The Report of the University of Louisiana at Lafayette, Faculty Senate, Ad Hoc Committee for the Evaluation of the Interim Provost’s Draft Pay Plan

Robert Carriker: Chair

Sara Birk

Gabriela Petculescu

Donna Wadsworth

George Wooddell

December 13, 2013
SUMMARY

Conclusion: With modest but important modifications, as suggested by this committee in this report, the Provost’s draft pay plan is a good plan and should be implemented but closely monitored year-to-year to ensure that, in practice, it does in fact have the benefits that we all intend, with no unforeseen difficulties.

On the whole, the Provost’s draft plan is a good plan, if four features are adjusted.

- We must calculate our “Merit Gap” and attempt to pay it off quickly.
- There should be an alteration to the way the departmental pot is calculated.
- There should be a modification to the way rubric scores are adjusted.
- There must be a reasonable limit to the funds available for discretionary pay raises.

With these four corrections, we believe the Provost’s draft plan will incentivize the faculty to pursue the goals and serve the needs of the University in an efficient and fair manner. It is a vast improvement over the old system and does away with the arbitrary quota limitation in the top categories of merit.

Summary Comparison of Provost’s Draft Plan and Committee Plan A

<table>
<thead>
<tr>
<th>Merit Quadrant Plans</th>
<th>Provost's Draft Plan</th>
<th>Committee Plan A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Compression</td>
<td>compression</td>
<td>compression</td>
</tr>
<tr>
<td>Relevance of the Adjusted Rubric to the Percent Raise</td>
<td>83% - 86%</td>
<td>100%</td>
</tr>
<tr>
<td>Perverse Incentive</td>
<td>Moderate</td>
<td>Weak</td>
</tr>
<tr>
<td>Proportionality</td>
<td>Highly Disproportional</td>
<td>Appropriate</td>
</tr>
<tr>
<td>Rubric Manipulation Incentive</td>
<td>Downward</td>
<td>Weakly Downward Awarding of 2s discouraged</td>
</tr>
<tr>
<td>Collaboration and Mentoring within Departments</td>
<td>Discouraged</td>
<td>Weakly discouraged</td>
</tr>
</tbody>
</table>

There is an excel file that is part of this report and it is an essential tool for seeing how the merit calculations work when applied to real and manipulated scenarios.
THE PROVOST’S DRAFT PLAN

On September 18th, 2013, interim Provost, Dr. Bradd Clark, presented the Faculty Senate with a four-part plan for administering pay raises to the faculty at the University of Louisiana at Lafayette.

The first of the four quadrants to be administered in the Provost’s draft proposal is a market adjustment, the intention of which is to bring the salaries of faculty at UL up to national averages for their ranks and departments. This is a rather noncontroversial procedure where the national average by rank and department for each faculty member is obtained either from a database known as CUPA, or in the case of departments with graduate programs, the database known as the OSU.

Both of these databases consist of national averages obtained by a survey of universities. Both of these databases are respected and widely used, for exactly this purpose, around the nation, at many universities. Both of these databases have been used at the University of Louisiana at Lafayette to make market adjustments before.

Although this committee has not seen the current CUPA or OSU, given our lack of raises for the last five or six years, we assume we may have fallen far behind. Keeping faculty salaries somewhere near the market is absolutely necessary to attract good faculty and keep them, as we have discovered recently by losing 10% of our faculty (many of them because of our pay scale) and facing great difficulties in hiring.

The Human Resources office will be in charge of the market quadrant of the new pay plan. They will also be responsible to ensure that no improper inequities develop across gender, ethnicity, or race. The faculty Senate has important responsibilities regarding these issues of equity. The interim Provost has encouraged members of the Faculty Senate Ad Hoc Committee on the Status of Women to work closely with Human Resources to ensure equity.

Other than being informed that Human Resources will be guarding against improper inequities and attempting to raise our salaries to the national averages, and that the market adjustments will occur prior to any of the other three quadrants, neither the Senate nor this committee have been given much detail about the market adjustment process. This report, therefore, has less to say about the first quadrant of the interim Provost’s draft pay plan than the second quadrant.

The second quadrant of the interim Provost’s draft plan involves the somewhat complex calculation of merit raises for faculty. Providing a merit incentive is a fairly well proven technique for increasing faculty research and teaching and service efforts, if that incentive is properly constructed and credible. It is a good idea to give people raises based on their professional achievements; based on merit properly measured.

