Cover Letter

Date: May 23, 2000
To: Tim White, Interim Provost and Executive Vice President
Gordon Matzke, Faculty Senate President
From: Steve Davis and L.J. Koong on behalf of the Issue Group on Faculty Compensation
Re: Final Report

Attached is the final report of the Issue Group on Faculty Compensation. The Issue Group requests that:

- The OSU Administration make a commitment to put faculty salary increases as a top priority;
- A plan for implementation of these suggestions be completed by the OSU Administration and reported to the Faculty by November, 1, 2000;
- A plan for monitoring progress of implementation be developed by the Faculty Senate; and
- A hard copy of this cover letter and report be jointly distributed to all faculty members by the OSU Administration and Faculty Senate prior to June 15, 2000.

Failure to address issues of compensation could result in faculty seeking outside representation in an attempt to achieve salary equity.

Final Report

Prepared for:
Interim Provost and Executive Vice President Tim White
and the Faculty Senate Executive Committee

May 2000

Members:

Stella Coakley, Botany & Plant Pathology
Steve Davis, Co-chair, Animal Sciences
Susan Ellinwood, Engineering Accounting
L.J. Koong, Co-chair, Veterinary Medicine
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Ken Williamson, Civil, Construction and Environmental Engineering

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BASIC PRINCIPLES OF COMPENSATION FOR ACADEMIC AND PROFESSIONAL FACULTY AT OREGON STATE UNIVERSITY

Academic excellence at Oregon State University must have its basis in its distinguished academic and professional faculty. Faculty are chosen from an international candidate pool and are retained because of their superior scholarship, outstanding teaching, important contributions to public service, and ability to develop, administer, and support excellent University programs. The vast majority of the faculty fulfill these criteria with distinction and consistently maintain high levels of performance.

To assure quality at Oregon State University, it is essential that employee compensation and academic infrastructure are maintained at levels that will promote scholarship, support instructional programs, encourage retention of our best employees, and help sustain and improve academic quality. The following principles are presented as a means of achieving these objectives that underpin the institution's goals of becoming a top-tier university, providing our students with a compelling learning experience, and making the state of Oregon our campus.

1. **Average faculty compensation (salary + benefits) shall be increased and maintained at levels of sustained competitive parity with comparator institutions based on rank, discipline, and the nature of duties performed.**

   The goal of sustained competitive parity is designed to maintain competitiveness in academic quality with our comparator institutions, all of which are distinguished, internationally recognized comprehensive public research universities. The compensation process at the University must be designed to promote and reward academic excellence in scholarship, instruction, service, administration, and administrative support. To maintain, let alone improve, academic quality and become competitive with our national peer institutions, it is imperative that all faculty be compensated in accord with national norms found at other distinguished public institutions.

2. **Salary increases earmarked for academic and professional faculty shall benefit the vast majority of the faculty.**

The goal of academic excellence can be best achieved by cultivating a positive intellectual atmosphere across campus. The vast majority of academic and professional faculty at Oregon State University have served and continue to serve the University community and the public with distinction. Yet, in spite of their high levels of performance, for the last 25 years their salaries have not kept up with inflation. We, as a University, must acknowledge the overall high quality of our faculty through a broad distribution of salary improvement funds to the vast majority of faculty.

3. **Campus-wide salary adjustments shall include a cost of living component.**

Achieving and maintaining compensation parity with our comparators will only be possible if changes in the cost of living are factored into the distribution of salary raises. Faculty morale is significantly enhanced by a perception of basic fairness and equity in University salary determination. For these reasons, each annual pool of salary improvement funds must include a cost of living component to be distributed to all satisfactorily performing faculty.

4. **The merit component of salary increases shall be based on performance.**

The vast majority of academic and professional faculty, those who serve the University with distinction, shall be eligible for merit increases. Merit increases shall be distributed on the basis of performance in the realms of scholarship, teaching, service, and administration or other appropriate criteria based on discipline, rank, and the nature of duties performed. Individual merit increases shall be allocated according to systematic principles and procedures determined in each unit with the approval of the Dean and Provost or other senior administrators. For the purposes of this document, unit is defined as the lowest administrative unit, usually the department except in those schools or colleges without departments. The principles and procedures adopted in each unit shall be promulgated openly and clearly within the unit prior to each salary distribution. The implementation of these procedures within the unit shall be reviewed by the Office of the appropriate Dean and by the Office of the Provost, or other appropriate administrator.

5. **Faculty compensation shall address the salary compression and inequities by rank, discipline, college, and the nature of duties of those who have consistently performed satisfactorily.**

Salary compression threatens the integrity of the faculty ranks and the ability of the University to retain the loyalty and enthusiasm of its most experienced employees.

6. **Improvements in faculty compensation must be complemented with strengthened academic infrastructure.**

The quality of scholarship cannot be sustained without continual reinvestment in academic support at the unit and University levels. Employee compensation and academic infrastructure must each be strongly supported if the goal of academic excellence is to be maintained.

