TO: Faculty Personnel Committee
Outgoing Provost Weissman
Incoming Provost Cramer

FROM: Salary Subcommittee of FPC (Catrina Hamilton-Drager, Pete Sak, and Brett Pearson)

RE: Report of the Subcommittee

DATE: May 2023

Introduction

The compensation system of an institution reflects its values. The College managed to weather both the global financial crisis of 2007-2009 and the COVID-19 pandemic without resorting to layoffs. That was a priority for the Board of Trustees and is a commendable achievement. But that accomplishment has come at a cost that continues to affect the compensation system. In particular, continued pressures on the College budget over the past five to ten years have resulted in the inability to provide adequate cost-of-living increases and regular performance-based raises. This has led to salary compression that is most pronounced at the Assistant and Associate ranks. Given its already heavy workload, the Faculty Personnel Committee (FPC) created a Salary Subcommittee to examine these issues and provide recommendations to FPC and the incoming Provost[1]. The Subcommittee, consisting of the past two Chairs of FPC and the Senior Associate Provost, met regularly over the Spring 2023 semester to examine and discuss such items as current and past salary data, our procedure for recommending performance-based raises, and salary recommendation procedures at other institutions. We also met with David Walker, the College's Vice President for Finance and Administration. This report summarizes the Subcommittee's findings and provides recommendations to address the concerns over both the short and long term.

We begin by briefly describing how we arrived at the current situation before discussing the result of these pressures on the current salary structure. We next review some concerns with the current procedure for performance-based raises and then finish by providing recommendations for addressing both the salary structure and raise procedure. An Appendix includes rationale for the suggested salary review process, along with additional data.

How We Got Here

The Step-Based System: Historically, the College had a "step-based" compensation system for faculty. Junior faculty could expect to receive an annual "one-step increase" assuming they continued to meet or exceed expectations during their semi-annual reviews on the tenure track. Senior faculty members in good standing could expect to receive a one-step increase in alternate years.[2] Department Chairs typically make recommendations to FPC for any faculty members

[1] The subcommittee was charged with providing recommendations regarding faculty salaries and not broader issues surrounding compensation (including institutional contributions to retirement, employee health care contributions, etc.)

[2] These one-step increases have traditionally been called *merit raises*. As discussed below, the Subcommittee recommends against continued use of this term, so we avoid it here.

under review, and FPC is supposed to go through these recommendations at the end of each academic year before sending on its recommendation for every faculty member to the Provost. While there was room for recommending an "extra step" in the case of excellent performance (or delaying a step for subpar performance), it is likely the case that recommendations for the majority of senior faculty have followed the every-other-year progression for most of their careers.

Over the past five to ten years, the funds budgeted for faculty compensation have been insufficient to continue this system. FPC receives the budget for faculty compensation (the "faculty salary pool") from the Planning and Budget Committee (P&B) and then makes a recommendation to the Provost on how to allocate any available funds.[3] On several occasions the increase in the pool (if one existed) was too small to provide performance-based raises to faculty. In these cases, the increase was spread across all faculty (with some small adjustments based on rank or other similar considerations). Even in the absence of performance-based raises, the overall increase in the salary pool has not kept pace with inflation.

Internal Pressures: There are many reasons the College has allocated insufficient funds to the salary pool over the past five to ten years. While the Subcommittee does not claim to know them all, we are able to point to a few that we assume to be primary drivers. There have been some lean financial years at the College, and in 2018 P&B changed how salaries of retired faculty are handled. Prior to 2018, the salary differential between the outgoing senior faculty member and incoming junior faculty replacement remained in the faculty salary pool. With this differential removed, the faculty salary pool essentially starts from scratch each year, and any increase in the pool must be intentionally allocated by P&B during the budget process. In addition, internal spending choices by the College, such as building reserve funds and capping endowment draws, left little room for flexibility in the budgeting process.

External Pressures: Two trends have worked against a healthy compensation model. From the enrollment side, variations in class sizes and a significantly increased discount rate exert pressure on the budget. On the faculty side, market-driven demand in some fields and a commitment to diversifying the faculty have led to an increase in the average starting salary. This has had the combined effect of both pushing up the salary cost of existing junior faculty[4] and leading to significant compression in the salary scale.

