

**COMMISSION ON FACULTY COMPENSATION AND ECONOMIC BENEFITS  
ANNUAL REPORT FOR 2004-2005**

I. STATEMENT OF COMMITTEE FUNCTION OR CHARGE

The commission's function is to study issues related to faculty compensation and other economic benefits and to report each year its activities and recommendations to the Faculty Senate.

II. CURRENT OR PAST YEAR'S ACTIVITIES

Three new members joined the commission, which met six times in 2004-2005. The commission discussed four primary topics during the year: faculty raises and salaries, faculty turnover, prescription drug benefits and health insurance parity.

III. CURRENT ISSUES AND CONCERNS

A. Raises for Faculty

The commission is deeply concerned about the faculty compensation for the next biennium. UW-Madison will enter the next biennium with faculty salaries 7.3 percent below the median of peer institutions, compared to 3.9 percent last year, and will continue to fall behind.

The introduction of health insurance contributions and co-pays, on top of the lack of adequate salary compensation, have led to an even worse situation with respect to total compensation comparisons.

Lack of a salary increase for the next biennium would once again leave us far behind peer institutions. The inability of the university to offer compensation comparable with peer institutions for two biennia, we fear, will result in an inability to recruit and retain excellent faculty and will eventually erode the productivity and reputation of our institution.

(Attached please find the most recent AAUP Faculty Salary Comparison.)

B. Faculty Turnover

At the recommendation of the University Committee, the commission examined trends in faculty retention (or its antithesis, faculty "turnover"). Here, the commission's primary concern regards the university's ability to retain critical faculty, particularly at the post-tenure stage. Roughly 75% of the new hires are probationary (tenure-track but non-tenured) and, as is the Madison tradition, the retention of these faculty is well addressed. We were pleased to learn about the number of UW-Madison programs directed towards faculty retention of new hires. Policies directed towards recruiting and retaining junior faculty include:

- New faculty orientation and end-of-year luncheons
- New faculty workshops throughout the year
- Mentoring for junior faculty
- Annual reviews and feedback (including written guidelines for tenure)
- Dual-career couple hiring policies
- Strategic Hiring Initiative funding for minorities and women in science and engineering
- Search committee workshops
- Competitive compensation packages

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At the later stages of one's career, evidence of retirement patterns provided by the Office of Budget Planning and Analysis suggests that faculty retirement does not seem to depend on economic conditions. Demographic influences, including the graying of the baby boomers, seem to dominate retirement (the main source of turnover in the later years). Moreover, the retirement system's defined benefit formula is backloaded in the sense that heavy benefit accruals are earned in the later working years, thus providing important incentives for senior faculty to remain at UW-Madison.

Unfortunately, there is very little evidence about turnover in the middle working years. Anecdotal evidence suggests that these faculty are most susceptible to changes in the economic environment – for example, several years of tight budgets may encourage these core faculty members to depart. The Office of the Provost initiated a voluntary faculty exit interview process this year that may provide additional information. The commission has encouraged the Office of Budget Planning and Analysis to gather data on turnover of this critical core faculty.

This potential problem area could be addressed by one or more policy initiatives. To illustrate, a proactive program for providing market-based salary adjustments for mid-career faculty (who are not seeking outside offers) is one possibility. Another possibility is to encourage the Graduate School to increase the scope of the mid-career (Kellett) awards program. Further, the administration may introduce a formal spousal hiring initiative for faculty who wish to remain at UW-Madison (not just for newly hired faculty). In sum, we encourage the administration to document the extent of the mid-career faculty turnover problem and work with the commission and other faculty groups to introduce policies to stem the potential loss of faculty during their most productive years.

#### C. Prescription Drug Benefits

William Kox, director, Health Benefits and Insurance Plan Bureau at the Department of Employee Trust Funds, and Tom Radloff, of Navitus, described the history and performance to date of the Navitus prescription drug program. Last year, the introduction of the new prescription drug benefit program caused considerable concern among faculty members. The commission was pleased to learn that the new system is working as designed. Although we view the introduction of co-pays for prescription drugs as unfortunate, the system does seem to encourage responsible behavior among participants in selecting the most cost effective prescription drug benefit.