7. **<u>These principles shall be implemented through sustained collaboration between the faculty and administration.</u>**

   Successful collaboration recognizes the tradition of faculty governance at Oregon State University and the operational responsibility for the University by the administration. The successful application of these principles and the commitment to the goal of sustained competitive parity depends on the good will of the administration, deans, department heads, and faculty. In the spirit of collaboration, the administration and faculty (through its Senate representatives and committees) shall share relevant information and data, establish and publish the criteria to be used in making salary distributions, and assess the impact of compensation distributions on the basic principles in this document.

8. **<u>The administration shall give highest priority to academic and professional salaries because teaching and research are the central functions of the university.</u>**

   To maintain and improve academic quality and be competitive with our national peer institutions, competitive salaries are required to attract and retain outstanding academic and professional faculty.

THE SITUATION WITH FACULTY SALARIES

As shown in Table 1, Faculty salaries at OSU range from 84.4% to 95.9% of the average (***Academe***, March-April, 2000).

Table 1. 1999-2000 Faculty Salary Data (in thousands) for OSU and its Peer Institutions

Institution	Instructor	Assistant	Associate	Full	Benefits
Colorado State University	-	$48.5	$56.4	$75.8	18%
Univ of California at Davis	-	$53.9	$64.2	$91.3	28%
North Carolina	$38.8	$53.9	$62.2	$85.3	18%
Purdue	$28.5	$51.4	$60.1	$86.9	28%
Iowa State	$35.7	$49.9	$61.9	$83.2	24%
Michigan State	$32.6	$49.1	$60.4	$81.5	29%
Oregon State University	**$32.5**	**$46.8**	**$53.0**	**$70.9**	**31%**
Mean of peer institutions	$33.9	$51.1	$60.8	$84.0	24.2%
OSU/mean of peers	95.9%	91.6%	87.1%	84.4%	-

The data in Table 1 also show the severity of salary compression at OSU for faculty. The gap between faculty salaries at OSU and its peer institutions steadily increases as faculty are promoted through the ranks.

This discrepancy in salaries appears to be partially off-set by the OSU benefits package (Table 1). However, it is difficult to directly compare benefit packages without further information related to the kind and permanence of the particular benefits. Note that, although the percentage of benefits is higher at OSU, the actual dollar amounts contributed by other institutions may be more because of their higher salaries. In addition, there are trends that suggest that OUS's attractive benefit packages (PEBB) will continue to be eroded. We have taken an approach that assumes such reductions in benefits will likely occur and that the rational response is to seek comparable salary levels.

Nationally, faculty salaries have shown a 4.7% increase per year over the past 11 years; in contrast, OSU salaries increased on an average of 3.8% per year (Table 2). Though not large on an annual basis, OSU has fallen behind 10% in the salary compensation as compared to the U.S. average during this period.

Table 2. National and OSU Annual Salary Increases

Year	National Annual Increase % [1]	OSU Annual Increase % [2]
1989	7.3	5.0
1990	6.6	7.4
1991	4.3	6.2
1992	3.6	6.2
1993	4.2	0
1994	4.6	0
1995	4.0	3.0
1996	3.5	6.0
1997	4.3	0
1998	4.8	6.0
1999	4.8	2.0
Average	4.7	3.8

[1] ***Chronicle of Higher Education***, April 14, 2000
[2] OSU Office of Budgets and Planning, May 2000

WHERE DO WE WANT TO BE?

The previous section of the report clearly shows that there are two issues related to faculty compensation that need to be addressed, namely, compensation rates which are below our peers and salary compression within OSU. Therefore, the Issue Group on Faculty Compensation recommends the following goals:

1. Faculty compensation should be increased to 100% of the mean of our peer institutions over the next three biennia.

2. The salary increases should be applied differentially to correct for salary compression.

We believe that these goals are realistic, reasonable, and achievable if the OSU administration is willing to make faculty salaries the top priority over the next three biennia.

WHAT WILL BE REQUIRED TO GET THERE?

What will be required to reach a goal of the mean salary levels of our peers? The committee chose a period of six years, or three biennia, as a reasonable time to reach this goal. For the calculation, we assume an inflation rate of 2.5% plus a continued average annual national salary increase of 1.65% above inflation (*Chronicle of Higher Education*, April 14, 2000) [3]. The results are shown in Table 3. To reach the average salary of our peers over a 6-year period, the annual salary increases required are calculated as 4.95, 5.70, 6.60, and 7.15% annually for instructors, assistant professors, associate professors, and professors, respectively. The overall combined salary increases for the university would have to be about 6.4% per year.