As we understand the Provost’s draft plan, each department prepares a rubric with which to score the achievements of faculty on a scale of 0 to 5. On that rubric five will constitute the best score and 0 the worst. Those who score exactly a 2 on the rubric will receive a market adjustment but no merit raise. Those who score below 2 will get neither. Those who score above 2 will receive a market raise and a merit raise. The resulting adjusted rubric score is then a function of both the rubric score and the faculty member’s salary and is divided by the total adjusted rubric points in the Department to determine what proportion of the departmental pot will be awarded to each department member.
The rubrics themselves are developed by departments and are expected to be modified from year-to-year so as to better fit and reward the contributions of faculty in service, teaching, and research and such, as appropriate to each academic field. Department heads and other evaluators are expected to weight the components of the rubric differently for different faculty.

This weighting is to be accomplished by means of “tracks”, some of which would reward research more heavily than others, and others which might reward service or teaching more heavily. It is unclear how much latitude department heads and other evaluators are given in the creation of tracks. This committee recommends a generous latitude and has a specific recommendation with regard to establishing a stronger service track, which might solve some smaller undesirable artifacts of both the Provost’s draft plan and ours.

The committee has some concerns about the formulae in the Provost’s draft plan for computing the departmental budget (the departmental pot) for pay raises and for adjusting rubric scores for use in raise computations. Details follow. The committee also suggests that a “Percent” plan, as opposed to an “Absolute” plan, be used for calculating faculty raises within academic units. The Provost has shown algorithms which do either, or combine both, “Percent” and “Absolute” amounts for merit raises.

The third and fourth quadrants in the interim Provost’s draft plan appear to be funds which can be used to reward exceptional University service or exceptional College service, at the discretion of the highest level administrators. The committee is concerned about the size of these two pots of money relative to the market and merit quadrants.
PROBLEMS & SOLUTIONS

Though, over all, the plan has much to recommend it, the Provost’s draft pay plan, if we understand it correctly, could be enhanced in four specific ways. We also have a few other suggestions.

PROBLEM/SOLUTION:

1. **THE “MERIT GAP:” BENCHMARKING FROM THE LEAN YEARS**

**PROBLEM** – As part of a new policy on merit raises that is being developed during a run of five years without any merit adjustments, it strikes this committee as compulsory that a concurrent policy be developed to address the “Merit Gap.” The Provost’s plan includes a quadrant that will focus on market adjustments, but there must also be acknowledgment from the University that the faculty contributions (as evidenced by merit scores) during the years with no raises are respected and valued enough to be retroactively addressed. In lean years, as we all know too well, we do more with less and we do more for less purchasing power in our paychecks. But, when the fat years arrive, the good work that was done in the lean years and went unrewarded must be properly rewarded in order to repair the damage done to the merit incentive and our faculty during the lean years.

This is not a time for us to be uncertain about how or if we might address the years of zero merit raises.

**SOLUTION** – We are fairly certain that it will not be possible to make payment in full for 5 years of missing merit raises, the first time we get some marginal pay raise budget. Therefore, the committee has designed a flexible multi-year procedure for retroactive merit awards. We begin by calculating the amount of the total missing award for each faculty member. That result constitutes a benchmark. We are calling this amount the “Merit Gap” and we suggest that the University adopt this procedure for setting our benchmarks where they should be.

In the attached simulator we have used a much cruder calculation to generate the “Merit Gap.” In order to calculate the number correctly, we would need the merit score data for all current faculty who served during the years of zero pay raises (for those years) and a table of merit raise percentages covering many years from which to calculate average percentages for each merit score, or make some other reasonable adjustment. But it should be a simple and straightforward calculation with data that the University does possess in electronic form. Each faculty member’s individual “Merit Gap” could be calculated, thereby. And the calculation should be done -- so that we all know where we stand.

Then, as soon as we are able, we must try to knock off a big piece of that “Merit Gap,” in a just and proportional manner (perhaps equal percentages of the Merit Gap) and continue to make such progress every year that we are able until the gap is closed.
**PROBLEM/SOLUTION:**

2. **CALCULATING THE DEPARTMENTAL POT & ELIMINATING THE SO-CALLED “PERVERSE INCENTIVE”**

**PROBLEM** - If one calculates the departmental money pot as proposed in the Provost’s draft plan, one introduces into the pay structure something economists refer to as “perverse incentives.” These perverse incentives work against the goals of the institution. We do not mean to suggest that this is at all intentional in the Provost’s draft plan. Nevertheless, it is something we believe must be, and can be, corrected.

In the Provost’s draft plan, the size of the departmental merit pot is determined by dividing the total departmental payroll by the total University faculty payroll and multiplying that by the total university pot for merit raises. Each Department gets whatever percent of the university money their combined salaries are, of all faculty salaries in the university. Done this way, the way suggested by the Provost, every department ends up with an equal proportion increase in their payroll. That is, when one divides the departmental pot for raises by the sum of all the departmental faculty’s salaries, the result for one’s department will equal the result of a similar calculation in every other department.

