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# Merit Pay, Market Conditions, Equity, and Faculty Compensation

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What's the source of greatest dissatisfaction among working conditions for faculty? *Dissatisfaction with salary*.<sup>1</sup> Research at the unit, institution, state, and national levels supports this finding time and again.

But what is the root of this dissatisfaction? Does "pouring" money on the problem fix it? For all faculty or only for some? Is this a problem of economics, policy, distribution, or perception? Why are two faculty members, who do essentially the same work, paid differently? Why can some faculty negotiate strategic hiring salaries while others can't?

Researchers provide no definitive answers to these questions. Scholars paid close attention to compensation-related issues in the 1970s and 1980s—a period of institutional growth and gains in collective bargaining. But interest waned during the 1990s, and today most research on pay is conducted "in house." Institutional researchers may look only at practices within their own colleges or they may "benchmark" data to "peer institutions." Deans and department chairs may compare salaries across disciplines to justify requests for increases or to respond to offers extended to faculty by other institutions. But these "decision-oriented" studies are seldom available, and in any case they tell us little about the larger picture. We do have national data bases—IPEDS, for instance—that provide trend data. But the challenge remains: making the numbers explain faculty dissatisfaction.

To begin this process, this essay discusses three factors affecting the base pay of higher education faculty.<sup>2</sup> Base salary is the amount of pay from which other elements of monetary and quasi-monetary compensation are derived. It also lays the foundation for a faculty member's future direct compensation and benefit packages.<sup>3</sup> Department chairs or deans typically establish salary ranges within which to offer base salaries to prospective employees.

Many variables help to determine these ranges and salaries, including rank of the position and the candidate's years of experience. Institutional sector (public or independent), type of institution, research university or community college, for example, collective bargaining agreements, and contract length may also affect base salary. An institution's values are clarified if it emphasizes gender,

race, and ethnicity, academic discipline, professional reputation, or economic circumstances when establishing base salary.

This paper examines three factors that affect direct compensation: merit pay, market conditions, and equity. Each factor is discussed individually, as if it had a discrete effect on salaries. But merit, market, and equity are closely related concepts that intersect around the academic and institutional structures of faculty work and faculty roles, and the personal characteristics and values of faculty members. Taking the three factors into account simultaneously may lead to a refined understanding about the design of direct compensation.

## MERIT PAY

Faculty compensation policies vary in the degree to which they are “structured.”<sup>4</sup> Merit—the reward for productivity and excellence—plays no role in structured policies: faculty have a fixed salary schedule. Compensation increases with each year of service, and all faculty members receive across-the-board salary increases. Promotions, longevity, and market conditions can affect the size of these relatively predictable increases. Conversely, merit determines the salary increase in unstructured systems. Most institutions use “semi-structured” policies that combine merit and across-the-board salary increases.

How do colleges use and implement merit programs, and what is the relationship of merit to faculty compensation? Merit pay is commonly defined as “pay for performance”: salary increases based on quality of work. Performance indicators usually include teaching, research, and service, weighted in accordance with an institution’s mission.<sup>5</sup> Merit pay appeals to American values of individualism, achievement, and rewards.<sup>6</sup> In academe, as in business, whence the concept comes, the use of merit pay assumes that extrinsic factors motivate faculty, that performance and pay are related, and that administrators can and will make “objective” quality distinctions in judging faculty performance. The practice also assumes a clear link between what is rewarded and organizational goals, thereby giving administrators a means to convey institutional

values. This connection, one merit proponent scholar suggests, is linear. “Institutions have goals. Goals influence behavior. Influenced behavior leads to improved performance. Improved performance brings rewards. Rewards reflect the values of the organization.”<sup>7</sup>

Merit salary increases often fall in the 2-4 percent range; approximately two-thirds of faculty members receive merit pay or bonuses, typically in addition to across-the-board salary increases.<sup>8</sup> Merit pay helps to deal with budgetary constraints, since significant across-the-board salary increases are often more financially taxing.<sup>9</sup> These plans differ markedly between colleges and universities. Some merit plans are institution-wide; individual departments administer others. About 59 percent of institutions, reported a 1990 study, claimed to have merit pay plans. These plans occurred more often at public, research, and doctoral-granting institutions.<sup>10</sup>

Merit clauses appear more often in faculty union contract language than market or equity provisions. But the meaning of “merit” and of synonyms, such as “performance based pay,” varies widely.<sup>11</sup> Community colleges often use proxies—for instance, completion of graduate courses or advanced degrees. Regular step increases in salaries, common in unionized institutions, may require a demonstration of “merit,” such as professional development. Merit provisions appeared more often in contracts covering four-year than two-year institutions—perhaps a reflection of the use of merit in competing, non-unionized universities.<sup>12</sup> Most merit language calls for increases to base salaries, rather than one-time bonuses, in union and non-union environments.

