

Faculty Compensation at UW-Madison: An Analysis of the Impact of Pay Tools, 2009-2014

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Executive Summary

UW-Madison leadership has long been concerned that our ability to recruit and retain the best faculty will weaken as UW-Madison salaries lag behind salaries at our peers. In 2008-09, overall, UW-Madison faculty were paid 11.6% less than the median salary at our official peer institutions. Then-Vice Provost for Faculty and Staff Steve Stern developed a plan to increase the faculty payroll to be more competitive with salaries at peer universities. Under the plan, sometimes referred to as the pay-merit-equity tools, UW-Madison would raise average salaries to within 5% of peer salaries within six years.

Five tools were developed or expanded to increase faculty salaries:

- a) High demand faculty retention, a fund available to retain especially high performing faculty;
- b) Increased promotion adjustments, for faculty being promoted from the assistant to associate and associate to full professor ranks;
- c) Post-promotion market adjustments, for full professors, five years after promotion;
- d) Compression-equity adjustments, for full professors, at 10, 15, and 20 years (and additional 5-year increments) after promotion; and
- e) Critical compensation funds, a program to provide targeted but modest pay increases to about 30% of employees each year the program was active.

These tools would supplement the standard pay tools available, which include adjustments to address equity, to address market, for change in duties, and for the state pay plan.

During the period of 2009-10 through 2014-15, about \$27.3 million was invested in faculty salaries through these new tools. Of this amount, \$18.9 million in GPR was allocated from central administration funds. About two-thirds of all faculty (1663 individuals) received a pay increase via one or more of these salary tools. The nature and impact of each of the pay tools are described in detail in this report. The report also provides an analysis of their collective impact.

These programs helped reduce the gap in faculty salaries between UW-Madison and its peers. However, we did not achieve the goal of bringing UW-Madison faculty salaries to within 5% of the median peer salary. In 2013-14, the average UW-Madison faculty member was paid 9.1% less than the median peer salary. The gap from the peer median varied by rank: full professors were at 12.8%; associate professors were at 1.0%; assistant professors were at 3.9%. The pay tools combined with competitive starting salaries have maintained salaries within 5% of peers for assistant and associate professors. However, these pay tools have not closed the salary gap for full professors. It is likely that 2014 data will show that we made additional progress in reducing the salary gap. However, we anticipate that a salary gap will remain. The absence of a state pay plan for the years 2009-10 through 2012-13 has been a major reason the goal was not achieved.

Reducing the amount of internal salary compression was a secondary goal of the plan. The compression-equity tool targeted long-time faculty whose salaries were compressed compared to junior faculty in the same department. After five years of compression-equity adjustments, the proportion of full professors whose salaries appeared compressed remains about the same. However, if these adjustments had not been distributed, compression would have increased. The proportion of professors with a compression gap exceeding 10% would likely have increased substantially from 31% in 2008 to 44% in 2014; professors with no compression gap would have decreased from about 52% in 2008 to 42% in 2014.