Finally, global financial concerns and the COVID-19 pandemic placed the College under extreme budget stress. Loss of on-campus income such as housing and dining, a reduced student body, and new expenses all hurt the bottom line. The College is just starting to get "back to normal," although it remains to be seen what the new normal will be.

The Current Salary Structure

The annual rate of increase in starting salary necessary to hire the outstanding caliber of teacher-scholars that Dickinson continues to attract has outpaced the annual salary increases awarded to

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[3] Historically, the faculty and staff salary pools have been linked, in that they increased by the same amount. Recently, this system has also broken down given the market pressures in the Carlisle area and the need to keep dining and other essential services staffed. As we discuss below, we recommend that the faculty and staff pools remain separate going forward.

[4] As noted below, many existing junior faculty have not actually kept up with the increased starting salary, leading to an average Assistant salary that effectively goes down with years of service.

continuing tenure-track faculty. Historically this has required some sizeable equity adjustments (including an 8% raise for second-year Assistant Professors in 2017) to avoid paying newly-hired Assistant Professors more than their continuing colleagues. In addition, a high number of recent hires in market-driven fields, combined with salary freezes during the height of the pandemic, have resulted in salary compression and inversion. One positive is that an analysis performed in AY22 showed no meaningful pay disparity by gender; in fact, the most recent data show that at the Assistant Professor level, female faculty earn more than their male counterparts.[5]

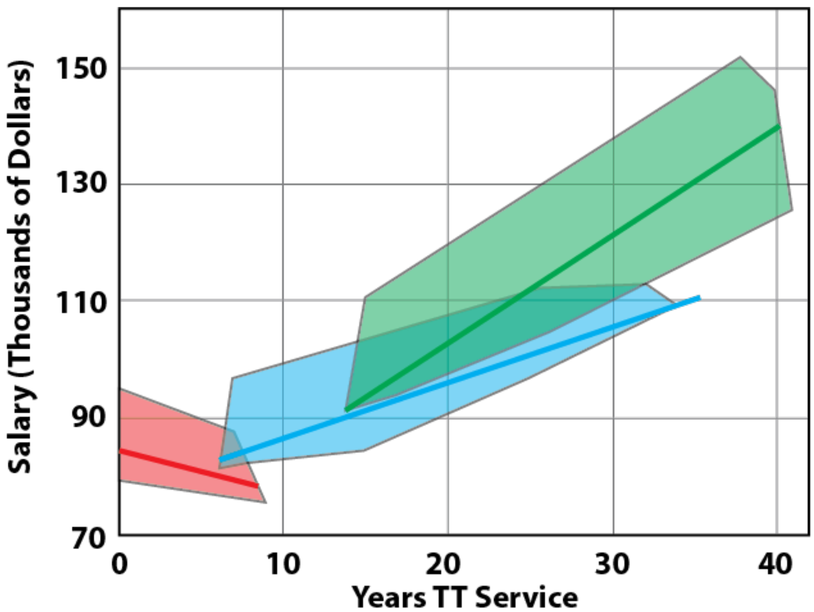

Figure 1. *Salary (in dollars) as a function of years of tenure track service (FY23). Red: Assistant Professors. Blue: Associate Professors. Green: Full Professors. A linear fit is shown for each rank.*

Figure 1 shows the FY23 salary of every faculty member as a function of their years of service (color-coded by rank). The problems at the lower and middle ranges of the salary scale are apparent, and linear fits to the separate ranks highlight the concerns.[6] For early-career faculty, one sees an actual *decrease* in average salary with years of service. For mid-career faculty, salaries are concentrated in the range between $85,000 and $95,000 among those with roughly six to sixteen years of service (independent of rank). Only Full Professors with more than 20 years of experience show what might be described as a healthy divergence of salaries with a spread about an upward trendline that (presumably) signifies performance-based compensation.[7] We note that the problems across the lower and middle ranges are *not* simply a result of new hires in the market-driven departments of Computer Science, Data Analytics, Economics, and International Business and Management; this negative slope exists even when market-driven faculty have been removed from the data set.