## CONCERNS WITH USE OF MERIT PAY

Using merit and performance measures to award salary increases elicits heated arguments. Many observers question its congruence with academic values and its fairness: the criteria used to evaluate and award merit pay may create conflict, confusion, and distrust. Other concerns center on whether faculty really respond to extrinsic rewards, and the impact on morale of close differentiation among colleagues. Worse, limited funding of merit pay plans may undermine their legitimacy.

### **Institutional Goals and Their Assessment.**

Merit plans are not always closely aligned with the mission and goals of a college. Research universities reward scholarly productivity, one aspect of institutional mission, but often penalize faculty for teaching-related activities.<sup>13</sup> By contrast, comprehensive colleges tend to reward longevity of service and are less likely to penalize a faculty member for focusing on teaching. Even so, four-year institutions across sectors are more inclined to reward research over teaching, regardless of stated mission or of public scrutiny.<sup>14</sup> Administrators often rely on quantifiable measures of productivity because of assumed “objectivity,” ease of assessment and collection, and utility for comparison. Research productivity, therefore, becomes a more credible factor in merit plans, since numbers of publications are easier to assess than teaching and service, where there is less agreement on quality indicators.

But close examination of research measures should raise concerns about quality. A scholar who publishes a few noteworthy books over a long career is unlikely to earn the same percentage of merit as a scholar whose publications, though of lesser quality, appear more frequently.<sup>15</sup> Merit pay too closely aligned with research productivity, note other observers, encourages “establishment research” that moves readily to publication, especially in prestigious journals, rather than work that intrigues faculty or finds its basis in the community or the field.<sup>16</sup>

**Pay as Motivator.** Does merit pay motivate faculty to perform? There is little justification for believing that money is the main source of faculty motivation.<sup>17</sup> Intrinsic rewards often overshadow the limited material rewards of a faculty position.<sup>18</sup> Merit pay may have symbolic meaning, if dollars available for merit are small, and if feelings about pay are based on comparisons with the pay of colleagues.<sup>19</sup> Keeping salaries competitive, other studies suggest, is perceived to be a higher faculty priority than merit pay.<sup>20</sup> Extrinsic rewards do not generally alter attitudes or emotional commitments that underlie behavior,<sup>21</sup> especially over the long run; merit pay is probably no exception. Conversely, if faculty are intrinsically motivated, a merit pay system may inhibit performance and productivity if conflicts

develop within departments over its fairness, or between individual and institutional goals.

**Fairness and Collegiality.** With concerns of fairness, ambiguity about assessment criteria, and increased competition and comparisons, merit plans may tear at collegiality within an institution, and even generate suspicion and hostility. Trying to place a competitive merit system into a collegial environment will probably lead to failure.<sup>22</sup> De-emphasizing competition, some observers believe, can foster better morale, which may in turn lead to deeper levels of scholarship and quality teaching.<sup>23</sup> It may also result in a division between faculty who value collegiality or competition—a division having less to do with dollar amounts than with individual and institutional values.

Merit pay increases are usually added to a faculty member’s base salary. Current pay differentials may therefore not reflect current distinctions in faculty performance or productivity, since the annuity function of base pay merit systems provides continued benefits.<sup>24</sup> These differentials are especially troubling when gender-based discrimination produces inequities in initial base salaries.<sup>25</sup>

Distinguishing candidates for merit awards may have negative consequences for stalwarts whose work is very good but not good enough. Salary increase differences are likely to be minimal even when a merit pay scheme differentiates between faculty who internalize core institutional values and demonstrate satisfactory productivity and their less productive colleagues.<sup>26</sup> Gravitating toward the mean—often the case in merit systems—may create a negative climate, feelings of disenfranchisement due to lack of recognition and rewards, and often, faculty departures.

The “superstar” aspect of some merit schemes, coupled with the annuity feature for past performance, undermines collegiality and institutional values while increasing faculty resistance to evaluation. Faculty reactions to merit pay ranged from skepticism to distrust to open resistance in one study.<sup>27</sup> Other studies found that merit systems did not affect faculty behavior because of the minimal percentage increase awarded; faculty viewed 2–4 percent pay increases more as entitlements than as rewards for performance.<sup>28</sup>

Merit pay, some argue, is pay for future—as well as current or recent—performance. Merit

pay, some argue, is pay for future—as well as current or recent—performance. Merit, notes one analyst, appears in four guises: a reward for what was done recently; a remedy for what was done a while ago (compression); a remedy for what is expected in the future (inversion); and “predator control” for what the administration does not want done at another institution.<sup>29</sup> Pay that remedies compression and inversion may be viewed as merit and equity adjustments, while “predator control” incorporates the influence of the external market on merit considerations. The different guises assumed by merit pay result from the influence of external markets and adjustments, and from the lack of objective criteria used to measure merit.