If there are people in the department who scored too low to get a raise, the full departmental pot of money does not shrink under the Provost’s draft plan. And if the total of all the adjusted rubric points in the Department is decreased, the departmental pot does not shrink. It is just divided among fewer points. The monetary worth of each point above 2 in the Department increases fairly substantially for every point that can be shaved from other adjusted rubber scores in the Department. That means that those who scored better than two on the rubric get higher raises because others scored so poorly.

Leaving a substantial amount of otherwise “unearned” money in a departmental pot incentivizes some unwanted behaviors. Essentially one department member’s raise is higher the more other department members get fewer points – especially in the better paid fields. The draft pay plan could pit the members of a department against each other.

One could realize a monetary reward by stymieing another one’s work. And, It could actually pay senior faculty to hire low performers, possibly at large salaries, into their faculty, to collect the unused money in the departmental pot from those poor performers who cannot get raises, or who get very small raises. Such “perverse incentives” run the risk of producing much dysfunction.

**SOLUTION** - We offer an alternative calculation and include it in the simulator, which reduces these negative incentives, perhaps to the point of irrelevance -- or at least easy correction.

**COMMITTEE PLAN FOR CALCULATING THE DEPARTMENTAL POT (COMMITTEE PLAN A)** – We would change the base calculation. We would not divide the sum of the department’s salaries by the sum of the University’s salaries as the Provost suggests for computing the departmental pot. Rather, for both sums we would use only the salaries of those who scored better than a 2 on the rubric and derive the appropriate ratio with those adjusted sums, instead. This will
reverse any perverse incentives that might tempt one to hope that one’s colleagues score 2 or less on the rubric so as to obtain a fairly substantial increase in one’s own pay raise.

If one computes the departmental pots as the Provost recommends, and the highest-raise member were instead given a 2 or less on the rubric, $11,000 is thrown back into the departmental pot, and the worth of the average adjusted rubric point in that particular department is increased by roughly $1,100 a month for each adjusted rubric point. This would constitute a substantial temptation.

In Committee Plan A, if the professor who would otherwise have the largest raise in the University were given a two or less on the rubric, then roughly $11,000 would be thrown back into the University-wide pot and split among roughly 464 adjusted rubric points university-wide (all worth different amounts of money because they are partially a function of salary). Sabotaging the work of that highest-raise faculty member so as to reduce her or his adjusted rubric score to zero, would result in increasing pay raises in the department by about $70 a month for each adjusted rubric point they have -- not very tempting.

The method we suggest in Committee Plan A does not disperse merit money to departments that cannot give merit raises. And, Committee Plan A does not strongly incentivize sabotage, the creation of a hostile work environment, and the hiring of poor performers in our most well paid departments.
**PROBLEM/SOLUTION:**

3. CALCULATING DOLLARS PER RUBRIC POINT WHILE “SUBTRACTING 2”

**PROBLEM** - In the Provost’s draft plan one subtracts 2 from everyone’s rubric score – so a 3 becomes a 1 and gets one point’s worth of the departmental pot, a 4 becomes a 2 etc. (a 2 on the un-adjusted rubric gets nothing for merit). If one assigns rubric scores and then adjusts them (as was suggested by the Provost) by subtracting 2 from them for purposes of computing the dollar amount or the percent of raises, a disproportionality in raises is produced, which causes someone with a rubric score of 3 to get twice the percentage raise of someone with a rubric score of 2.5. We feel confident that faculty who receive a 3 on most departmental rubrics will not have done twice the teaching, research, and service of those who received a 2.5. Neither is it likely that 4s have done twice as much as 3s.

**SOLUTION** - The committee has devised a procedure that we believe results in a more equitable allocation of merit monies (included in the simulator in Committee Plan A). In the committee plan, all scores of 2 and below turn into 0s, but all other scores remain as they were. This formula (controlling for salary differences) would give a 3 a raise equal to 120% (which is also the ratio of 3 to 2.5), and not 200% of that of a 2.5 in the same department. A 5 might actually do twice the work of a 2.5 in a good year and so, a 5 gets 200% of a 2.5 in the committee plan, not a 3.
**PROBLEM/SOLUTION**

4. **REGULATING COLLEGE & UNIVERSITY DISCRETIONARY PAY ADJUSTMENTS**

**PROBLEM** – The third and fourth quadrants of the interim Provost’s draft pay plan consist of a pot of money to be disbursed at the discretion of the highest levels of the administration, for extraordinary university service and for extraordinary service to one’s college. Little detail has been provided to the committee or the Senate about the procedure by which the monies in the third or fourth quadrants will be disbursed. That is, perhaps, by design. The third quadrant and the fourth seem to be entirely discretionary. We know that at least 10% will be reserved for raises for Exceptional University and College Service. That seems excessive to the committee, for discretionary pay-raise funds. There is no limit on “at least 10%.” Such an amount could seriously undercut and even reverse both the merit incentive effect and the market (equity) quadrants of the draft pay plan.

