

**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**

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Background

In September 2013, interim Provost Bradd Clark described to the faculty Senate, a plan for administering pay raises. The plan is composed of four quadrants: a market adjustment, a merit pay plan and two quadrants of discretionary pay raises, the latter to be administered by the highest levels of the University administration. For a more complete discussion of that plan and all the issues pertaining thereto, the reader is referred to this committee's report of December 15, 2013.

In January 2014, word reached this committee that the deans' Council had questions about some of our December recommendations and that the deans' Council wanted to expand our committee to include members from every college. We were told that a meeting with the deans' Council would be arranged after the expansion, to discuss the December recommendations of this committee. That meeting occurred on April 8, 2014.

The delegation of deans who attended the meeting demonstrated a thorough understanding of not only the issues involved, but the rather complex mathematics involved and the practical implications of different ways of calculating raises. They also brought new ideas to the table and arguments that were strong and new to this committee. And, perhaps most critically, they pointed out an important problem with the data this committee was provided. Apparently, the merit scores in the data provided had been reverse coded. This reverse coding, of which this committee was previously unaware, resulted in some fairly serious errors in our analysis which have now been corrected. Our meeting with the deans was productive and has resulted in a much better pay plan recommendation than this committee was able to offer in December.

The committee has now considered the arguments of the deans, added their new suggestions to our simulator and re-analyzed all plans with correctly coded data.¹ What follows then, is a revised and updated report about those arguments and suggestions and a reanalysis.

¹ It is still the case that there are both known and unknown errors in the data provided to this committee. However, except in the case of the "time in service" variable (seniority) which we know is wrong in several cases, the committee provisionally trusts most of the data at this time. In any case, these are the only data we have.

The Meeting with the Deans

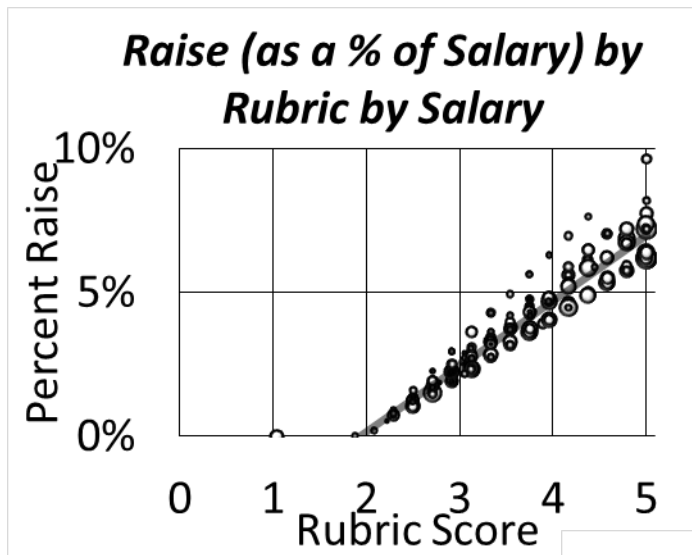
At the meeting with the deans, several issues were covered.

- The deans and this committee have converged, since December, in our thinking about subtracting 2 from everyone's rubric score, for purposes of pay raise calculations. Since the December faculty Senate meeting, this committee has become concerned that our plan which did **not** subtract 2 from everyone's rubric score, would result in a sizable jump in pay raises between a score of 2 and a score of 2.01. The deans preferred subtracting 2. We have come to agree with that preference. Therefore, the preferred plan in this report does subtract 2 from everyone's rubric score for purposes of calculating raises.
- There was a discussion about whether rubric points should be worth a fixed number of dollars within each Department (the "absolute plan") or a fixed percentage of each faculty member's salary (the "percent plan"). Both the committee and the deans agree that a "percentage plan" would be a better formulation.
- The deans further enlightened us about their reasons for wanting to calculate pay raises each year on the basis of an average of three years of rubric scores. The deans reason that the amount of money the University receives each year for pay raises is likely to vary. Thus, if a person happens to publish a book in a lean year for pay raise budgets, they would receive less for their exceptional performance than they would in a fat year. Using a three-year moving average would smooth the ups and downs in state funding somewhat. The committee finds the arguments of the deans persuasive.
- In the committee report of last December, we recommended returning unused raise money to be disbursed among all faculty (a "University pot"). The Provost had recommended dispersing unused raise money within departments (a "Department pot"). The committee pointed out that dispersing unused raise money within the department would produce a perverse incentive. The deans were not persuaded. In an effort to resolve this disagreement, the deans' delegation suggested that perhaps we could split the difference and return unused raise money to the *college* to be disbursed among all college faculty rather than all university faculty or all department faculty. The committee has now simulated a "college pot," with properly coded data. Though it is true that a college pot reduces both the perverse incentives of which we previously wrote, and the penalties which are levied by the University pot plan on departments with members who do not score above a 2 on the rubric. However, the committee has decided that we prefer the plan with the least potential for abuse. That is the University pot that we recommended in our last report.
- Bradd Clark, in his report about the deans' meeting with this committee has stated
This problem relates to another faculty concern. Since it has been five years since any merit raises have been given, the faculties are very concerned that their efforts over these years will go unrewarded. In the past the University has always