**Faculty Participation.** Faculty concerns about merit pay often reflect minimal collegial involvement in designing or evaluating the process that serves as the basis for merit increases. The award of merit pay is usually an administrative decision, even in unionized institutions where a faculty committee conducts evaluations.<sup>30</sup>

Lack of participation can lead to faculty suspicion of administrative manipulation, disempowerment,<sup>31</sup> and suppressed ideas outside the ideological mainstream.<sup>32</sup> Suspicions that office politics or administrative agendas influence salary decisions may continue unless faculty involvement increases, clear criteria are established, and processes are communicated clearly. A successful merit pay system requires faculty involvement from implementation to evaluation.

## MERIT PAY: ISSUES TO CONSIDER

Merit plans, say some observers, help to recruit and retain the highest quality faculty. The potential for above-average salary increases based on high-quality performance will no doubt attract some new colleagues unfamiliar with institutional compensation systems.<sup>33</sup> Other faculty members may stay at an institution or seek out a competitor because of merit pay. In any case, colleges and universities are locked into current merit pay practices: competition between institutions for faculty allows for little salary variation,<sup>34</sup> so policy-makers will hesitate to eliminate merit pay unless competitors follow.<sup>35</sup> Offering higher base salaries is a legitimate alternative to increased dollars

earmarked for merit pay, but the connections between internal merit and the external market make this practice all but impossible. Merit systems must elicit performance desired by the institution, and be responsive to multiple levels of labor market activities.<sup>36</sup>

Decision-makers should consider several key points when contemplating a merit pay system. Advocates often recommend incorporating peer committees to improve the merit pay process. Peer committees may be more inclined to emphasize balance and equity, and their recommendations may be less apt to generate negative fallout.<sup>37</sup> Peers should judge meritorious performance, suggest some advocates, by using procedures developed within the unit, not institutionally based criteria that may be less relevant or appropriate to disciplinary nuances and norms of performance.<sup>38</sup>

Colleges and universities may want to reconsider the timing of merit pay. Annual awards seem to perpetuate and exacerbate the problems associated with merit. An extended merit program—embracing periods of several years, but subject to annual adjustments—tends to reward work of continued high quality, while increasing the perceived “fairness” of a merit system.<sup>39</sup>

Another emerging issue: increased collaboration, including a team approach to compensation. This notion is out of sync with the value of individualism, but higher education is exploring, though not yet embracing, new forms of teamwork, collaboration, and cooperation.<sup>40</sup> If excellence results, as advocates claim,<sup>41</sup> successful collaboration would justify across-the-board salary increases based on the accomplishments of the institution, division, department, or team. Rewarding stronger institutional or departmental performance may reduce the perceived unfairness of merit pay systems and hostility among colleagues. But across-the-board rewards ignore individual and departmental differences that may result in inequities and inefficiencies as the connection between salary and productivity is compromised.<sup>42</sup>

The transformation of the professoriate also affects discussions of merit pay and faculty compensation. By the early 1990s, nearly 42 percent of all faculty were employed part-time, and 15 percent of full-time faculty were ineligible for tenure.<sup>43</sup> Such changes resulted

from supply and demand imbalances in the academic workforce, patterns of work employment that are unique to disciplines, institutional financial constraints, and shifts in work patterns in America.<sup>44</sup> Compensation plans changed along with the professoriate. Institutions that invest more heavily in merit pay are more likely to neglect compensation of part-time or temporary non-tenure-track employees.<sup>45</sup> Part-time and temporary employees are often hired to teach and are not expected to partake in research. These colleagues are therefore exempted from merit pay consideration, which is typically based on quantifiable measures of research productivity. Effective merit policies need to adequately reward *all* faculty who work towards institutional goals.

## MARKET CONDITIONS

A labor market meets the supply and demand for labor services.<sup>46</sup> An excess of labor drives income down; conversely, salaries rise when too few persons are available. Neoclassical labor market theory assumes that buyers and sellers are informed and guided by rational self-interest, monetary rewards are exchanged for labor, there is unrestricted movement, employers and employees have complete information about market conditions, and power is equally distributed.<sup>47</sup> But labor market theories are not infallible, nor do they operate in contextual vacuums. This is especially the case when relating academic labor markets to direct compensation.