The committee recognizes that discretionary administrative pay raises are important to the well-being of the University. However, there must be an upward limit on discretionary pay raises, or the equity work done in Human Resources and the work done in merit evaluation could be compromised.

**SOLUTION** - The committee does understand the need for administrative discretion in the awarding of pay raises, and would never want to hamstring the administration in its attempts to further the well-being of the University. Nevertheless, we suggest 10% be the upward limit, not the lower limit for the combined service quadrants, pending further enlightenment about the details of the quadrants.
## FINDINGS

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Percent Raise</th>
<th>Rubric</th>
<th>Salary</th>
<th>Market Gap</th>
<th>Seniority</th>
<th>Adj Rubric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Raise</td>
<td>1.00</td>
<td>0.76</td>
<td>-0.34</td>
<td>0.12</td>
<td>-0.12</td>
<td>0.86</td>
</tr>
<tr>
<td>Rubric</td>
<td>0.76</td>
<td>1.00</td>
<td>-0.52</td>
<td>0.25</td>
<td>-0.15</td>
<td>0.85</td>
</tr>
<tr>
<td>Salary</td>
<td>-0.34</td>
<td>-0.52</td>
<td>1.00</td>
<td>-0.39</td>
<td>0.47</td>
<td>-0.40</td>
</tr>
<tr>
<td>Market Gap</td>
<td>0.12</td>
<td>0.25</td>
<td>-0.39</td>
<td>1.00</td>
<td>-0.18</td>
<td>0.21</td>
</tr>
<tr>
<td>Seniority</td>
<td>-0.12</td>
<td>-0.15</td>
<td>0.47</td>
<td>-0.18</td>
<td>1.00</td>
<td>-0.14</td>
</tr>
<tr>
<td>Adj Rubric</td>
<td>0.86</td>
<td>0.85</td>
<td>-0.40</td>
<td>0.21</td>
<td>-0.14</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### Provosts Plan Mix

<table>
<thead>
<tr>
<th>Absolute ($)</th>
<th>0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Provost’s “Percent” Method

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Percent Raise</th>
<th>Rubric</th>
<th>Salary</th>
<th>Market Gap</th>
<th>Seniority</th>
<th>Adj Rubric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Raise</td>
<td>1.00</td>
<td>0.72</td>
<td>-0.50</td>
<td>0.13</td>
<td>-0.23</td>
<td>0.83</td>
</tr>
<tr>
<td>Rubric</td>
<td>0.72</td>
<td>1.00</td>
<td>-0.52</td>
<td>0.25</td>
<td>-0.15</td>
<td>0.85</td>
</tr>
<tr>
<td>Salary</td>
<td>-0.50</td>
<td>-0.52</td>
<td>1.00</td>
<td>-0.39</td>
<td>0.47</td>
<td>-0.40</td>
</tr>
<tr>
<td>Market Gap</td>
<td>0.13</td>
<td>0.25</td>
<td>-0.39</td>
<td>1.00</td>
<td>-0.18</td>
<td>0.21</td>
</tr>
<tr>
<td>Seniority</td>
<td>-0.23</td>
<td>-0.15</td>
<td>0.47</td>
<td>-0.18</td>
<td>1.00</td>
<td>-0.14</td>
</tr>
<tr>
<td>Adj Rubric</td>
<td>0.83</td>
<td>0.85</td>
<td>-0.40</td>
<td>0.21</td>
<td>-0.14</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### Provosts Plan Mix

<table>
<thead>
<tr>
<th>Absolute ($)</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Provost’s “Absolute” Method

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Percent Raise</th>
<th>Rubric</th>
<th>Salary</th>
<th>Market Gap</th>
<th>Seniority</th>
<th>Adj Rubric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Raise</td>
<td>1.00</td>
<td>0.75</td>
<td>-0.46</td>
<td>0.13</td>
<td>-0.19</td>
<td>0.85</td>
</tr>
<tr>
<td>Rubric</td>
<td>0.75</td>
<td>1.00</td>
<td>-0.52</td>
<td>0.25</td>
<td>-0.15</td>
<td>0.85</td>
</tr>
<tr>
<td>Salary</td>
<td>-0.46</td>
<td>-0.52</td>
<td>1.00</td>
<td>-0.39</td>
<td>0.47</td>
<td>-0.40</td>
</tr>
<tr>
<td>Market Gap</td>
<td>0.13</td>
<td>0.25</td>
<td>-0.39</td>
<td>1.00</td>
<td>-0.18</td>
<td>0.21</td>
</tr>
<tr>
<td>Seniority</td>
<td>-0.19</td>
<td>-0.15</td>
<td>0.47</td>
<td>-0.18</td>
<td>1.00</td>
<td>-0.14</td>
</tr>
<tr>
<td>Adj Rubric</td>
<td>0.85</td>
<td>0.85</td>
<td>-0.40</td>
<td>0.21</td>
<td>-0.14</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Provosts Plan Mix