ultimately provided for faculty efforts in a year when no pay increases were possible. It is important to faculty moral that the administrations declare that this long standing unwritten policy will be continued.

The committee wholeheartedly supports the statement of our former interim Provost and seeks a better commitment from our University to follow his advice.

Findings



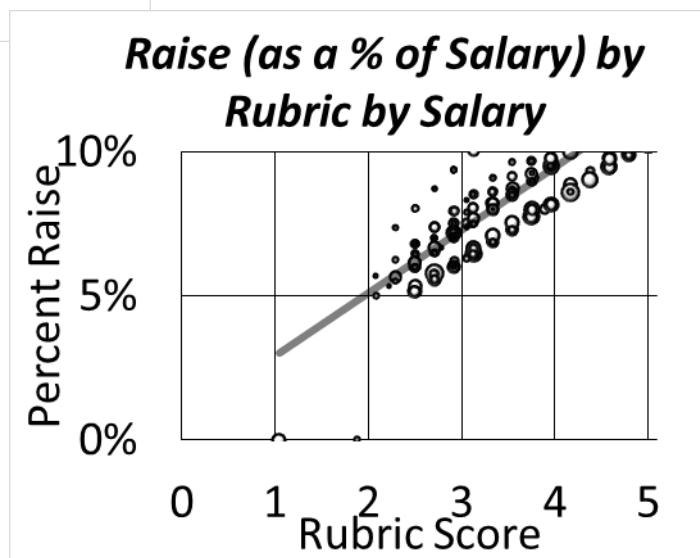
subtract 2, as in the plan this committee previously suggested, scores, which are only marginally above 2, would get a relatively large pay raise, under the same hypothetical assumptions, which seems highly disproportional. Upon reflection, subtracting 2 seems more consistent with the intent of the merit raise plan, more just and less likely to award large raises for minimal effort. On this subject, the committee and the deans' Council have come to an agreement. We should subtract 2 from all rubric scores for purposes of calculating merit pay raises.

Percentage Plan or Absolute

It has been suggested that a publication by a highly paid professor is worth no more than a similar publication by a less well-paid assistant professor in the same Department and that therefore, rubric points within departments should be worth a fixed amount of money (the "absolute plan") rather than a percentage of salary (the "percent plan"). An article is an article and a book is a book, no matter the salary of the author. This argument strikes the committee as a strong one. However, the counterargument offered by the deans' Council is, that were we to calculate merit raises on a dollars/point basis we would compress the differences in salary over time, among full professors, associates, assistants and instructors. Such a treatment would work at cross purposes to the market quadrant of the pay plan -- also a strong argument. The interim Provost had suggested that we mix and match the "percent plan" with the "absolute" plan so as to maintain polarization among the salaries for each rank at the same level as the polarization in

Subtracting 2

The "jump" referred to in the first bullet point above can be clearly seen when one graphs every faculty member's hypothetical merit raise under the conditions of the preferred plan (left) and under conditions in which 2 is not subtracted from each rubric score (below). The lowest merit raises under the preferred plan are a fraction of a percentage of salaries, which does seem proportional. However, if one does not



the market. Presumably, the administration would calibrate how much of the “percent plan” to mix with how much of the “absolute plan” in each year, so as to best maintain an optimal difference in pay scales among ranks. Our simulator now allows one to do such a mixture, fairly easily, with all hypothetical plans.