Unrestricted movement, for example, is often constrained by inertia, family, community ties, employed partners or spouses, tenure status, seniority-contingent benefits—sabbatical leave, for example—disciplinary specialization, and sector barriers. The quasi-fixed nature of pay for existing faculty—combined with a market-dictated variable cost for new hires—hampers efforts to recruit and retain strong faculty without jeopardizing internal morale.<sup>48</sup> Buyers may not always know where to find sellers, and the time required to complete advanced training limits the pool of available sellers. Sellers do not always know where to find buyers. Informal relationship and information networks often mediate the application process, and many academic searches are local or internal.<sup>49</sup>

Institutional missions, prestige of employing and degree-granting institutions, perceived market value of aspects of work, level of competition within academe and across public-private sectors, and the impact of non-monetary rewards are other key variables in the postsecondary labor market equation.<sup>50</sup> These days, few prospective faculty are young teacher-scholars right out of graduate school who intend to stay in academe and perhaps at the same institution until retirement. Demographic changes in the academic labor force undermine traditional market theory assumptions about input, output, and career path. It is more accurate, most observers note, to think of many overlapping and segmented markets with unique underlying operating assumptions and values when considering the utility of labor market constructs for analyzing direct compensation of faculty.<sup>51</sup>

Positing external and internal higher education labor market categories helps to explain the pressures, but these constructs are not discrete. Keeping potential overlaps in mind, five market-related issues affect direct compensation: department and disciplinary distinctions; the source of faculty; research influences; age and seniority; and motivation.

### Department and Disciplinary Distinctions.

The expansion of postsecondary education has changed academic culture from a closed collection of teacher-scholars with a shared sense of mission and purpose to a collectivity of individual entrepreneurs with expertise and services to barter, regardless of institution type. This new culture resembles an external market-driven enterprise. No “academic profession” exists, claims one observer; instead, we have disciplinary specialists—geologists and chemists, for example—with their own internal and external labor markets.<sup>52</sup> Specialization increases the challenge of finding one-to-one replacements of lost faculty. It also exacerbates the competition and cost in high demand fields, in disciplines with private sector and lucrative alternative employment options, and, sometimes, for under-represented populations.<sup>53</sup>

Faculty are usually hired into departments, not institutions; so the labor market for the field determines salary adjustments.<sup>54</sup> Philosophies, policies, practices, and workloads differ among departments. Each discipline has its

definition of faculty work, its language to describe the work, and its definition and measure of quality, even if the institution subscribes to the broad labels of teaching, research, and service.<sup>55</sup> A departmental and disciplinary orientation implies greater susceptibility to market pressures and changes. Academic planners must reconcile disciplinary and institutional pressures when examining how the external labor market affects staffing.<sup>56</sup>

Similarly, faculty must learn how to “play the market” internally and externally where a departmental orientation predominates. This “play” perpetuates market-driven compensation within and across disciplines and institutions, because faculty members negotiate individually with academic administrators for base salaries. In turn, playing the market confounds institutional attempts to attain effective compensation strategies, even where union discretion to negotiate raises began only after inheriting a schedule of initial salaries.<sup>57</sup>

Institutions thus attempt to balance policies allowing department-level negotiation—needed to account for disciplinary market distinctions—while avoiding disproportionate advantage to one unit over another.<sup>58</sup> This balance is important in unionized four-year colleges that permit counteroffers to accommodate the national academic marketplace.<sup>59</sup> Two-year colleges—less concerned historically with disciplinary markets—now face faculty shortages as many colleagues retire, and local hiring patterns are giving way to regional and national recruitment efforts. Salary market adjustments may then take on greater importance.

**The Source of Faculty.** We are still waiting for the oft-predicted large reduction in the faculty workforce, but retirements are occurring in the community college sector and will likely continue for a decade.<sup>60</sup> Most early predictions of mass retirements focused only on tenured and full-time faculty, but a growing reliance on part-time and non-tenure track faculty will affect many institutions more adversely than originally predicted. The reason: undergraduate enrollments increased in the later 1990s—a factor predicted to ameliorate future shortages by enlarging the pool of future faculty—but graduate enrollments did not grow commensurately. The supply of prospective faculty is therefore not likely to meet the demand. Junior faculty still account for the greatest

proportion of new hires and departures each year. But substantial retirements will result in a much younger workforce and in increased demand for senior, experienced faculty.

Senior faculty are especially needed to address governance issues; they are responsible for leadership on key committees, instruction, and research. Seniors are also needed to mentor junior faculty and students. More disciplines will consider hiring faculty who built careers outside the academy and who entered academe at a later career stage. Chairs of departments that historically draw prospective faculty from non-collegiate settings—public administration, business administration, allied health, and educational administration, for example—can attest to the high direct compensation expectations of prospective candidates.<sup>61</sup> The non-academic sector compensation “wars” begin at recruitment, not retention.