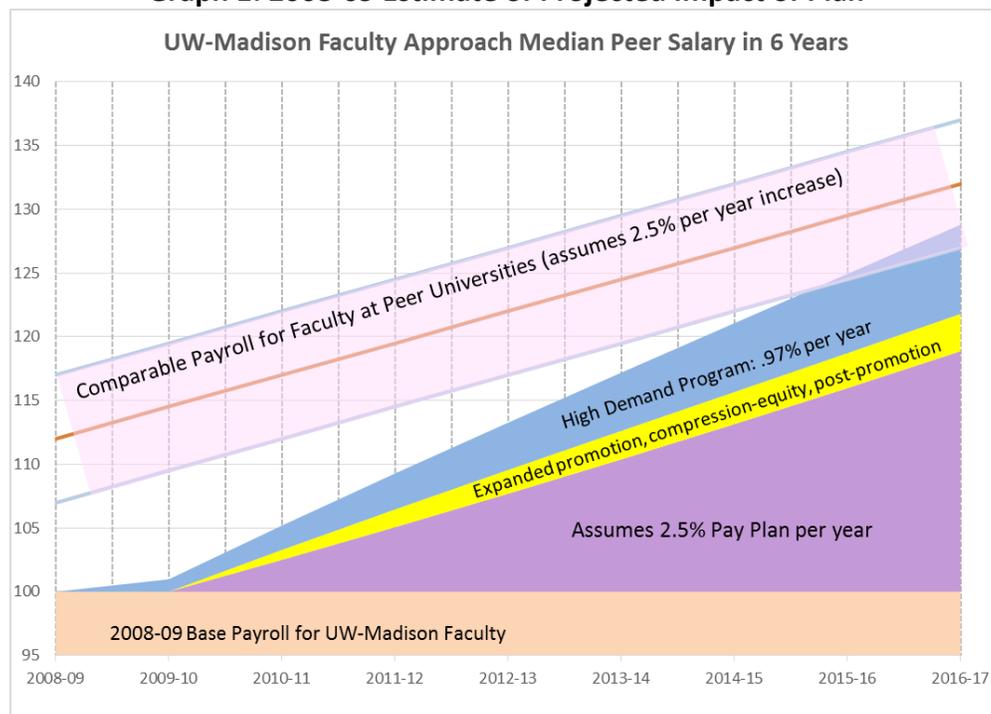
In order to recruit and retain the best faculty, we must provide compensation that is competitive with our peers. The state pay plan alone has not been sufficient to provide competitive salaries. Additional funding and policies, such as those described in this memo, continue to be needed.

Faculty Compensation at UW-Madison: An Analysis of the Impact of Pay Tools, 2009-2014

I. 2008-09 Plan to Reduce the Gap in Salaries Between UW-Madison and Peer Institutions

In 2008-09, UW-Madison leadership was concerned that our ability to recruit and retain the best faculty was eroding as UW-Madison salaries continued to fall behind salaries at our peers. Overall, UW-Madison faculty were paid 11.6% less than the median salary at our official peer institutions.¹ The salaries of full professors were furthest behind – UW-Madison professor salaries ranked 12th of 12 institutions, and were 16.4% less than the median full professor salary among our peers. Then-Vice Provost for Faculty and Staff Steve Stern developed a plan to increase the faculty payroll to be more competitive with salaries at peer universities. Under the plan, sometimes referred to as the pay-merit-equity tools, UW-Madison would raise average salaries to within 5% of peer salaries within six years. This plan utilized the 2008-09 total faculty payroll as a baseline and anticipated a 2.5% state pay plan each year starting in 2010-11. In addition to the anticipated pay plan, the plan forecasted additional dollars through the implementation of four internal programs: a) High demand faculty retention, b) increased promotion adjustments, c) post-promotion market adjustments, and d) compression-equity adjustments. (A fifth pay tool, critical compensation fund, was added in 2012.) With these additions, it was projected that UW-Madison would be within 5% of the comparable payroll in the year 2016-17. Graph 1 shows the projected faculty compensation increases under this plan, as forecast in 2008-09.