Upon simulating various mixtures of pay plans and measuring the degree of polarization they maintain or produce, and comparing that to a measure of rank polarization in the market, we discovered that rank polarization at the University of Louisiana at Lafayette is currently greater than that of the market and that the “percent plan” makes it marginally, still greater. Whereas, the “absolute plan” produces marginally less rank polarization than we now have. Were we to implement the “absolute plan” for several years we could, theoretically, bring our rank polarization into line with the market. However, this committee feels that given the overwhelming sentiment in the administration and in the faculty for the percent plan, and given that correcting for our overmuch rank polarization seems like a market adjustment, and not a merit issue, the committee recommends the percent plan with no mixture of the absolute plan. Further the committee suggests that human resources and the Senate’s monitoring of the market adjustment year-to-year are the proper vehicles with which to address rank polarization and other market issues.

Three-Year Averages

The committee feels that something must be done to smooth out the volatility in merit raise budgets. We are concerned that someone might be rewarded much less because they published a book in any given year, instead of waiting a year when the budget turned out to be better. The only proposal we have heard which would mitigate that budget volatility is to average ones annual rubric score with the scores of the two preceding years (a running three-year average) and award pay raises every year on the basis of that running three-year average rather than the faculty member’s actual rubric score for that year. This will generally mean that no one will ever get a raise based on a rubric score of five. This is to say, doing three-year averages of scores will compress their range toward the middle. Nevertheless, the committee believes the benefits of the averaging procedure outweigh its deficits.

To Which Pot Is Unused Raise Money Returned?

Last December, this committee recommended to the faculty Senate, that unused raise money be returned to the University pot for distribution in pay raises to the entire faculty. The Provost’s suggestion was that unused raise money be returned to the Department pot for distribution in pay raises to the other faculty of that Department alone. This committee’s objection to the “department pot” was that it would cause the raises of the departmental faculty to rise specifically because one of their departmental colleagues failed to score above a 2 on the rubric, rather than because of merit. This sets up a perverse incentive. The committee’s plan for a University pot also contained the same kind of perverse incentive (though apparently because of the reverse coding of merit scores, our analysis was in error on this point). But, the dollar advantage in raises to other department members was so small under a “University pot” plan that

it would not provide a perverse incentive worth the effort, for even the most misanthropic among our faculty.

In April 2014 the deans argued however, that no department head would want to incur a penalty by giving anyone a 2 on the rubric and thus losing money from the departmental raise budget, as would be the case under the “University pot” plan. And indeed, after the committee corrected for the coding error in the data, we discovered that the penalty the deans feared is large under the “University pot” plan. The deans suggested trying a *college* pot in order to split the difference. We did, and though we found that the college pot plan reduced both the perverse incentive and the penalty to departments of which the deans feared to insignificance. However the complexity of the plan added a potential area for abuse. Therefore:

We recommend the “University pot” procedure for disbursing pay raise money. This is to say that funds should be dispersed to departments by totaling the salaries of everyone in the Department who scored higher than 2 on the rubric. That total should be divided by the sum of all faculty salaries in the university who scored above 2 on the rubric, to determine what proportion of the total University budget for merit raises each Department receives.

Sum of all faculty salaries in a department with rubric scores above 2

Sum of all faculty salaries in the entire university with rubric scores above 2

From there, within each department one subtracts 2 from every faculty member’s rubric score, sums the products of each faculty member’s resulting “score” and salary (score * salary) and divides each faculty members product by that sum:

*Member X’s “score” * Member X’s salary*

*Sum of all department members’ score * salary*

to derive each faculty member’s proportion of the total departmental budget for merit raises.

The formulae may be complex, but will not be laborious. A fairly simple spreadsheet of all faculty salaries, rubric scores and departments is all that is required. The entry of those data, those three columns of information, must be done at the level of the University. A fairly simple formula in a fourth column would calculate everyone’s merit raises to the penny. That is; All of

this calculation can be done quite simply by one person in Martin Hall. Department heads will not have to actually do it.