**Research Influence.** Because easily accessed publication records lead to stronger reputations, greater external visibility, and therefore higher market value, outstanding researchers are courted by other academic and private-sector institutions.<sup>62</sup> Many administrators believe these researchers must be rewarded to prevent their departures. Administrative reliance on measures of published research as an objective, expedient indicator of quality thus perpetuates the influence of the external market on internal direct compensation decisions.

Teaching, in contrast, has no national market, and therefore does not command the same pay as research. Even liberal arts colleges, heralded for their emphasis on undergraduate teaching, fall into this “research as prestige” external market trap, though they are usually less able to pay salaries equal to cross-sector demand.<sup>63</sup>

**Age and Seniority.** Faculty who give their careers to a single institution usually suffer salary compression; they have less purchasing power than new, junior colleagues. In contrast to the non-academic private sector where seniority leads to greater pay; academic salaries are often negatively correlated with seniority, and full professors may be paid far less on average than junior colleagues even at research universities. Some of this differential, one scholar posits, results from offering lower salaries and salary increases to senior faculty

who might find it most costly to move.<sup>64</sup> Colleges, others suggest, offer salary increases to reward productivity. Faculty, these merit proponents add, are more productive while working towards tenure and promotion decisions and cultivating external market value.<sup>65</sup>

This “seniority gap” affects collegiality, morale, and career perceptions; it also affects the ability of the college to hire and keep faculty and to counter external offers.<sup>66</sup> The external market favors mobile faculty—at least those who can reasonably threaten to leave—producers in specialized, high-demand fields,<sup>67</sup> who are seldom institutionally-oriented.<sup>68</sup>

Economic and market circumstances at the time of hiring also affect salary levels over one’s career, since much depends on base salary. Thus, the “stagflation” of the 1970s and the recession of the early 1980s affected the current salary levels and “purchasing power” of today’s senior staff, hired a generation ago.<sup>69</sup> Ability and opportunity to negotiate for base salary also affects career direct compensation. Ability is an individual trait, but opportunity is an institutional factor often created by market conditions at the time of hire.

**Motivation.** Faculty motivation interacts with the market. Research evidence is mixed on the degree to which compensation and merit pay affects leaving or staying. But disparate compensation levels affect personal faculty morale and associated professional quality of life concerns, which significantly influence decisions to enter the market.<sup>70</sup> This category also includes interpersonal relations within the department, and ability to find research collaboration opportunities. Motivation to leave varies by rank, gender, and discipline, thereby affecting an institution’s ability to respond across all circumstances when designing compensation systems.

## MARKETS: ISSUES TO CONSIDER

Increased emphasis on the market, especially in four-year institutions, raises questions about managerial discretion and flexibility in negotiating staff patterns.<sup>71</sup> Administrators must provide equitable distributions while confronting disciplinary distinctions, other internal salary disparities, and salary stratification resulting from awarding across-the-board increases on top of market-driven base salaries.

Public criticism of the quality of undergraduate education and a shift to learner-centered environments are changing faculty roles and institutional rhetoric, if not priorities.<sup>72</sup> The degree to which teaching becomes more rewarded, thereby placing effective teachers in more control of the market, remains to be seen.

Technology—from technology-mediated instruction (TMI) to virtual universities—is rapidly affecting the academic workforce from a compensation perspective. Employment status and intellectual property rights remain in dispute, but faculty more adept at TMI are in great demand, thereby adding a new skill factor to a complicated set of market variables.

Graduate student indebtedness affects prospective faculty supply. The need to deal with debt may drive up entry-level faculty salaries. Or it may increase the pool of persons entering faculty ranks after better-paying, non-academic careers, thereby creating the salary gap at a different point in time. These factors may increase the instability of labor markets, leading to inequitable pay and salary compression.<sup>73</sup>

## EQUITY

Many observers see pay equity, or comparable worth, as a remedy for race- or sex-based wage discrimination.<sup>74</sup> Comparable worth, notes one study, attempts

to ensure fair pay treatment for all participants... [and] designing pay systems that recognize both employee contributions (for instance, offering higher pay for greater performance or greater experience or training) and employee needs (for example, providing a living wage or health care insurance).<sup>75</sup>

Research on pay equity focuses on sex or gender because of the pervasive and persistent finding of pay disparity between men and women in all employment sectors, including postsecondary education. Affirmative action policies, while in place, affect the hiring of women and people of color, but not salary levels or promotion through rank—a determinant of compensation. The Equal Pay Act and Title VII of the Civil Rights Act, as amended, impose a four-factor definition of equal work—skill, effort, responsibility, and working conditions.<sup>76</sup> Institutions cannot discriminate based on sex if the work meets this definition,



but they can discriminate if the work differs on these factors or on other factors related to the work itself. Merit has become one of the “other factors” used in academe;<sup>77</sup> recently, market availability of high-demand specialists seems justifiable, as well.