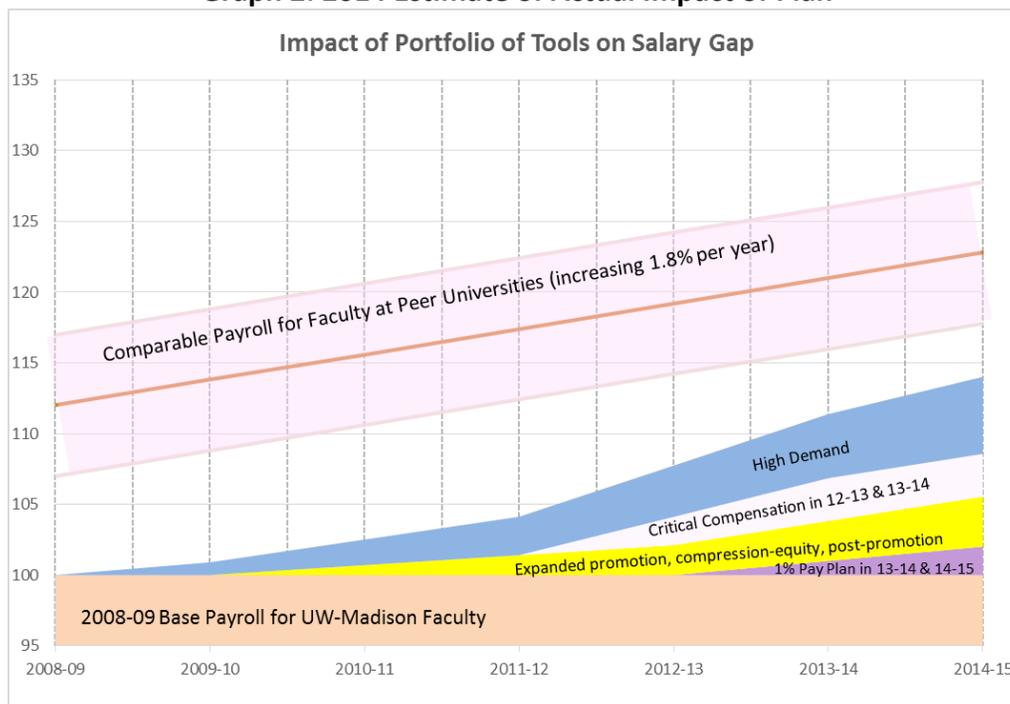
Graph 1: 2008-09 Estimate of Projected Impact of Plan



¹ UW-Madison’s official peer group for purposes of salary comparisons was established by the Governor’s Commission on Faculty Compensation in 1984. The peer universities include University of California-Berkeley, University of California-Los Angeles, University of Michigan-Ann Arbor, University of Minnesota-Twin Cities, Ohio State University, Purdue University, Indiana University-Bloomington, University of Illinois-Urbana/Champaign, University of Texas-Austin, Michigan State University, and University of Washington-Seattle.

Graph 2 below shows the actual impact through 2014-15 of the portfolio of salary tools. It includes the critical compensation fund, a program added to the plan in 2012. Although these tools were useful in reducing the gap in salaries between UW-Madison faculty and faculty at peer institutions, in the absence of an annual pay plan they were insufficient to close the gap.

Graph 2: 2014 Estimate of Actual Impact of Plan



II. Components of Faculty Pay Programs 2009-10 through 2014-15

Since 2008-09, UW-Madison has implemented several programs to aid in the competitive compensation of faculty. These programs include: (a) High-demand faculty retention fund, (b) increased adjustments for promotion from assistant to associate professor and from associate to full professor, (c) post-promotion review adjustments for full professors, (d) compression-equity adjustments for full professors, and (e) critical compensation fund. Together these programs have introduced an additional \$27.3 million to the faculty payroll through 2014-15 (see Table 1). Of this amount, \$18.9 million in GPR was allocated from central administration funds.

Note that the dollars described throughout this report are based on full-time, annualized salaries and thus are greater than actual appropriations. Actual appropriations (approximately \$26.7 million) reflect actual salaries for those with less than full-time status and reflect part-year payments for adjustments made mid-year. The largest contributing programs during this time period in terms of dollars and numbers of people impacted were the high-demand and critical compensation fund programs.