<table>
<thead>
<tr>
<th></th>
<th>Absolute ($)</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

50/50 Mixture of “Percent” and “Absolute” Methods

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Percent Raise</th>
<th>Rubric</th>
<th>Salary</th>
<th>Market Gap</th>
<th>Seniority</th>
<th>Adj Rubric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Raise</td>
<td>1.00</td>
<td>0.87</td>
<td>-0.42</td>
<td>0.18</td>
<td>-0.12</td>
<td>1.00</td>
</tr>
<tr>
<td>Rubric</td>
<td>0.87</td>
<td>1.00</td>
<td>-0.52</td>
<td>0.25</td>
<td>-0.15</td>
<td>0.88</td>
</tr>
<tr>
<td>Salary</td>
<td>-0.42</td>
<td>-0.52</td>
<td>1.00</td>
<td>-0.39</td>
<td>0.47</td>
<td>-0.42</td>
</tr>
<tr>
<td>Market Gap</td>
<td>0.18</td>
<td>0.25</td>
<td>-0.39</td>
<td>1.00</td>
<td>-0.18</td>
<td>0.20</td>
</tr>
<tr>
<td>Seniority</td>
<td>-0.12</td>
<td>-0.15</td>
<td>0.47</td>
<td>-0.18</td>
<td>1.00</td>
<td>-0.13</td>
</tr>
<tr>
<td>Adj Rubric</td>
<td>1.00</td>
<td>0.88</td>
<td>-0.42</td>
<td>0.20</td>
<td>-0.13</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Committee Plan A

- The Provost’s draft plan would have the general effect of equalizing salaries as does Committee Plan A. The correlation between salary and percent raise is $r \approx -0.34^{1}$ to -0.50 in Provost’s plans, $r \approx -0.42$ in Committee Plan A.

- Both plans would reward people for performance under the adjusted rubric, less so in all three versions of the Provost’s draft plan than in Committee Plan A ($r \approx 0.83$ to 0.85 in the Provost’s draft plans, $r = 1.00$ in Plan A.

- All plans raise salaries marginally higher for those whose salaries lag the most behind the market, and give marginally lower raises as salaries approach the market or exceed it ($r \approx 0.12$ to 0.13 in the Provost’s draft plans, $r \approx 0.18$ in Plan A.

- All plans marginally penalize seniority. ($r \approx -0.12$ to $r \approx -0.23$ in the Provosts draft plan, $r \approx -0.12$ in Plan A.

---

1. Because of a randomness that we inserted into the simulator’s rubric score calculation, correlations do vary a tiny bit, from simulation to simulation. Thus, the squiggly “equals” sign.
Fiddling Points

- In the “Absolute” method suggested by the Provost, every department ends up with an equally proportional increase in their payroll. That is, when one divides the departmental pot for raises by the sum of all the departmental faculty’s salaries, the result for one’s department will equal the result in every other department. In Committee Plan A, such is not the case because the size of the departmental pot is partially determined by the number in the department who scored 2 or less which will vary among departments.

- In the table above are some results from simulating giving or taking a point from the faculty member with the highest adjusted rubric score or dropping the highest scorer to a 2 on the rubric or the lowest scorer. We only had time to do this for two departments.

It turns out that the numbers in this particular table remain the same for all combinations of the Provost’s plans, though if any “Percent” is mixed into the Provost’s draft plan, the “$/Point” becomes a departmental average dollars per point. We did these simulations under both plans and some different mixtures of the Provost’s plans. We picked a Department with few faculty getting large paychecks and higher adjusted rubric scores and another with many faculty getting smaller paychecks and lower adjusted rubric scores. One can see that in the Provost’s draft plan there is downward pressure on rubrics in both departments, from $220 (in English) to $1,400 (in Petroleum Engineering) per point per year for the other department members. However, in the committee plan, fiddling with rubrics yields somewhat smaller results of about $20 to $300 a year respectively per point for the other department members.
Further, in the Provost’s draft plan dropping even the lowest score above 2 to a 2 increases dollars per point from $50 to $1,400 (English to Petroleum Engineering). In Plan A there is a small penalty for dropping a low scorer all the way to 2. The value of a point declines by $10 to $400 on average for everyone else in the department.

One can find the table above on Sheet5 of the simulator.
OTHER CONSIDERATIONS, SUGGESTIONS, & OBSERVATIONS

**Ad Hoc Committee on the Status of Women** - The committee suggests a close collaboration between the Human Resources office and the Faculty Senate Ad Hoc Committee on the Status of Women. The Ad Hoc Committee on the Status of Women in the faculty Senate has been studying and computing gender, ethnic, and race equity in salaries for several years now and has much to contribute to the work of Human Resources which will do the market adjustments -- and is to be the university administration’s final bulwark, against improper inequities under the interim Provost’s draft plan.