[5] For data, see materials for Faculty Meetings: *Faculty Salary Study* (March 2023) and *Report on Faculty Salaries* (May 2023).

[6] We are not suggesting that a linear model is appropriate for what one would hope to see in a salary distribution. We are simply using the linear fits to show the over trend for each rank.

[7] We have not done a detailed analysis of salaries of Full Professors and so cannot definitively say that this spread is due to performance.

In addition, all three ranks have been falling further behind the College's benchmark of the AAUP 90th percentile for our classification; this began around 2014 and accelerated from 2016 onwards (see Figure 2 in Appendix). As the salary distribution illustrates, especially for faculty with less than 20 years of service, there is essentially no performance-based spread of salaries. As has been noted repeatedly at Faculty Meetings, a significant loss of purchasing power, combined with the knowledge that one's job performance has little, if any, impact on compensation, is troubling and may contribute to low faculty morale and a lack of incentive to excel. Faculty retention has become an issue, as high-performing faculty have left the College.[8] If salary stagnation continues, we expect this trend to increase. We discuss suggested remedies for these problems after first addressing the current salary recommendation procedure.

The Current Salary Recommendation Procedure

In the current step-based system, department Chairs make annual salary recommendations to FPC for any faculty members under review. These recommendations come in the form of "X's" (a step increase) and "O's" (no step increase), with the understanding that an average-performing senior faculty member should receive a step every other year (i.e., their progression would be XOXOXO…). FPC is supposed to go through the department Chair recommendations at the end of each academic year, make any adjustments it deems necessary, and then send its recommendations to the Provost.

The Subcommittee has several concerns about this system. The first is that Dickinson rotates department Chairs every three years, so the faculty for whom current Chairs are making recommendations will soon be making their own recommendations for the current Chair. Chairs are also provided with a history of past recommendations (including for themselves), meaning that everyone knows which of their colleagues made recommendations for or against step increases. All of this makes it challenging to be objective and sets up a natural *quid pro quo* (even if only on a subconscious level). The rotation of Chairs, combined with the default every-other-year step, also creates inequities within a department. It is inevitable that Chairs within the same department will not be uniform in their criteria for recommending step increases, and whether a senior faculty member receives their "expected" step increase should not depend on which colleague happens to be Chair that particular year. With sufficient time, FPC would be able to smooth out these perceived differences and provide broader context of individual performance across departments. Unfortunately, given the workload, FPC does not have the time required for such a comprehensive evaluation of the annual salary recommendations.

The second concern comes from the assumption that senior faculty should receive a step increase every other year on average. As has been brought up multiple times at Faculty Meetings, this creates the impression that performance has little, if any, effect on compensation. In fact, this assumption likely *leads* to there being little effect of performance on compensation for tenured faculty; if faculty are expecting a step increase every other year, it makes it more challenging for a Chair to "take this away" from a colleague. Pay equity should not imply that all faculty are paid the same amount regardless of how well they do their job. The Subcommittee feels there needs to

[8] While we obviously can't claim faculty left for purely financial reasons, the large and growing salary gap with peer and aspirant institutions certainly could be a factor. It also deserves mention that seven of the nine faculty leaving the college at the end of AY22 come from minority groups, pushing the faculty as a whole in the wrong direction.

be some amount of performance-based differentiation in faculty salaries, and the current system makes this hard to achieve.

The third and most serious concern about the current system relates to two forms of inequities that result from it. The first inequity is between departments due to their different cultures around performance-based salary recommendations. Some departments are relatively generous with their recommendations for step increases while others are not. This means that faculty in different departments can be given different performance-based salary recommendations for similar job performance. This is a significant equity issue, as it has a long-term impact that occurs year after year, and so the effect is cumulative (leading to significant salary disparities over a 20 or 30-year career). In theory, FPC can "average out" these disparities between departments in its recommendations to the Provost, but this requires time for investigation and discussion that FPC rarely has.