Table 1: Total Portfolio of Tools Adjustments by Rank, 2009-10 through 2014-15

	Full Professor		Associate Professor		Assistant Professor		Total Amount	Average Amt per Year
	Count	Amount	Count	Amount	Count	Amount		
High Demand Promotions	515	5,977,637	283	2,755,708	210	1,580,936	10,314,281	2,062,856
Compression-equity	312	3,122,093	-	-	-	-	3,122,093	624,419
Post-promotion	103	812,111	-	-	-	-	812,111	162,422
Critical Compensation	584	4,689,007	237	1,567,387	183	998,003	7,254,397	3,627,199
Total	1514	\$14,600,848	894	\$7,625,695	766	\$5,068,739	\$27,295,282	

NOTE: A person who receives more than one adjustment is counted in the above table for each adjustment received. As part of the portfolio of tools, promotion amounts were doubled and indexed for inflation beginning in 2009-10. The amounts shown in the table reflect the full promotion amount, rather than the increase only. High demand funds are included from 2009-10 through 2013-14, promotions from 2009-10 through 2014-15, compression equity and post-promotion adjustments include 2010-11 through 2014-15, and critical compensation operated in 2012-13 and 2013-14.

A. High Demand Faculty Retention Fund

A high demand faculty retention fund was established by the Wisconsin legislature in the 2005-07 biennial budget to support supplemental salary increases to UW system faculty who are in high demand by other institutions. Allocations for high demand funds were also contained in the 2007-09 and 2009-11 biennial state budgets. Since 2011, UW-Madison has continued the program with approximately \$2.067 million annually in internally reallocated funds. UW-Madison guidelines state that no more than 15% of faculty members should receive an increase from this fund in a given year. An individual may receive high demand adjustments in multiple years. For additional information, see policy document at: http://www.mbo.wisc.edu/documents/High_Demand_Faculty_Retention_Program_FY14_memo_11_14_13.pdf.

Between 2009-10 and 2013-14, a total of 1,008 high demand faculty salary adjustments were made, with an average adjustment of \$10,232 (Table 2). The minimum adjustment granted in a year was \$1,500; the maximum was \$66,771. No funds have been set aside for high demand salary raises in 2014-15 at this time.

Table 2: High Demand Fund

Year	Full Professors			Associate Professors			Assistant Professors		
	Faculty Count	Average Adjustment	Total Adjustments	Faculty Count	Average Adjustment	Total Adjustments	Faculty Count	Average Adjustment	Total Adjustments
2009-10	102	11,757	1,199,203	74	8,759	648,134	32	7,897	252,703
2010-11	113	10,864	1,227,589	55	11,090	609,933	56	5,886	329,619
2011-12	92	11,529	1,060,695	67	10,107	677,176	39	7,201	280,821
2012-13	99	12,783	1,265,470	37	9,915	366,857	44	8,010	352,445
2013-14	109	11,236	1,224,680	50	9,072	453,608	39	9,368	365,348
Total	515		\$5,977,637	283		\$2,755,708	210		\$1,580,936

Notes: Amounts are reported on a full-time annualized basis. An individual may receive a high demand adjustment in more than one year.

B. Increased Promotion Adjustments

An increase to base salary is made at the time of promotion from assistant to associate or associate to full professor. This fixed amount, based on rank and pay basis, had been updated on an irregular basis as inflation and average faculty salaries increased. By 2009, the promotion adjustment had become low relative to faculty salaries and had not been increased for nine years.

Promotion amounts were doubled in 2009-10 and indexed to inflation (CPI-U) for subsequent years. In 2013-14, assistant professors with a nine-month position received \$6,500 upon promotion to associate professor (\$7,800 for those with 12-month positions); associate professors promoted to professor rank received \$8,600 if paid on a nine-month basis or \$10,300 for those with 12-month positions. For individuals paid on fund 101, central administration provided half of the funding for the promotional increases, beginning in 2009-10. On average, about 124 faculty are promoted each year (Table 3).