**Rolling Three-Year Averages** - The committee cannot see any advantage in calculating merit raises on the basis of rolling three-year averages of rubric scores. It creates at least one problem for every problem it solves. The averaging procedure simply squeezes people down from the top and up from the bottom. If a faculty member was actually given three consecutive years of 5s on three consecutive evaluations, we would most likely be looking at a case of extreme rubric inflation, by the criteria of most departmental rubrics. Therefore, no one will likely ever get a merit raise calculated on a 5 if we use rolling three-year averages of rubric scores to calculate merit raises. That could be a small problem.

Conversely, also under the averaging system, the raises of people who have an exceptionally bad year would be somewhat protected by a three-year average if the other two years are able to mitigate for the low score in the exceptional year. Potentially, averaging could prevent someone from getting a decreased pay raise because they were working on a book instead of publishing articles or they had a family crisis or for some other purely legitimate reason. This is a good thing, which would not happen if we do not average rubric scores as the interim Provost suggested.

The top down squeeze seems like a potential problem, which could be solved by doing single year annual raises. The squeeze at the bottom and the protection it offers would also be lost however, without averaging.

We offer a suggestion which might quell the concerns that administrators were trying to address with the interim Provost’s three-year-average proposal. The committee suggests doing away with both problems by means of administrative discretion at the low end and calculating merit raises one year at a time instead of averaging, to fix the high-end. If there are faculty who have an exceptionally bad year through no fault of their own, we understand that department heads and deans and the VP for academic Affairs wish to protect their raises as do the faculty Senate and this committee. But, that seems like an appropriate issue for administrative discretion, which would involve relatively small amounts of money, and so does not seem like an appropriate issue for a university wide merit pay algorithm.

**Bias** - The Provost has said that his plan reduces bias by making the severity of the rubric irrelevant when different departments are compared. His point would be made, except for those cases where a “hard rubric” will result in scores of 2 or less. Some faculty could have no points total for merit raises solely because their rubric is too tough and perhaps, not enough points for a market adjustment either. And since the Provost’s plan incentivizes giving faculty 2s, this is a more serious problem. The committee’s modification in Plan A reverses the incentive to score people 2 or below. Still, under either
plan, some people might get 2s because the rubric is too hard so it is important not to incentivize such a thing.

The whole issue seems to be about avoiding the job of aligning rubrics across so many disciplines. But in the end, the Provost’s draft pay plan incentivizes the creation of harder rubrics. The Committee Plan A much less so. Under the Provost’s draft plan, therefore, the VP for academic affairs would have to be on guard against rubric deflation and skullduggery. Under Committee Plan A, less so. The committee feels that in practice, the removal of bias by the Provost’s method does not relieve the VP for academic affairs of the need to be vigilant about the propriety of rubrics and therefore, does not have any real world advantage and indeed might make the job harder.

One way to make the job still easier might be for department heads to look into the way other similar departments at similar universities evaluate their faculty for pay raises. If rubrics are generally aligned with similar yardsticks within fields across similar universities, it is doubtful that they could be much out of line with the rubrics in other fields at our University.
DISCUSSION

**Absolute vs. Percentage Raises** - The Provost has noted that calculating percentage raise per point instead of a raw dollar raise per point for each member of a Department advantages higher paid faculty and disadvantages lower paid faculty relative to his “Absolute” method which would disadvantage higher paid faculty and be a boon to lower paid faculty. The committee notes that the Provost’s “Absolute” method is highly unusual and would artificially flatten salaries in whatever proportion it is mixed with the “Percentage” method. Under the Absolute plan the merit quadrant would function at cross purposes to the market quadrant, instead of aligning with it.

By calculating merit as a percentage raise per point one can expect that after a few years of heavy merit gap payments and market adjustments to close the current gaps, the merit quadrant will begin to keep up with the market as well. After a number of normal years, it should take very little money for human resources to do market adjustments each year. Most of their work would then become about equity. But to the extent that we calculate raw dollars per point as in the Absolute method, then the merit quadrant will undo some proportion of the market quadrant effort every year.

We would also note that mixing the two of the Provost’s methods in any proportion does nothing to solve the perverse incentives discussed in the Analysis.

**Perverse Incentive in Committee Plan** – Though it does reverse incentive to give 2s, Committee Plan A does have small perverse incentives some of the time. Any bias against collaboration and mentoring, however small, is still disturbing. The committee feels that a perverse incentive as small as the one in Plan A however, is potentially overwhelmed by ensuring that mentoring and collaboration are important parts of required departmental service in all departmental rubrics.