After quite a lengthy and detailed analysis, though it was discovered that this method of calculating pay raises had the deficit of causing a reduction in departmental funds for everyone who scored 2 or less on the rubric, that deficit seems small in comparison to the deficits of every other way of calculating merit raises. The committee makes the suggestion that perhaps this relatively small deficit could be mitigated in some way through the use of the discretionary funds which are available to the University and the colleges.

The Merit Gap

The committee is happy to have received from Bradd Clark such strong support for the committee's recommendation of last December about closing the merit gap, which stands as our current recommendation.

Discussion

- This committee has become painfully aware that our analysis is based upon many assumptions, some of which are probably not valid. Our analysis assumes that rubrics will be well calibrated. From what we have seen, not all of them currently are. Our plan also assumes that tracks will be designed as appropriate to the actual merit of the actual work that each faculty member does for the University. They are not. All of the work of this committee, the Senate and the deans therefore, could be for naught and the pay plan not function as intended, unless there is substantial improvement in the construction of some of the rubrics over what we have seen already, and unless the track system is redesigned. The former will have to be done in consultation between deans and department heads. Part of that calibration process should be, to measure the rubrics' effect in relation to the pay plan system the University adopts. Members of this committee stand ready to help in that analysis should we be asked to do so. As to the tracks, members of this committee request that the Senate empower us to do some consultation with the deans (and that the deans agree to consult) on the subject, and return with some suggestions.
- We have spent a great deal of time and effort in an attempt to develop the best possible pay raise plan for our University and to do so based on careful quantitative analysis and a consideration of all the qualitative implications of the various combinations of elements. We have heard that "there is no such thing as a perfect pay plan" and that may be true. We cannot know. However, true or not, ***neither the faculty, its representative body the faculty Senate or the administration should ever cease efforts to perfect our pay plan.*** This work therefore, is ongoing for the foreseeable future. And, should unforeseen difficulties arise, we must reevaluate and reanalyze and rethink. We hope that the faculty

Senate will not tire of yearly monitoring or flag in its duty to do so and that the administration will always provide us the data we need to do that monitoring.

Conclusion

The committee recommends that the University adopt a merit pay raise plan in which, for purposes of calculation, 2 is subtracted from each rubric score, unused raise money is returned to the University (the “University pot” option) and rubric scores are used to calculate raises as a percent of salaries (the “percent plan”) rather than dollar amounts (the “absolute plan”) or any mixture of the two. As to the other recommendations we made last December...

- We still recommend a close cooperation among Human Resources, other parts of the administration as appropriate and the faculty Senate Ad Hoc Committee on the Status of Women, toward the end of monitoring gender equity in salaries. This will necessitate that every year the administration provide to that committee, the data it needs (and which has been provided in the past).
- We still recommend that every year, the Senate receive the data appropriate to monitor the effect of the pay raise plan, to ensure that no unforeseen difficulties arise and that it accomplishes the purposes intended.
- We still recommend that there be a reasonable and transparent limit to the discretionary quadrants of the pay plan. We think 10% of all funds for all four quadrants of the pay-plan should be the limit for both quadrants combined.
- We still recommend that the University rethink its use of fixed tracks so as to make tracks more precisely reward the work that faculty actually do. We have a suggestion along those lines, if the Senate and the administration are interested. But, since the interim Provost’s pay plan made no mention of tracks, and we were only empowered to evaluate the Provost’s pay plan, our plan for track construction is not included in this report.
- We still recommend the same priorities that we recommended in the conclusion of the December report, i.e.; closing the merit gap and the market gap with all possible haste and monitoring our progress toward those ends year-to-year.

Thank you

Again, the members of this committee wish to express our gratitude and our support for the efforts of the administration to develop a just and appropriate pay plan and to include the faculty Senate in the process, in the best traditions of shared governance. Moreover, we especially wish to thank the deans’ Council for its careful, insightful and erudite consideration of all the issues involved and the spirit of cooperation they have demonstrated towards the Senate and this committee.