Table 3: Increased Promotion Adjustments

Year	from Associate to Full Professor			from Assistant to Associate Professor		
	Faculty Count	Average Adjustment	Total Adjustments	Faculty Count	Average Adjustment	Total Adjustments
2009-10	48	8,400	403,200	57	6,463	368,400
2010-11	61	8,315	507,200	65	6,425	417,600
2011-12	61	8,630	526,400	56	6,380	357,300
2012-13	73	8,889	648,900	61	6,684	407,700
2013-14	62	9,176	568,900	68	6,901	469,300
2014-15	69	9,391	648,000	66	7,114	469,500
Total	374		\$ 3,302,600	373		\$ 2,489,800

NOTES: Promotion amounts were doubled in 2009-10 and indexed to inflation (CPI-U). The table shows the full-time annualized promotion amounts. In 2013-14, assistant professors with a nine-month position received \$6500 upon promotion to associate professor (\$7800 for those with twelve-month positions); associate professors promoted to professor rank received \$8600 if paid on a nine-month basis or \$10,300 for those with twelve-month positions. 2014-15 data includes only promotions in effect at the beginning of the academic year. (On average, about 3 promotions per year are granted mid-year.)

C. Post-Promotion Review Market Adjustments

Post-promotion review market salary adjustments were established beginning in 2010-11 for full professors five years since promotion to professor rank. This salary review occurs in conjunction with the mandatory five-year post-tenure review. Faculty who meet or exceed post-tenure review expectations and are paid significantly less than faculty in the same discipline at peer institutions may receive a post-promotion salary adjustment. Central administration matches departmental GPR funds up to 3.5% of the individual's salary. See policy document at <http://provost.wisc.edu/documents/Pay-Mer-Implem-PostTen-2014.pdf>.

About \$0.8 million was distributed to 103 faculty since 2010-11 through this tool (Table 4). About 50 faculty per year have been eligible for review. The maximum post-promotion review adjustment received was \$24,355. This program is currently expected to continue beyond 2014-15.

Year	Full Professors		
	Faculty Count	Average Adjustment	Total Adjustments
2010-11	26	6,761	175,784
2011-12	19	6,616	125,707
2012-13	18	10,617	191,107
2013-14	17	8,668	147,360
2014-15	23	7,485	172,153
Total	103		\$ 812,111

Notes: Amounts are reported on a full-time annualized basis, and are reported for the year in which they became effective. (An adjustment approved in May 2012 to take effect in August 2012 would be shown in 2012-13.)

D. Compression-Equity Review

Compression-equity reviews were established for a five-year period beginning in 2010-11; the program is currently expected to sunset after 2014-15. Full professors 10, 15, and 20 years (and additional 5-year increments) since promotion to professor rank were eligible for compression-equity salary review in conjunction with the mandatory five-year post tenure review. Faculty who met or exceeded post-tenure review expectations and were paid significantly less than faculty within their department at a lower rank (assistant or associate professor or newly-promoted full professor) could receive a compression-equity salary adjustment. Central administration matched departmental GPR funds up to 5%. For additional information, see policy document at <http://provost.wisc.edu/documents/Comp-Eq-Fund2014.pdf>. About \$3.1 million was distributed to 312 faculty since 2010-11 through this tool (Table 5).

Year	Full Professors		
	Faculty Count	Average Adjustment	Total Adjustments
2010-11	46	7,609	350,011
2011-12	65	9,204	598,285
2012-13	66	11,436	754,747
2013-14	57	10,762	613,409
2014-15	78	10,329	805,641
Total	312		\$ 3,122,093

Notes: Amounts are reported on a full-time annualized basis, and are reported for the year in which they became effective. (An adjustment approved in May 2012 to take effect in August 2012 would be shown in 2012-13.)

During the five years of the program, on average 165 faculty were eligible for review each year. The maximum compression-equity adjustment made during the period was \$36,648.

E. Critical Compensation Fund

Although not part of the original portfolio of tools, the critical compensation fund (CCF) was made available to faculty, classified staff, limited and academic staff in 2012-13 and 2013-14. This policy provided targeted pay increases to address equity, retention, market influences, and, for classified employees, exceptional performance. Up to 30% of staff in an employment category could receive a CCF adjustment. In 2012-13, a target of 2% of the annual payroll was established for the exercise; the target was 1% of payroll in 2013-14. For additional information, see policy documents at [http://www.ohr.wisc.edu/CCF Guidelines Nov 12 2013 final.pdf](http://www.ohr.wisc.edu/CCF_Guidelines_Nov_12_2013_final.pdf) and <http://www.mbo.wisc.edu/faqCriticalCompFund.htm>.