**Double Role of Market in Adjustments** - The Provost’s “Percent” plan for calculating merit raises constitutes a double contribution for Market because the sum of departmental salaries is partially a function of the Market data. And, of course, there has already been an annual market adjustment before any merit raises are calculated. Both market and part of merit are therefore, market adjustments. Such is not case in the “Absolute” plan. The suggested alternative from this committee shares the “Percent” condition.

**Inter-Departmental Salary Disparity** - In discussions among committee members, it also emerged that the Provost’s “Percent” plan and the committee plan are designed to perpetuate some pretty vast, longstanding differences in pay scales from department to department. But, we agreed that faculty must be paid some reasonable proportion of what they would make if they were employed elsewhere. And that therefore, an attempt to artificially flatten departmental pay scales (as in the “Absolute” plan) was way beyond our power and (perhaps) common sense (See the prose about the Absolute method in the first paragraph of this Discussion section).

It also emerges however, that both the interim Provost’s draft plan and Committee Plan A flatten salaries. Judging by the relationship between salaries and the adjusted rubric in the correlations matrix on Sheet5 and above, perhaps our salaries could use a little flattening, if our best paid faculty tend to do more poorly on the adjusted rubric than the lower paid faculty.
Role of Rank in Distribution of Merit Funds - Market and, to a large extent, our salaries for each rank/department combination are not only determined by department, but also by rank. Thus, the departmental pot in the Provost’s draft plan and Committee Plan A would be partially determined by the distribution of rank in each department. As the spreadsheet shows (Sheet3 in the simulator workbook) rank is distributed in various strangely skewed ways, within departments. Nursing, for instance, would take a terrible hit – theoretically -- with its single full professor and 28 instructors.

Committee Plan A does nothing about this issue either, and we don’t see it as a glitch, but a feature. (Not that we want to see nursing suffer. It just seems properly proportional that the distribution of rank in a department should matter, in the distribution of money to departments for raises.)

Academic Trajectories - It has been suggested that, fairly often, academic trajectories later in a career show decreasing research, and increasing university, college, or departmental service. If that is true, then salary compression could be mitigated at least somewhat, by creating a better fitting track for faculty who contribute more in terms of service. Perhaps, if a track heavily weighted towards service were available, the administration’s need for such a large discretionary fund, as in the third and fourth quadrants of the interim Provost’s draft plan, could be reduced.
BACKGROUND & ANALYSIS

Shortly after the Senate meeting on September 18, where the interim Provost presented his plan, the executive officer of the Senate, Jim McDonald, formed a committee to examine the Provost's proposal. We take our charge very seriously. Consequently, this committee has devoted a great deal of time and effort to its mission. We are acutely aware of the importance of the issues at hand. It is with some trepidation and humility therefore, that we offer this report.

At the first meeting of the committee, several members offered insights and saw potential problems to investigate. It was decided to build a simulator that would test the Provost's draft plan under various conditions, to see if it is workable, if it promotes and incentivizes the goals of the University, if it is just, and if it is properly proportional. Given our lack of detail about the Human Resources process and the procedure for rewarding faculty for extraordinary university or college service, the simulator can only test the merit quadrant of the interim Provost's draft pay plan in serious detail.

The crude simulator we used to test both the Provost's draft pay plan and the committee's modified versions is enclosed with this report, along with the obligatory "Readme" file, which offers some guidance on the use of the simulator and a few technical details about how we did some of our computations (the actual algorithms and formulae for which are in the simulator itself).

Most of the findings in this report derive from simulations of the interim Provost's draft pay plan, and the committee's alternative plan, which corrects for some mistakes and problems that emerged as we simulated the interim Provost's draft plan. We offer this alternative as “Committee Plan A” and strongly encourage the faculty Senate to endorse it and the Provost to adopt it with the other recommendations of the committee.

Committee Plan A as in the simulator, differs from the interim Provost's draft plan in two ways, apparently minor but both having important effects. First, we would alter the calculation of the departmental merit pot, so as to reduce a perverse incentive structure, which is introduced (inadvertently, we are sure) by the interim Provost's draft plan, and to avoid the rare but inevitable situation which, under the interim Provost's draft plan, would result in departments receiving funds for faculty raises but not being allowed to give anyone a raise. Second, we would alter the treatment of rubric points in the calculation of merit raises so as to eliminate a fairly substantial disproportionality introduced by the interim Provost's draft plan. Other than these two computational changes Committee Plan A in the simulator is the same as the Provost's “Percent” plan.

If the Provost modifies his plan in the ways we suggest in Plan A and makes the other changes we suggest, this committee will be able to give a full throated endorsement of his plan. The Provost's draft plan so modified, would do away with the old quota system and some of the subjectivity of that previous system and would indeed, as per our simulations, result in a reasonably fair distribution of merit. That is, if the market process and the discretionary quadrants of the plan are also administered in an efficient, effective, and fair manner.