#### D. Health Insurance Parity

Beth Ritchie, employee benefits program analyst of the UW System Administration, summarized a study comparing health and other benefits. The data were based on the AAUDE (Association of American Universities Data Exchange) annual summary of fringe benefits. The commission was pleased to learn that on the whole the UW System benefit structure fares well compared to our peer institutions. Two areas of concern, where we are behind, are dental and vision benefits.

### IV. FUTURE ISSUES

The commission believes that its work for the 2005-2006 year should emphasize:

- the impact of salary and benefit reductions on retention, recruitment and retirement at the university
- the impact of the lack of domestic partner benefits on recruitment and retention of UW faculty. The commission plans to continue to monitor this issue.

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## V. SUMMARY/RECOMMENDATIONS

A. The commission is primarily concerned with overall salary levels. When viewed historically, our current salary deficit relative to peer institutions is approaching a crisis situation. This does not even account for the impact of increased health insurance costs. We hope that the regents, administration and individual faculty members will be able to impress upon the legislature the extent of the problem before it is too late. It is far less expensive to maintain an elite group of faculty than it is to build such a group.

B. The commission is also concerned with the distributional effects of depressed salary levels on faculty retention. A core strength of UW-Madison has historically been its middle group of faculty. We believe that this core is eroding. We encourage the Office of the Provost to document the magnitude of this erosion and to work with faculty to introduce policies to stem the tide.

C. The commission spent a considerable amount of time in academic years 2002-03 and 2003-04 documenting its support of the introduction of domestic partner benefits. This viewpoint has been adopted by the regents, the administration and the faculty. Although less time was spent on this issue in academic year 2004-05, we continue to support this introduction and believe it important to continue to work towards its adoption.

## VI. 2004-05 COMMITTEE MEMBERSHIP

Douglas Bates (Statistics)  
Richard Brualdi (Mathematics)  
Edward W. Frees (Business), chair  
Gail Geiger (Art History)  
Bret Larget (Botany/Statistics)  
Theresa A. Marché (Art)  
Susan Paddock (Professional Development)  
Kyle Stiegert (Agricultural and Applied Economics)  
William Tracy (Agronomy)

Ex-officio, non-voting

Steven Cramer (Civil and Environmental Engineering), University Committee representative

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Appendix 1

March 3, 2005

MEMORANDUM

TO: John Wiley, Peter Spear, Darrell Bazzell  
FROM: Bruce Beck  
SUBJ: AAUP Faculty Salary Comparison for 2004-05

The Association of American University Professors (AAUP) will publish the “Annual Report on the Economic Status of the Profession” for 2004-05 within the next several weeks. The salary figures in the report will show UW-Madison’s ranking within its official faculty salary peer group declined this year, compared to its rankings in 2003-04. UW-Madison moved from 11<sup>th</sup> place down to 12<sup>th</sup> place for full professors; from 4<sup>th</sup> place down to 6<sup>th</sup> place for associate professors; and from 5<sup>th</sup> place down to 8<sup>th</sup> place for assistant professors.

The attached table provides average AAUP 2004-05 salary figures for UW-Madison and the universities belonging to the official UW-Madison faculty salary peer group. This table also displays the percentage increases in average salaries within the peer group this year. The average salaries reported by the AAUP are affected by several factors, including faculty turnover and promotions, salary adjustments for promotions, competitive market adjustments, and equity adjustments, in addition to the announced annual increases for merit and/or cost-of-living.

Based on the professorial rank mix in UW-Madison’s October 2004 payroll, the overall salary increase needed to place each faculty rank at its respective peer group median now stands at 7.3 percent, compared to 3.9 percent needed last year. The attached graph plots this percentage since 1973.