Establishing that pay inequity results from race or sex discrimination is often a challenge. Some salary differences on campus, one may argue, result from differences in the cost and length of required training, the off-campus possibilities for more lucrative compensation, or the scarcity of necessary talent.<sup>78</sup> But these market influences may carry hidden biases, resulting from the social and cultural norms in which the work and preparation for work takes place.<sup>79</sup> For example, the lengthy periods of training and cost to run a successful engineering lab may appear to justify higher faculty salaries. But the “objective” measures used to determine engineering salaries are biased against women and therefore inequitable, one may argue, if socio-cultural norms systematically discouraged girls from pursuing prerequisite academic training.

Other aspects of academic culture confound identification of pay inequity and its redress. One aspect: the lack of generic definitions of “faculty” and of academic profession.<sup>80</sup> Departments place different language, labels, and emphasis on categories of work. Institutional missions mediate the priorities for faculty time and effort.<sup>81</sup> Addressing comparable worth requires separating what an academic job *is* from what a faculty member *does*.<sup>82</sup> Promotion and tenure policies germane to each institution also confound meaningful analysis of pay equity.

“Occupation segregation” systematically and unfairly disadvantages white women and people of color.<sup>83</sup> Women are more often in non-tenure and part-time positions at teaching universities where salaries are generally lower and where research, which garners better pay, is less prevalent. Women are also promoted less often or quickly, thereby compounding the disadvantages.<sup>84</sup> Faculty of color share similar experiences.<sup>85</sup>

Offering lower base salaries to women at hiring may begin a career of compensation inequity, since pay increases depend on that first decision.<sup>86</sup> Initial salary determinations may be set by a candidate’s ability to negotiate, or by the degree of budgetary stringency or

surplus at the time of hire, a factor that could equally affect white men, white women, and faculty of color. But discrepancies could also result from long-standing, intentional, or unintentional practices against white women or faculty of color. Advocates of pay equity call for the elimination of compensation schemes with biases associated with the sex composition of jobs or their sex labels. Academic decision-makers should accord equal diligence to internal personnel and evaluation processes that may include unnoticed biases against white women and people of color.

**Salary Compression.** Advocates of pay equity wish to redress past discrimination, so recent discussions have centered on the use of comparable worth to address salary disparities resulting from market influences. Salary *compression* exists when employees with more organizational seniority and experience receive lower salaries relative to new hires.<sup>87</sup> It can result from rank and seniority, disciplinary market value, economic conditions at hiring, or insufficient funds for increases during years evaluated as meritorious. Regardless of the source, salary compression may lead to significant pay disparities, and to decreased morale and productivity. Salary *inversion*—a more serious form of salary compression—reflects higher direct compensation for faculty in lower ranking positions.<sup>88</sup> Salary compression and inversion occur frequently, since administrators need junior faculty and are willing to pay market-driven salaries.

Documenting age and sex discrimination legally are equally challenging tasks since academic salary increases reflect aspects of market, merit, *and* experience. The annuity nature of salaries advantages faculty with a relatively high base salary, even if subsequent pay increases are more incremental than market-reflective. Similarly, early merit awards added to base salaries have an accruing effect well after meritorious levels of work subside.<sup>89</sup> But structured salary schedules based on seniority—rank and time in rank—assume that capability and productivity increase with maturity, though little evidence exists to support such an unfettered assumption.<sup>90</sup> Pay equity in structured salary schedules can only be safeguarded in the absence of merit increases, given the confluence of cultural, structural, and market norms affecting academic behavior and compensation.<sup>91</sup>

Faculty in unionized institutions are more likely to receive equity adjustments, and, among unions, public-sector representatives are ahead in addressing pay equity.<sup>92</sup> Contracts and collective bargaining laws determine how wages are set and how pay equity is addressed. Merit and market issues often help to determine direct compensation in non-union settings.

**Measuring Equity.** Equity is measured by one of two means: matching male and female faculty on similar qualifications and using regression analysis. The matching strategy works better at smaller institutions, though it is often difficult to find men and women to compare in certain gender-dominated fields.<sup>93</sup> Case-to-case comparison may demonstrate specific inequities, but cannot determine its prevalence. And much depends on the choice of comparison pairs, since extreme cases can be matched to prove a point.

