly at our institution.
2. We recommend that all units be encouraged to request annual activity reports from their faculty as a precursor to salary setting. Those reports should be reviewed by the department chair or dean as part of the salary-setting process.
3. We recommend that all units provide their faculty some written explanation of the salary setting process, perhaps in the call for the activity report or in the annual salary letters.
4. We recommend that the annual salary letters sent to faculty include some indication of what their salary increase indicates about their performance. We are sympathetic to department heads' concerns that explicitly comparing an individual faculty member's increase with increases awarded to other faculty members in the unit may be counterproductive.
5. We recommend that the provost initiate discussions with the deans regarding their use of holdback funds and the need for special attention to those departments whose salary pools are so small as to make exceptional merit adjustments impossible without virtually eliminating raises for other faculty. Further, we encourage the provost in these discussions to seek and discuss mechanisms for identifying potential internal inequities in salaries.
6. We recommend that the provost encourage and facilitate the sharing of best practices with respect to compensation practices so that deans and department chairs become more aware of the options used by other units.

## Appendix: The Interview Script

### Provost's Compensation Practices Committee

**Goal:** identify best practices at the University to assist those making compensation decisions.

Department or School \_\_\_\_\_

1. **Means of Collecting Information:** When evaluating a faculty member's performance before setting his or her annual raise, what information do you collect and what is done with it?

Annual activity report      Updated CV      Personal interview      Other?

2. **Factors in Performance Evaluation:** When evaluating faculty performance, what are the most important factors and how do you to form an overall assessment of performance?

Research activity	Classroom teaching	University service
Publication activity	Undergrad teaching	Division/School service
Outside recognition of research	Grad teaching/mentoring	College service
Awards and Honors	Success placing students	Department service
	Citizenship/collegiality	External service

3. **Forms of Compensation:** When considering adjustments to a faculty member's total compensation, what factors do you take into account?

Research budget	Term allowance	Leave/sabbatical
Lab facilities	Summer salary	Housing support
External grants	Administrative supplements	Tuition benefits
Teaching load		Other

4. **Promotion:** When a faculty member is promoted or receives tenure, does the faculty member receive a salary "bump" and, if so, how is the size of this bump decided?

5. **Communication:** How do you communicate, explain, or justify raises to individual faculty?

Format: letter or meeting?      Content: amount, comment, explanation, etc. (examples?)

6. **External Benchmarks:** Do you benchmark salaries across institutions and, if so, how?

Third party salary surveys      Outside offers to a faculty member or to *other* faculty members

7. **Outside Offers:** How do you handle outside offers? Do you always increase compensation in response to an outside offer?

Is an outside offer necessary to get more than an average raise?  
Do you encourage faculty to seek outside offers?  
If outside offers are difficult to obtain for some faculty (e.g., in small often tightly knit fields, where there are spousal constraints, etc.), how do you handle this?  
When you adjust one professor's salary, do you make salary adjustment to other similarly situated professors? How do you decide who is similarly situated?  
What options does a Chair (or Dean) have in matching offers?  
How can Chairs help Deans with retention matters and vice versa?

8. **Other Issues:** Are there any compensation issues that concern you or other suggestions you might have to for improving the current process?