The second inequity comes from the fact that over the past 15 years, there have been multiple years of no "merit increases" due to budget constraints. If this occurred during a year when a senior faculty member was due a step increase, they did not receive it. On the other hand, if this occurred during a year when a senior faculty was not due a step increase, it had no effect on their salary progression. A faculty member's salary progression should not depend on the luck of which year their step increases are "due."

This problem was magnified for faculty who were promoted recently (junior faculty who reach the tenure decision and senior faculty who reach the promotion-to-full decision). The promotion raise associated with tenure or promotion-to-full has recently depended on the year the faculty member was promoted due to the money made available in the faculty salary pool that fiscal year (see Figure 4 in the Appendix). While long-term drift of this amount is tolerable (or even necessary if it is a fixed-dollar amount), faculty a couple years apart should not receive significantly different promotion raises for achieving the same milestone. Since differences in promotion raises affect faculty for the rest of their careers (it is *not* a one-time effect), even small disparities are important. This is a significant equity concern with compounding implications over the course of a career.[9]

Recommendations for Moving Forward

Addressing the Salary Structure Compression:

Immediate Priorities: There should be an immediate infusion of funds into the faculty salary pool to address the concerns above, with the highest priority to "bring up" the salaries of those Assistant Professors who are making less than more-recent hires (the negative-slope problem).[10] In addition, the Subcommittee recommends that the College return to the practice of keeping the salary differential between retiring and replacement faculty in the faculty salary pool. This is essential

[9] It is the understanding of the Subcommittee that the recent disparity in promotion raises will thankfully be reconciled through a set of equity adjustments going into FY24.

[10] Given that tenure-track faculty are reviewed every other year and are only renewed if the outcome is positive, we are assuming all tenure-track faculty are "deserving" of this raise. In addition, the Subcommittee is aware that current budget discussions for next fiscal year may include plans to partially, or even completely, address the negative-slope problem. If so, this is a great start. If not, this should be the highest priority in the immediate future.

for being able to address the remaining issues (and, given hiring pressures, prevent the negative-slope problem from reoccurring).[11]

Near-Term Priorities: The College should put forward a clear plan to address salary compression. This plan should ensure sufficient funds are available in the pool so that both cost-of-living and regular performance-based increases can start to "stretch out" the compression. In addition, the plan should set meaningful, fixed-percentage raises that occur at both promotion-to-Associate and promotion-to-Full milestones. These percentages should not be adjusted on a year-to-year basis, as this leads to both inequity and compression.

This plan should make it clear that compensation is a commitment and investment by the College in its faculty. Compensation should enter the planning and budget conversations from the beginning, with concrete targets for investment that allow FPC to (1) continue to address the problems described above, and (2) recommend meaningful, performance-based raises for faculty. Commitment to such a plan would go a long way toward improving morale and retention.

There are also low-cost steps the College could take in the near term to help address both morale and some equity concerns. One example would be reinstituting grants for sabbatical salary support. The College could offer faculty a limited number of "one-quarter salary" grants on a competitive basis. Faculty awarded these grants could take a full-year sabbatical at three-quarters pay (as opposed to the standard half pay). This would recognize exceptional scholarly performance without the reoccurring (and compounding) burden on the salary pool that a raise would.

As another example, the College could focus philanthropic effort on support for recruiting and retaining a diverse and vibrant faculty. A goal could be to create a minimum of three (one per division) rotating chairs at the Assistant Professor rank. Incumbents would receive a stipend, access to additional research funds, and the title for up to 24 months. The Subcommittee recommends the College consider pursuing these ideas and/or others that may be more financially feasible in the near term than a significant, across-the-board raise.

Separation of Faculty and Staff Salary Pools: The Subcommittee recommends that the College acknowledge that the faculty and staff salary pools have effectively become uncoupled during the overlapping crises of the past few years. Furthermore, the Subcommittee recommends that the pools remain separate going forward. The nature of the positions are significantly different, and macroscopic trends do not affect them the same way. For example, faculty positions involve national (and international) searches, while staff positions rarely do. As another example, dining has been unable to hire for numerous positions recently, while some faculty postings receive over one hundred applicants. While the annual cost-of-living adjustment should be the same for faculty and staff, the overall growth of the two pools should not be forced to be the same.