Most of the technical details in this report are about the merit quadrant of the interim Provost's draft pay plan. We simply do not know enough about the other quadrants to analyze them in fine detail. Committee Plan A is an attempt to preserve as much as possible, the structure of the Provost's draft plan while correcting for some of the difficulties it presents.
Finally, the findings and recommendations in this report only apply to faculty and not to twelve month administrative appointees. There is no mention in the Provost’s draft pay plan of how to deal with administrators’ pay raises. Therefore, this report is also silent on the subject and all calculations are based on faculty with simple titles only.

As with any pay plan, there are numerous underlying assumptions and goals. Most of the assumptions and goals of the Provost’s draft pay plan seem straightforward. But perhaps a little background on the subject of merit pay, it’s philosophical and social science underpinnings, would be helpful. Most of the analysis is about the merit quadrant of the Provost’s draft pay plan.

There is an important purpose for a merit pay plan. It seems evident, to more than one of the social sciences, that if people know that they will be paid more if they produce more, they will produce more. And, if people know that if what they produce is more excellent they will be paid more, then their product will become more excellent. This is not a universal truth. But it is a strong enough pattern that constructing policies which provide such monetary incentives produces a better product and/or more of it. Thus, a merit policy is entirely about credible monetary incentives. The act of creating a merit raise policy is a commitment to a belief in credible effective monetary incentives.

Monetary incentives are credible if the merit measure itself (the rubric) is credible and properly fits the actual goals of the organization and accounts for all the ways that employees support and advance the goals of the institution and if the other pieces of the merit system are so constructed that an employee can reasonably expect to be paid more for better work. The incentive effect is essentially anticipatory. If people expect that merit will be rewarded in pay raises, but that does not happen, people will no longer find the merit incentive credible. All that is to say, that if in reality people are not rewarded according to their merit, then there is no incentive to do more or better so they won’t. Through no fault of our own, we have not had a credible or effective merit system during the several years that there have been no merit raises.

To repeat, well-constructed merit incentives work for the betterment of the organization. A merit system is all about incentives. We agree that incentives work, for better or worse, according to their design, or we would not spend all this time and effort to devise a credible merit pay raise system.

Almost all of the interim Provost’s draft pay plan is sound. Much of the evidence of that soundness is detailed in the Findings section. Most of the Provost’s draft pay plan will promote the goals of the University in an efficient and effective manner. There are however, four serious problems with the plan that was presented to the Senate by the interim Provost and some other issues. The analysis of these issues and suggested solutions appear in this committee report.
CONCLUSION

Given competent due diligence by department heads, deans and the Vice President for Academic Affairs, and assuming that the HR processes and Service quadrant processes are wisely undertaken, the Provost’s draft plan (modified as the committee suggests) should work to the benefit of all, at the University of Louisiana at Lafayette.

Priorities

Getting people the proper remuneration for the work they have done during the lean years must be our top priority. It is also a highly time sensitive priority. Let us calculate our Merit Gap and make as large a down payment as possible in the first year we have funds and every year thereafter, until we have made quite substantial progress toward our benchmarks.

Given the lack of any pay raises at the University of Louisiana at Lafayette in the last five or six years, stress is high among the faculty and morale is low. The committee suggests that a large, well calculated, across-the-board market bump is a high priority, whenever we get any money for raises. About six years ago the faculty was given such a substantial market adjustment. It was widely and enthusiastically supported by the faculty. This is also a time sensitive priority.

Such a bump in the first year funds are available would produce the biggest bang-for-the-buck in terms of:

• making faculty reconsider moving to other universities and thereby stanching the ongoing hemorrhaging of good faculty from our University
• a solution to our problems in hiring.
• a large and widespread effect on faculty morale
• a reduction in the stress on our family budgets constrained by having to squeeze into only 85% of the purchasing power that they used to work within. (Inflation has turned this pay freeze into a substantial pay cut.)
  o fewer sick days and less administrative leave due to stress related problems,
  o greater productivity and
  o other cascading benefits deriving from the relief of stress among the faculty too numerous to list here

Thank You

The Ad Hoc Committee for the Evaluation of the Interim Provost’s Draft Pay Plan offers this report in the spirit of collaboration, with the sole intent of moving our university toward the best possible faculty pay plan. In that intent, we are confident of unity between the faculty and the administration. And so, we are also confident that the few small constructive criticisms and suggestions we offer will be received in the spirit that they are given. We are painfully aware that the interim Provost’s draft pay plan, even as modified by the suggestions of this committee, is not perfect. We would like it to be. Therefore, we welcome all suggestions and all criticisms in the hopes of further perfecting this university-wide faculty pay plan.
And finally, the committee would like to thank the Provost for creating a plan which we believe, with these few minor tweaks, will be a vast improvement over the current system.