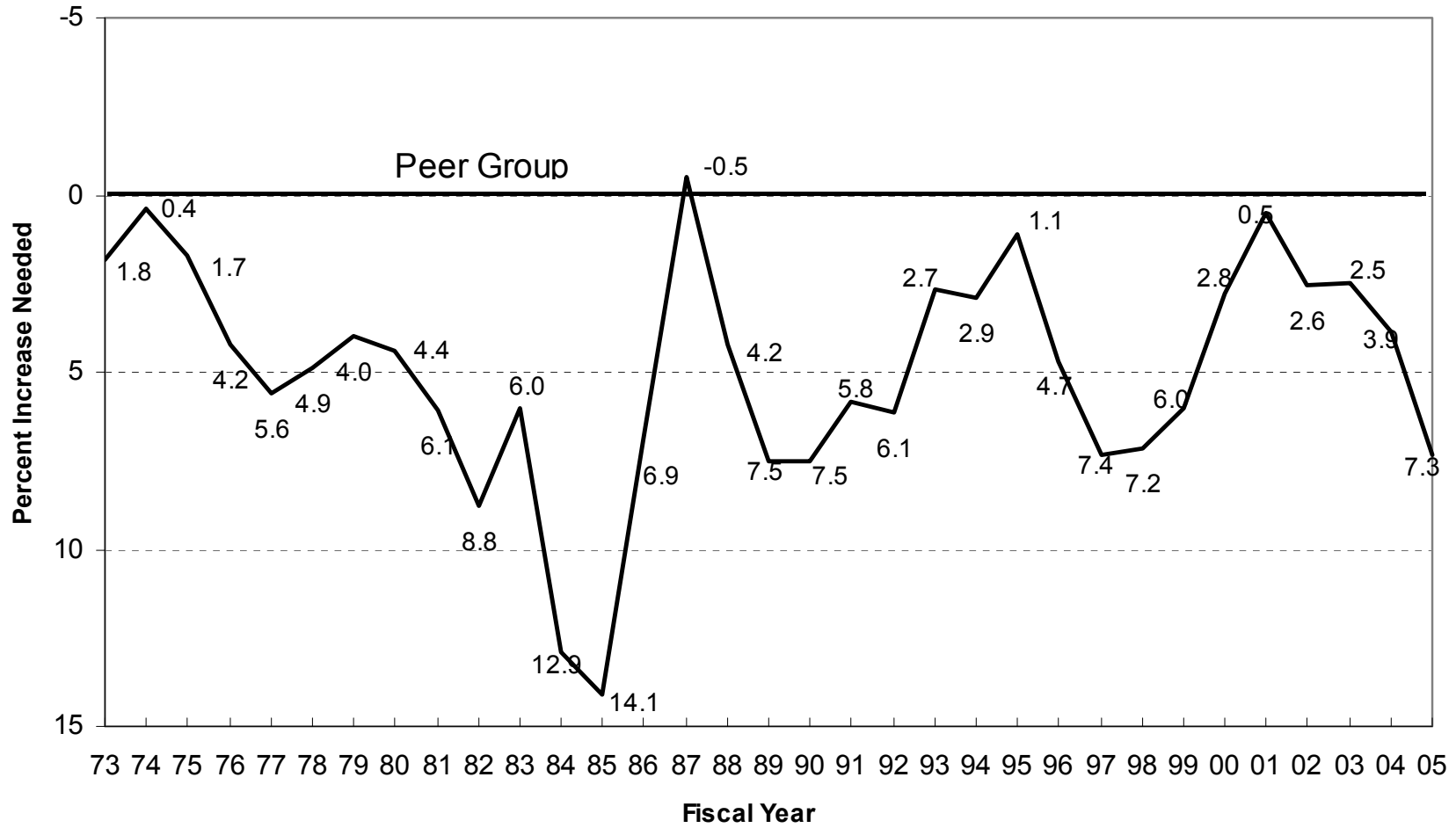
The AAUP also reports an “All Ranks” combined average salary for each university. When a 2004-05 peer comparison is tabulated based on this “All Ranks” average, it puts UW-Madison above the peer group median by 1.2 percent. The “All Ranks” salary averages (which include instructors, lecturers, and non-ranked faculty) do not adjust for differences in rank mix between UW-Madison and peer institutions. For example, UW-Madison reports 55 percent of its “All Ranks” faculty as full professors and 3 percent as lecturers, while the peer universities’ “All Ranks” faculty are 45 percent full professors and 8 percent lecturers, on average. In contrast to an “All Ranks” comparison, the rank-by-rank salary comparison does a better job of controlling for differences in the composition of the faculty reported to the AAUP by the peer universities and UW-Madison. The rank-by-rank method of salary comparison was approved in 1984 by the Governor’s Faculty Compensation Study Committee, which also established the official salary peer group for UW-Madison.