[11] It was reported at the May faculty meeting that starting this year and going forward, the College will return the salary differential from retiring faculty to the pool. This was excellent news.

Changes to Salary Recommendation Procedures:

Change of Terminology: The Subcommittee recommends the College change the language around "standard raises" and "merit raises" due to the concerns mentioned above. For example, new terminology could involve a "cost-of-living adjustment" that serves as a common increase for everyone. This adjustment should depend on the prior year's inflation and should *not* be referred to as a raise. Then, there could be "performance-based increases" (i.e., true raises) for faculty that are determined by an evaluation system. We discuss a suggested system for this below.

Removal of Salary Recommendation from Department Chairs: Chairs can (and should) comment on job performance in the standard review documents. For example, the Departmental Letter for reviews (including both regular reviews and sabbatical reviews) are designed to convey to FPC how a faculty member has been performing in the areas of teaching, scholarship, and service. But Chairs should *not* be asked to give regular "X or O" recommendations for performance-based pay, and the Department Letter should *not* explicitly state whether the Chair feels the faculty member under review is "due a raise" (or similar language).

Suggested System for Determining Performance-Based Salary Increases: The Subcommittee (referred to as "we/us" going forward to avoid confusion) recommends replacing the current system with a new model. Cognizant of the concerns with the current system, we discussed what a successful model might look like. In addition, we requested that the Provost reach out to other schools to gather information about possible models. There was significant variety in how other schools handle this issue, including no performance-based pay on one end of the spectrum, to raises determined entirely by the Provost (who is supposed to read all review materials for all faculty) on the other end. Guided by our discussions, we recommend a model based on the following principles:

- There should be some form of performance-based pay for faculty.
- Salary recommendations in any new system should be based on faculty input (as they are in the current one). While it is ultimately the Provost who recommends changes in salaries to the Board of Trustees, these decisions should be based on faculty input.
- Historically, FPC barely has sufficient time to perform faculty reviews, handle personnel issues that arise, compose personnel documents, provide counsel on administrative hires or other issues affecting faculty, etc. There simply isn't additional time to make thoughtful recommendations on performance-based salary increases on top of all the other work. In recognition of this reality, we recommend the creation of a small group of former FPC members who would work in conjunction with the Senior Associate Provost to provide recommendations to the Provost.

We discussed various ways to implement a new system based on these principles. We considered such questions as who should make the recommendations, what they should be based on, and how often they should occur. In the end, we recommend a new "salary review procedure" in the following form (rationale for each point is provided in the Appendix).

Suggested Salary Review Procedures for Tenured Faculty

1. Recommendations should come from a separate subcommittee of FPC comprised of recent prior members of FPC. We suggest the subcommittee consist of three faculty members, with the Senior Associate Provost also sitting on the subcommittee to serve as the intermediary between it and FPC. This subcommittee would pass on its recommendations to the Provost. As is done now, the Provost should inform the subcommittee (and the Chair of FPC) about any changes made to the recommendations.
2. Recommendations should be made on a fixed schedule that is *not* coupled to the review process. For example, recommendations could be made every five years (with one-fifth of the faculty being considered each year). Unlike reviews and sabbaticals, the timing of these salary recommendations should be *non*negotiable.
3. Recommendations should be made based on (1) the current CV of the faculty member, (2) short statements provided by the faculty member that address the areas of teaching, scholarship, and service, and (3) the *outcomes* of the most recent review (full and/or sabbatical).[12] While these statements can obviously draw on the faculty member's most recent PAS, there should be a hard limit on the word / character count to prevent what happens all too frequently with the PAS. Submissions exceeding this limit should be returned unread.
4. Recommendations should consist of a *multiplier* between some minimum and maximum value. Until the next salary review (assumed to be every five years), the performance-based pay of each faculty member is determined by their multiplier. Depending on the funds made available in the faculty salary pool each year, there would be a base unit for performance-based raises. Each faculty member would receive a raise equal to their multiplier times the base unit.
5. Junior faculty should *not* participate in this process. They are typically evaluated every other year and continued employment is contingent on meeting or exceeding all job expectations. Instead, all junior faculty should have a fixed multiplier to determine their performance-based raise based on the money available in the pool. In the year that a junior faculty member undergoes the tenure review, they would complete the same submission outlined in Step 3.
6. Based on the budget from P&B each year, FPC should allocate the available funds in the salary pool into three "pots" to support: (1) a cost-of-living increase, (2) performance-based raises, and (3) necessary equity adjustments. The multiplier coming out of this review process only determines how pot (2) is distributed. The cost-of-living adjustment should be the same percentage for all faculty, while the equity adjustments are done on an individual basis as needed.