The second measure of pay equity is regression analysis, which makes every conceivable paired comparison and estimates salaries of men with specified characteristics. These estimates are compared with the actual salary of women or faculty of color with the same characteristics.<sup>94</sup> Regression analysis is complicated because higher education position titles used to draw a sample may not necessarily reflect real expertise, expectations, salaries, or working conditions. Some colleges successfully blend the two measurement approaches, by using regression analysis to identify faculty members whose salaries are lower than predicted by the model and then by carefully examining individual cases to verify the existence and extent of a problem.<sup>95</sup>

In the end, notes one study,

the most exacting analyses of salaries cannot take into account the prior discrimination that leaves women at a disadvantage in what appears to be nondiscriminatory variables (degree, experience, publication) and other hidden conditions that differentially affect women in salary determination.<sup>96</sup>

Similar arguments can likely be made for others experiencing pay inequity. By closely examining current institutional practices and questioning "objective" criteria upon which rewards are based, we can ameliorate discriminatory processes that may lead to future pay inequities. Administrators must

develop sound and equitable approaches that redress past compensation injustices without creating new disparities.

## CONCLUSION

"Salaries," notes one study, "are relative and linked in a network of relationships."<sup>97</sup> Designing effective policies for direct compensation requires complex thought. But administrators must also consider all forms of reward to attain the desired level of faculty and institutional productivity. The pieces of the compensation puzzle are closely connected. Offering one-time "bonuses" to redress past salary inequities, for example, does little to compensate for base salary inequities. The consequences of base salary merit increases differ for faculty with local and national reputations, since labor market factors influence the two groups differently. Administrators must simultaneously consider the relationships between institutional mission and goals, faculty evaluation plans, compensation packages, and merit, market, and equity to understand the realities of faculty work lives. These relationships are overlooked, understated, or ignored in many formulas and budget negotiations. Yet they are at the heart of a compensation strategy that effectively serves the mission of an institution.<sup>98</sup>

The relevance of individual examinations of merit, market, and equity depends on the framework(s) through which administrators understand compensation. Thinking strategically best capitalizes on factors over which institutions have control and best navigates through factors over which control is negligible.<sup>99</sup> Strategic compensation packages, including direct compensation, are based on core principles of the organization, reflect the institution's internal and external labor markets and considerations of affordability, and align with the institution's strategic direction.<sup>100</sup> Decisions about pay for performance, base pay, market position, and benefits, and structuring compensation to include internally consistent salary schedules are part of this strategic process.<sup>101</sup> Embracing "strategic pay" and its applicability to merit, market, and equity may be key to developing effective compensation policies and practices in the 21<sup>st</sup> century.