Year	Full Professors			Associate Professors			Assistant Professors		
	Faculty Count	Average Adjustment	Total Adjustments	Faculty Count	Average Adjustment	Total Adjustments	Faculty Count	Average Adjustment	Total Adjustments
2012-13	289	9,115	2,634,353	114	6,790	774,005	83	6,476	537,469
2013-14	295	6,965	2,054,654	123	6,450	793,382	100	4,605	460,534
Total	584		\$4,689,007	237		\$1,567,387	183		\$ 998,003

Notes: Amounts are reported on a full-time annualized basis. Of those who received an adjustment, 38 full professors, 26 associate professors, and 14 assistant professors received a CCF adjustment in both years.

About 23% of faculty in 2012-13 and 24% in 2013-14 received CCF increases (Table 6). Sixteen percent of those who received a CCF increase in 2012-13 also received a CCF increase in 2013-14. About 42% of faculty in 2013 received a CCF adjustment in either year (Table 7). The maximum CCF adjustment amount received in one year was \$33,750. No funds have been set aside for critical compensation salary adjustments in 2014-15 at this time.

Year	Full Professors			Associate Professors			Assistant Professors			All Ranks	
	Faculty Count	Received CCF in Year	% Received CCF	Faculty Count	Received CCF in Year	% Received CCF	Faculty Count	Received CCF in Year	% Received CCF	Faculty Count	Received CCF
Oct 2012	1248	530	42.5%	412	204	49.5%	477	184	38.6%	2137	43.0%
Oct 2013	1268	555	43.8%	411	212	51.6%	475	144	30.3%	2154	42.3%

Notes: Excludes \$0 positions, faculty with 100% administrative appointments such as dean or chancellor. Faculty in October 2012 includes 105 faculty who held paid positions in October 2012 but resigned or retired before October 2013. Of those 105 faculty, 15 received CCF adjustments. October 2013 faculty counts include 122 faculty hired after October 2012 and prior to October 2013. Of those 122 faculty, 8 received CCF adjustments.

II. Impact of Faculty Pay Programs on UW-Madison Salaries

As noted above, together these programs contributed an additional \$27.3 million to the faculty payroll through 2014-15. The largest contributing programs during this time period in terms of dollars and people impacted were the high-demand and critical compensation fund programs. However, neither of these programs is currently scheduled to receive funds in 2014-15. In addition, the compression-equity program is currently scheduled to end after 2014-15.

Since 2009-10, 1663 faculty received one or more adjustments through one of these pay tools. A total of 3174 adjustments were provided. About half (48%) of those who received an adjustment benefited from only one program; 15% benefited from at least three of the pay tools.

Because the salary gap was largest for full professors, two of the salary tools – post-promotion review and compression-equity review adjustments – were targeted to those at full professor rank. Over the five year period of 2010-11 through 2014-15, all full professors with at least five years at that rank were eligible for review under either the compression-equity or post-promotion programs. High demand and critical compensation funds were available to faculty at any rank.

Between October 2009 and July 2014, 2553 individuals held a paid faculty appointment for at least one year (1654 faculty were on the payroll for the entire five-year period). Approximately 65% of all faculty members during this time period benefited from one the available pay tools.² Based on their rank at the end of the time period, about 71% of full professors, 80% of associate professors and 39% of assistant professors received one or more adjustments. These adjustments include promotions to the next rank – if we analyzed faculty by rank held at the beginning of the period, about 63% of professors, 80% of associate and 60% of assistant professors received one or more adjustments.