[3] (This 1.65% is the mean increase above inflation for U.S. universities over the last 11 years. ***Chronicle of Higher Education***, April 2000)

Table 3. Estimated Annual Increases Necessary to Reach Salary Parity with our Peer Institutions within Six Years

	Peers	--	Oregon	State	University	--
		Instructor	Assistant	Associate	Full	University
Annual Increases (%)						
Inflation	2.5	2.5	2.5	2.5	2.5	-
Peer Increase Above Inflation	1.65	1.65	1.65	1.65	1.65	-
Total Required Increase	-	0.80	1.55	2.45	3.0	-
Total Annual Increase	4.15	4.95	5.70	6.60	7.15	6.44

The funds required for this increase are estimated in Table 4 and range from $5.8 million for year one to $8.0 million for year six for instructional faculty. A total salary increase package for the three bienna would be about $40 million for instructional faculty. It is estimated that an additional $35 million would be required for average raises of 6.44% to the professional faculty, faculty research assistants, and research associates. This total additional funding of about $75 million could be split between a variety of sources including state appropriations and research grants and contracts.

Table 4. Additional Funds Needed for Annual Faculty Raises Required to Reach Salary Parity with Peer Institutions

Year	Instructional*	Professional Faculty & Faculty Research Assistants & Research

	Faculty	Associates
1	$5.8 million	$4.9 million
2	$6.2 million	$5.3 milliom
3	$6.6 million	$5.6 million
4	$7.0 million	$6.0 million
5	$7.5 million	$6.4 million
6	$8.0 million	$6.8 million
	$41.1 million	$35 million

* Instructor, Assistant Professor, Associate Professor and Professor

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WHAT ARE THE POSSIBLE FUNDING SOURCES?

Full funding for all students in the OUS budget model will provide the resources necessary to substantially close the gap between faculty compensation and the market of peer institutions. Therefore, it is incumbent upon OUS and University administration to make full funding the number one priority in legislative budget requests. However, given the urgency of needing to find increased resources for faculty compensation, the Issue Group on Faculty Compensation presents additional options noted below.

The following options are methods for funding increased faculty compensation. This list is not intended to be all inclusive nor is it intended that the decision-makers will select one option as "the solution". The magnitude of the gap between OSU faculty compensation and the market suggests that administration will need to seek funds from a variety of sources.

Many of the methods below are within the discretion of the Deans. To this end, the Issue Group has identified those options which may be implemented at the college level and those which can be implemented by central administration. These options are presented for the purposes of discussion and to indicate the seriousness of the problem. Their inclusion should ***not*** be construed as a recommendation.

Tradeoffs:

The strengths of OSU lie in the superior quality of its faculty and the institutional commitment to excellence in teaching, research, and service. In considering the options below, the University community must realize that, absent full funding from the Legislature or other new sources of funding, achieving compensation parity with our peers most likely will entail tradeoffs. We ask the decision-makers to carefully consider the impact of these options, particularly downsizing and the increased use of instructors and graduate teaching assistants. Although increased faculty compensation must be given the highest priority, how we attain that goal must be balanced with maintaining the University's integrity and reputation. The Issue Group notes that the quality of education and reputation of the University may be impacted by these approaches. However, the quality of education and reputation of the University is also weakened by below-market compensation that neither attracts, retains nor encourages high-quality faculty.

Options for Central Administration:

- Dedicate discretionary funds (in whole or part) for faculty compensation.
- Dedicate a specific percentage of any increases in tuition to faculty compensation.
- Dedicate revenue (in whole or part) from enrollment growth to faculty compensation.
- Reallocate funds
- Dedicate a modest increase in assessments for auxiliary enterprises.
- Downsize faculty, administration and programs using criteria stated in the *Institutional Procedures and Criteria for Program Redirection, Reorganization, Reduction and Termination.*

Options for Colleges:

- Increase the use of foundation funds to establish endowed chairs and distinguished professorships. This approach will make other departmental resources available for faculty compensation.
- Modify FTE of identified positions if mutually agreed upon by the employee and appropriate administrators. For example, reduce 1.0 FTE to 0.75 with reduction of salary to 87.5%. The remainder of the salary savings can then be used to augment salaries of other faculty within the college.
- Dedicate a percentage of returned overhead for faculty compensation in each college
- Increase use of istructors and teaching assistants where academic quality can be enhanced or maintained. Some instructors and GTA's may be more effective at teaching lower division courses than are some faculty members. These substitutions can save money without harming instructional excellence.

CONCLUSIONS

In conclusion, the Issue Group on Faculty Compensation requests that the OSU Administration make a commitment to put faculty salary increases as a top priority. We recommend that a plan for implementation of these suggestions and monitoring of results be completed by the Faculty Senate and the OSU Administration and reported to the faculty by November 1, 2000. We also request that our final report be jointly distributed in hard copy to all faculty by the OSU Administration and Faculty Senate. Failure to address issues of compensation could result in faculty seeking outside representation in an attempt to achieve salary equity.