

Faculty Compensation Review Committee
Provost Report
April 21, 2017

Overview

In accordance with UAR 137.02 (Faculty Salary Plan), Provost Ralston has created a Faculty Compensation Review Committee charged with providing a written assessment of the Faculty Salary Plan for the prior two years. The committee's report to the provost includes a review of the plan that assesses the associated outcomes, including the use of college equity funds, and determine if modifications are needed.

The committee met on March 27 and on April 21 to review and discuss implementation issues associated with the Faculty Salary Plan over the past two years. The plan was first adopted in the spring term of 2015 and applied to performance during the 2014 calendar year. There was no funding available to support the plan for calendar year 2015. As such, the committee provides this report based on only one year of observations.

Assessment of Associated Outcomes

The committee discussed the following points related to the model:

- There is the potential for faculty members to earn a very high performance score during a time when no merit funding is available.
- Not all disciplines saw a market salary shift in 2014 and, therefore, no funding was available to distribute for merit increases other than that made available through the college equity pool.
- The fixed distribution created some consternation among the faculty in units where high performance scores are the norm.
- Salary inequity issues in some units are very significant and tend to dominate conversations relative to appropriate compensation.
- Performance score ranges in some unit FEPs do not allow for enough scoring discretion, making assignment of merit scores to a fixed distribution challenging.
- In years during which no funding is available for merit consideration, the application of the model is often viewed as causing undue concern given the expectation to still provide merit scores according to a fixed distribution.

Use of College Equity Funds

The committee was in general agreement that the amount of college equity funds available under the current model is too limited to sufficiently address salary inequities.

Recommended Areas for Modification

Some potential adjustments to the Faculty Salary Plan may include:

- In order to account for the uncertainties associated with merit funding in any given year, and given a faculty member's performance relative to the unit FEP may vary across years, the

committee recommends the development of a rolling three-year average to determine a merit score as applied to salary increases. (A draft addendum to the UAR is attached.)

- Increasing the allocation of equity in the distribution of funds. The committee suggests an increase from the current level of 15% to at least 20%. In addition the committee encourages explicitly linking equity-based salary increase eligibility to longer term meritorious performance.
- Modify the fixed distribution of merit scores component of the model. One suggestion is to use the fixed distribution as a general set of guidelines as opposed to a firm requirement.
- Explore alternative approaches to the currently used market shift approach for generating the pool of funds available in a given unit.

Issues Related to Compensation Practices Falling Outside Scope of the Faculty Salary Plan

In addition to the above recommendations related to the Faculty Salary Plan, the committee also provides the following compensation related comments:

- Examine approaches for fostering intrinsic motivation and employee recognition as part of and in addition to the current process.
- Revisit unit FEPs for possible improved alignment with the Faculty Salary Plan. Some FEPs do not allow for clearly distinguishing different levels of performance. This complicates the assignment of merit scores according to a fixed distribution.
- Some members of the committee question the validity of merit-based pay models. As such, the next group charged with major revisions in the Faculty Salary Plan should thoroughly discuss this issue.

Addendum to UAR 137.02
Faculty Salary Plan
April, 2017

In order to account for the uncertainty associated with merit funding in any given year, and given a faculty member's performance relative to unit FEPs may vary across years, the following model will be applied beginning with reviews conducted the next time funding is available to support application of the Faculty Salary Plan.

Merit Score Rolling Average

Each spring semester, during the annual review process, the merit scores for each faculty member within a unit guided by the same FEP will be added to the prior two years merit scores and averaged. This rolling 3-year average merit score will be used as the merit score for determining merit-based salary increases as described in UAR 137.02.

Special Cases

- For new, or relatively new, faculty hires who have less than three years of service at MSU, the merit score used for determining the merit-based salary increase will be either the two-year average (if completing the second year at MSU) or the single year merit score (if completing the first year at MSU).
- When faculty members change departments/schools at MSU, annual performance reviews will be conducted relative to different unit FEPs. Nevertheless, the same 3-year rolling average of merit scores will be applied when deriving the merit score to be used in the calculation of the merit-based salary increase.