As you know, UW System Administration tabulates faculty salary peer group comparisons each year. In recent years, System has adjusted their comparisons for geographical differences in the cost of living. In contrast, the comparison attached to this memorandum does not include any adjustments for geographical differences in the cost of living, and therefore may differ somewhat from information presented by UW System.

Attachments  
xc: Jocelyn Milner

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### UW-Madison Faculty Salary Deficit Compared to Peer Group Median: Pay Increase Needed to Bring Faculty Salaries to Peer Group Medians



Academic Planning & Analysis, Office of the Provost, UW-Madison bdb 3/3/2005

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## 2004-05 Average Faculty Salaries by Professorial Rank

UW-Madison's Official Faculty Salary Peer Group

University	Full Professor		Associate Professor		Assistant Professor		Percent Change From 2003-04		
	Average Salary	Rank	Average Salary	Rank	Average Salary	Rank	Full Prof	Assoc Prof	Assist Prof
University of California-Los Angeles	123,328	1	78,061	2	65,475	5	0.8	1.4	2.8
University of California-Berkeley	121,781	2	77,713	3	71,304	1	-1.0	0.8	1.8
University of Michigan-Ann Arbor	120,176	3	81,572	1	67,062	3	2.0	0.9	0.5
University of Illinois-Urbana	111,821	4	75,058	4	68,181	2	4.5	4.2	5.7
University of Texas-Austin	109,940	5	70,269	11	66,885	4	6.5	8.3	7.4
Ohio State University	108,426	6	72,132	7	64,771	6	4.7	4.4	4.0
University of Minnesota-Minneapolis	105,366	7	70,679	9	62,527	10	3.3	1.1	3.2
Michigan State University	101,853	8	73,724	5	59,698	12	3.6	1.8	1.4
Indiana University-Bloomington	101,777	9	70,690	8	61,270	11	2.7	3.2	2.9
Purdue University	100,666	10	70,578	10	62,949	9	3.5	2.6	4.0
University of Washington-Seattle	98,108	11	70,208	12	64,672	7	5.3	5.2	2.3
<b>University of Wisconsin-Madison</b>	97,824	12	73,446	6	63,571	8	1.7	0.3	0.0
Peer Group Median (w/o UW-Madison)	108,426		72,132		64,771				
Percent Increase Needed to Reach Median	10.8%		-1.8%		1.9%				

Source: American Association of University Professors (AAUP) annual salary survey. Faculty members employed on 12-month contracts are included, but their salaries have been converted to 9-month rates. Medical schools are excluded. The average salaries reported to the AAUP by all institutions are affected by several factors, including faculty turnover and promotions, and individual salary adjustments for promotion, competitive market, or equity, in addition to the institution's announced annual increases. As a consequence of turnover and promotions by rank, negative percentage changes in annual average salaries by rank are possible, particularly when the announced annual increase was zero percent.

Academic Planning & Analysis, Office of the Provost, UW-Madison bdb 3/3/2005