[12] We suggest that the review outcomes include the final FPC memo and, *only if necessary*, the Department Letter or other materials. Subcommittee members are *not* expected to read all materials associated with the previous review.

Appendix

Rationale for the New System (by numbered points above)

1. As noted, when discussing the principles for a new system, the current FPC simply does not have time to make meaningful recommendations. Recent past members of FPC, with the Senior Associate Provost serving as an intermediary, would be in the best position to make these recommendations. The Senior Associate Provost can inform the subcommittee of any required input from FPC. We suggest three members (one from each division) for the subcommittee (plus the Senior Associate Provost), as this seems to achieve a balance between broad input and adding additional faculty workload. Faculty could serve staggered three-year terms on the subcommittee.
2. We considered coupling salary recommendations to the regular review process. For example, the subcommittee could look over the review documents the subsequent academic year and make its recommendation. We saw two problems with this model. First, the review schedule is notoriously variable, as senior faculty have been known to go eight or nine years without a review. This would be all the more problematic when faculty have a salary-based incentive to move up or delay a review. A fixed salary recommendation schedule decoupled from regular reviews avoids this issue, and the brevity of the required documents means that the salary recommendation schedule can be nonnegotiable. Second, the quantity, length, and quality of documents coming out of a regular review can be quite variable, and this introduces inequities into the salary recommendation process. A single format with hard length restrictions helps alleviate this concern.
3. Requiring short statements reduces the work for all parties. As noted in the rationale for point 2, this also helps remove the variability in standard review materials. The outcomes of the most recent review should typically consist of *only* the final FPC memo. The word / character count of the statements (wherever they are set) should be nonnegotiable hard limits, and any submissions over these limits should be returned unread. Experience has shown that flexible limits on such statements are ineffective.
4. The five-year multiplier serves a number of purposes:

   While the base unit is set based on the money made available in the performance-based pot of the salary pool, the multipliers can be set based purely on faculty performance, independent of how much (or how little) money is in the pool. A smaller base unit means everyone gets less, but the person with a multiplier of two still gets twice as much as someone with a multiplier of one. This lets the subcommittee make recommendations independent of the available funds in any given year.

   This model spreads out the effect of the multiplier over a five-year cycle, avoiding the inequities that arise when current "merit raises" fall on years when there is little to no increase in the salary pool. All faculty receive their performance-based raise every year, and so the annual allotment to the pool affects everyone equally.

   The multiplier naturally addresses compression in the salary scale. Faculty who excel at teaching, scholarship, and/or service will move more quickly up the scale, while those underperforming will progress at a slower rate. In addition to helping with compression, this also makes clear that compensation is at least partially dependent on how well one does their job (something that has been lacking in recent years).

We discussed possible ranges for the multiplier, including whether zero should be an option available to the subcommittee. We felt that four possible values for the multiplier would strike a balance between allowing for meaningful differentiation between performance and overly complicating the decision of the subcommittee.[13] Allowing a multiplier value of zero would recognize poor performance of a senior faculty member without the "punishment" of a salary freeze.[14] On the other hand, a faculty member whose performance suggests a multiplier of zero would probably already have come to the attention of FPC through the review process. No matter the range, a low multiplier indicates subpar performance, while a high multiplier recognizes excellent performance (with a range between).

5. Junior faculty should not be part of this system. Given the assumption that junior faculty are meeting expectations with successful reviews, they should receive annual salary increases exceeding the cost-of-living adjustment.
6. By separating the recommendations for performance-based raises from the money available in the pool each year and spreading the multiplier over five years, FPC can allocate funds to the three "pots" without worrying about which subset of faculty might be affected in any given year.

