Pearl Meyer

ADVISOR BLOG

The Deceptive Simplicity of Equitable Faculty Pay

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In many ways, determining faculty pay should be easy. With modest variations, faculty are divided into only three levels, or ranks. They belong to well-articulated disciplines. Finding matches to these jobs to determine compensation is a simple matter. Nevertheless, despite this surface simplicity, establishing faculty compensation that is free from bias and is equitable is challenging. We routinely encounter complications that must be considered, controlled, or counter-acted before we are able to produce sound conclusions. Below are seven key challenges institutions face when assessing and setting faculty compensation.

1. **Institutions have different internal markets.** Different schools or divisions within a given institution have different balance sheets, income statements, and access to capital—and pay similar positions differently. An economist in a business school or a psychologist in a medical school, for example, are not paid the same as these faculty in arts and sciences. Therefore, these context effects must be incorporated into analyses by using external data specific to the positions' circumstances.
2. **External markets are hard to define.** Institutional research, faculty, trustees, and administration all have their thoughts on which schools to include in a cohort of comparators. Because institutions are the same and different in many ways, the problem becomes one of condensing myriad alternatives to a set of institutions that is agreeable to all parties. This can be achieved using powerful statistical methods (and variants) that use a host of institutional characteristics (e.g., financials, quality indicators) to form homogeneous groups as opposed to producing groups by cherry-picking organizations based on a few salient attributes—a process we know that parties find displeasing.
3. **Many faculty members have multiple sources of income.** This is mostly a logistical issue as faculty have different institutional roles and are, therefore, paid through different sources—not all of which are compiled into a single database. For example, faculty may be paid through clinical and non-clinical dollars, state and non-state dollars, or through soft (e.g., grant) or hard dollars—all of which need to be integrated. Faculty

also can receive stipends for extra duties that can range from about 2% to 15% of salary. Thus, although we think of faculty pay as fixed, it frequently has a significant variable component that can vary from year to year. Therefore, what a person has earned one year may not be prognostic of what he or she will earn next year. These sundry issues can be addressed by using multiple year averages of compensation, only “base” amounts for analyses (i.e., excluding variable pay), or supplemental surveys to gather information (such as stipends) that is not collected in standard surveys.

4. **Market data is non-specific to place.** Schools sit in different markets and a dollar does not mean the same thing in each place. The cost of living, then, is a potential contaminate of results if not taken into consideration. Housing costs, in particular, present barriers to recruitment for many institutions located in high-cost urban areas. Consequently, knowing the magnitude of the cost of living differentials is essential to understanding the total remunerative profile of faculty, even if institutions elect to make up the difference through mechanisms such as housing allowances and non-direct compensation.
5. **Policy changes and compensation actions may disrupt internal equity.** Institutions occasionally alter promotional policies non-retroactively (e.g., go from $5,000 to $10,000 for a change in rank), make off-cycle adjustments in pay (often as counter-offers to fend off competitors), and are forced to pay higher salaries to new faculty versus longer-tenured faculty due to changes in market conditions. Consequently, as time passes, the scatter of salaries makes little sense. Discovering pay anomalies requires data visualization and methods that identify data points that appear to defy explanation. The related analyses require a level of intensity (e.g., tests of assumptions, examination of possible interaction effects, computation of effect sizes) that is typically absent from standard approaches which, if mechanically applied, may yield erroneous conclusions.
6. **Performance is hard to assess and contrast.** Just about every college or university says they use the same three criteria of teaching, research, and community service to evaluate faculty. The problems with these mainly concern measurement: the comparability of student evaluations and level of faculty research accomplishment across the institution. Research output is notoriously difficult to compare across disciplines since the speed with which research can be conducted and papers written, the size of a journal’s readership and impact, etc. differ among the disciplines. Nevertheless, we have deployed satisfactory ways to level comparisons based on indices that are familiar to faculty and the use of performance rating systems.
7. **Bias may precede compensation.** Compensation is an outcome. Explainable differences in, say, the salaries of male and female faculty can be the result of a build-up of inequities over time. For example, women may be placed on less visible committees, receive fewer solicitations to write papers with colleagues, or be given scant opportunities to participate on grants. None of this is necessarily intentional, however, small, additive slights accumulate as differences in compensation (that appear as justifiable). In that regard, we propose that chairs use scorecards to track the activities of faculty members along with their accomplishments to ensure the same opportunities are extended to all.

These have not been the best of times for faculty. Their workloads are heavier than ever before, the numbers of full-time faculty have dwindled relative to the numbers of adjunct professors, and many have gone years without an increase any larger than the inflation rate. While continuing to work on the larger issues that afflict higher education and maintain the quality of our institutions, colleges and universities can take the modest step of ensuring that their scarce dollars are going to the right people, in the right amounts, for the right reasons.

About the Author

Michael O'Malley is a managing director at Pearl Meyer, where he is responsible for a broad range of talent management initiatives centered around compensation design, leadership development, and organizational effectiveness. He is an expert in developing human resource programs to foster behavior change, team effectiveness, and system-wide growth. Dr. O'Malley has significant industry expertise in banking and financial services, as well as higher education and not-for-profit organizations.

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