## NOTES

- <sup>1</sup> Tack and Pattitu, 1992, 31.
- <sup>2</sup> Other chapters of this and prior Almanacs discuss benefits and other monetary or quasi-monetary payments. We also leave to others a discussion of non-monetary forms of compensation—released time, and laboratory space, for example.
- <sup>3</sup> Moore & Amey, 1993.
- <sup>4</sup> Hansen, 1988b.
- <sup>5</sup> Hansen, 1988b.
- <sup>6</sup> Lauer, 1991.
- <sup>7</sup> Lauer, 1991, 52.
- <sup>8</sup> NCPGF, 1990.
- <sup>9</sup> Miller, 1992.
- <sup>10</sup> NCPGF, 1990.
- <sup>11</sup> Rhoades, 1998.
- <sup>12</sup> Rhoades, 1998.
- <sup>13</sup> Fairweather, 1996; Konrad & Pfeffer, 1990.
- <sup>14</sup> Fairweather, 1996.
- <sup>15</sup> Pratt, 1988.
- <sup>16</sup> Diamond, 1993, 8.
- <sup>17</sup> Kohn, 1993.
- <sup>18</sup> Hearn, 1999.
- <sup>19</sup> Lawler, 1990.
- <sup>20</sup> Ehli, 1986.
- <sup>21</sup> Kohn, 1993.
- <sup>22</sup> Lauer, 1991.
- <sup>23</sup> Hansen, 1988b.
- <sup>24</sup> Hearn, 1999; Lawler, 1990.
- <sup>25</sup> Hearn, 1999.
- <sup>26</sup> Moore & Amey, 1993.
- <sup>27</sup> Colbeck, 1994.
- <sup>28</sup> Ontiveros & Strafaci, 1998.
- <sup>29</sup> Pratt, 1988.
- <sup>30</sup> Rhoades, 1998.
- <sup>31</sup> Colbeck, 1994.
- <sup>32</sup> Pratt, 1988.
- <sup>33</sup> Hansen, 1988b.
- <sup>34</sup> Hansen, 1988b.
- <sup>35</sup> American Association of University Professors, 1992.
- <sup>36</sup> Hansen, 1988a.
- <sup>37</sup> Marth, 1988.
- <sup>38</sup> Barnett, Cohen, Jeffries, & Rosen, 1988.
- <sup>39</sup> Marth, 1988. Observers similarly suggest longer timeframes for post-tenure review processes (Licata, 1986).
- <sup>40</sup> Butterfield et al., 1995; Keig & Waggoner, 1994.
- <sup>41</sup> Kohn, 1993; Osif and Harwood, 1995.
- <sup>42</sup> Fairweather, 1997; Rhoades, 1998.
- <sup>43</sup> Harper, 1998.
- <sup>44</sup> Leslie, 1998.
- <sup>45</sup> Pratt, 1988.
- <sup>46</sup> Lewis, 1996.
- <sup>47</sup> Lewis, 1996, p. 18.
- <sup>48</sup> Gomez-Mejia & Balkin, 1992.
- <sup>49</sup> Lewis, 1996.
- <sup>50</sup> Botsch & Folsom, 1989; Breneman & Youn, 1988.
- <sup>51</sup> Breneman & Youn, 1988; Lewis, 1996.
- <sup>52</sup> Lewis, 1996. See Lee, 1997; Lee & Harmon, 1999; Fairweather, 1997, and Rhoades, 1998 for disciplinary salary comparisons.
- <sup>53</sup> Botsch & Folsom, 1989; Magnusen, 1987.
- <sup>54</sup> Rhoades, 1998.
- <sup>55</sup> The point holds, even if a college uses another classification scheme, such as the four forms of scholarship posited by Boyer (1990).
- <sup>56</sup> Breneman & Youn, 1988.
- <sup>57</sup> Rhoades, 1998.
- <sup>58</sup> Amey, 1996.
- <sup>59</sup> Rhoades, 1998.
- <sup>60</sup> Schuster, 1990.
- <sup>61</sup> Moore & Amey, 1993.
- <sup>62</sup> Gomez-Mejia & Balkin, 1992.
- <sup>63</sup> Fairweather, 1996.
- <sup>64</sup> Ransom, 1993.
- <sup>65</sup> Farmer, 1993; Webster, 1995.
- <sup>66</sup> Moore & Amey, 1993.
- <sup>67</sup> Gomez-Mejia & Balkin, 1992.
- <sup>68</sup> Birnbaum, 1988.
- <sup>69</sup> Finnegan, 1993; Hearn, 1999.
- <sup>70</sup> Amey, 1996; Matier, 1990.
- <sup>71</sup> Rhoades, 1998.
- <sup>72</sup> Barr & Tagg, 1995; O'Banion, 1997.
- <sup>73</sup> Webster, 1995.
- <sup>74</sup> Hubbard, 1989.
- <sup>75</sup> Milkovich & Newman, 1990, 8.
- <sup>76</sup> Lee & Olswang, 1985.
- <sup>77</sup> Birnbaum, 1979; Gray, 1985.
- <sup>78</sup> American Association of University Professors, 1992.
- <sup>79</sup> Moore & Sagaria, 1991.
- <sup>80</sup> Lewis, 1996.
- <sup>81</sup> Moore & Amey, 1993.
- <sup>82</sup> Lee, Leslie, & Olswang, 1987.
- <sup>83</sup> American Association of University Professors, 1992.

- <sup>84</sup> Clark & Corcoran, 1985.
  - <sup>85</sup> Turner & Myers, 2000.
  - <sup>86</sup> American Association of University Professors, 1992.
  - <sup>87</sup> Snyder, Hyer & McLaughlin, 1994.
  - <sup>88</sup> Gomez-Mejia & Balkin, 1992; Ransom, 1993.
  - <sup>89</sup> Hearn, 1999.
  - <sup>90</sup> Webster, 1995.
  - <sup>91</sup> Snyder, et al., 1994.
  - <sup>92</sup> National Committee on Pay Equity, 1989.
  - <sup>93</sup> Braskamp, Muffo, & Langston, 1978.
  - <sup>94</sup> Gray, 1985.
  - <sup>95</sup> Snyder, et al., 1994.
  - <sup>96</sup> Pezzullo & Brittingham, 1979, p. 10.
  - <sup>97</sup> Pezzullo & Brittingham, 1979, p. 10.
  - <sup>98</sup> But administrators must also uncouple the connection between merit evaluations and performance appraisals for faculty development, since blurring compromises both tasks (Hearn, 1999).
  - <sup>99</sup> Lawler, 1990.
  - <sup>100</sup> Moore & Amey, 1993.
  - <sup>101</sup> Lawler, 1990; Hearn, 1999.
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