[13] For example, with four possible values the available multipliers could be (0,1,2,3) or (1,2,3,4).
[14] Note that a zero multiplier is not the same as "freezing" someone's pay, since the faculty member would still receive any cost-of-living adjustment. "Freezing" (or even reducing) a faculty's members salary would also remove the cost-of-living adjustment and should only be considered in exceptional circumstances (as done currently).

Additional Data

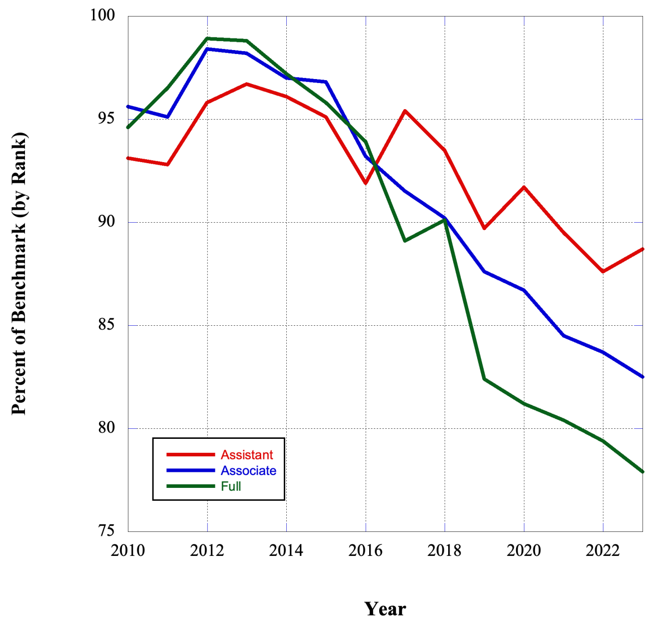

Figure 2. *Percent of the benchmark (AAUP 90th percentile) for the average Dickinson faculty salary at each rank as a function of year. Red: Assistant Professors. Blue: Associate Professors. Green: Full Professors.*

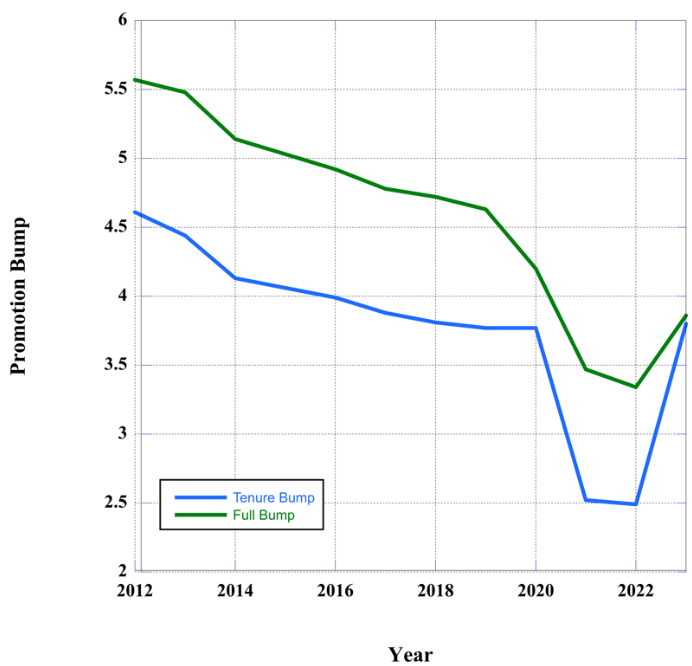

Figure 3. *Bump in salary for both tenure (blue) and promotion-to-full (green) as a function of year. The salary increase is shown as the percentage of the average salary for those being promoted. The graph shows (1) a slow decrease due to the bump being a fixed dollar amount (as opposed to a fixed percentage), and (2) the drops in years in which the dollar amount changed due to budget constraints: 2020 (full only), 2021 – 2022 (both tenure and full), and 2023 (full only).*