Table 8: Faculty who Received a Pay Tool Adjustment as a Percentage of All Faculty

Rank at End of Period	Number of Pay Tool Adjustments				Total Faculty	Number with any Adjustment	Percent with Any Adjustment
	None	One	Two	Three or More			
Professor	450	519	432	127	1528	1078	71%
Associate	93	117	135	109	454	361	80%
Assistant	347	162	46	16	571	224	39%
Total	890	798	613	252	2553	1663	65%

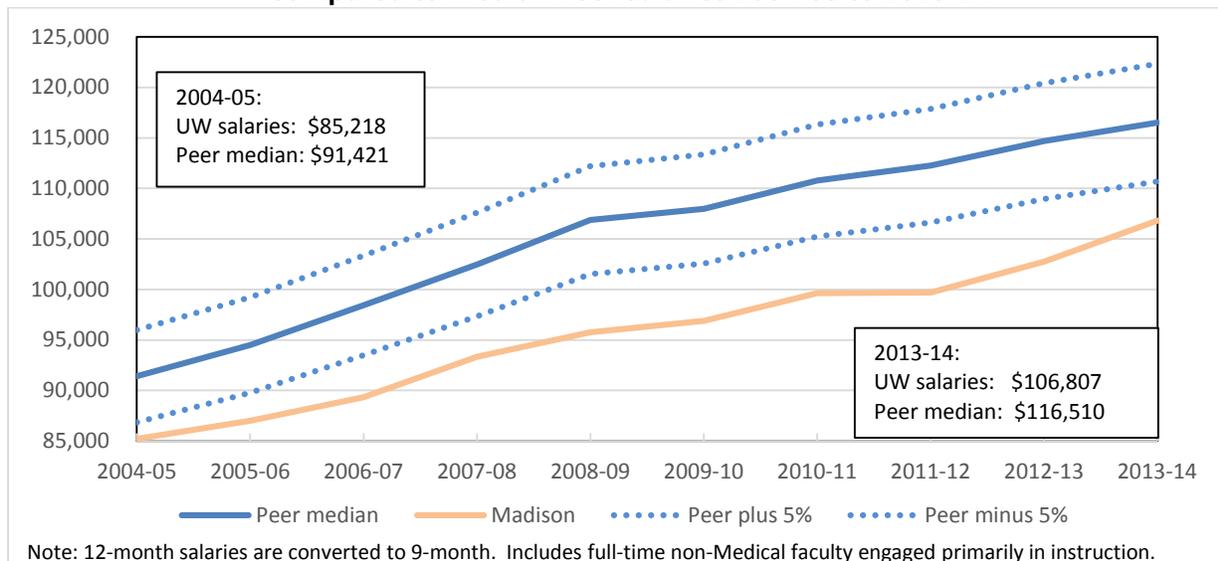
NOTES: All faculty is defined as anyone with a paid faculty position on any October payroll during the years 2009 - 2013. Includes 458 faculty who left between October 2009 and June 2014 and includes 446 faculty who were hired since October 2009. Faculty are shown in the rank they attained by the end of the period. However, pay tool adjustments may have been granted while at an earlier rank.

² Faculty who were hired during the five-year period were less likely to receive an increase. Hired with market salaries, they would be less likely to be eligible for High Demand or CCF. As recent hires, they would not meet the 5+ years in rank required for post-promotion or compression-equity review, and most likely are not yet eligible for promotion.

III. UW-Madison Salaries Compared to Peers

Graph 3 reflects the actual faculty compensation increases from 2004-05 through 2013-14 for faculty at UW-Madison and peer institutions in comparison with our peers. The actual compensation increases reflects the pay tools addressed in this memo, as well as other pay change reasons including adjustments to address equity, to address market, for change in duties, and for the state pay plan.³ In addition, average salaries are influenced by salaries of newly hired faculty and those who retire or resign. The 2008-09 plan included the expectation of annual pay plan increases of 2.5% per year throughout the period. However, no pay plan was allocated at UW-Madison for the four years 2009-10 through 2012-13. A one percent pay plan in each year was approved for 2013-14 and 2014-15.

**Graph 3: UW Madison Faculty Salaries (All Ranks Combined)
Compared to Median Peer Salaries 2004-05 to 2013-14**



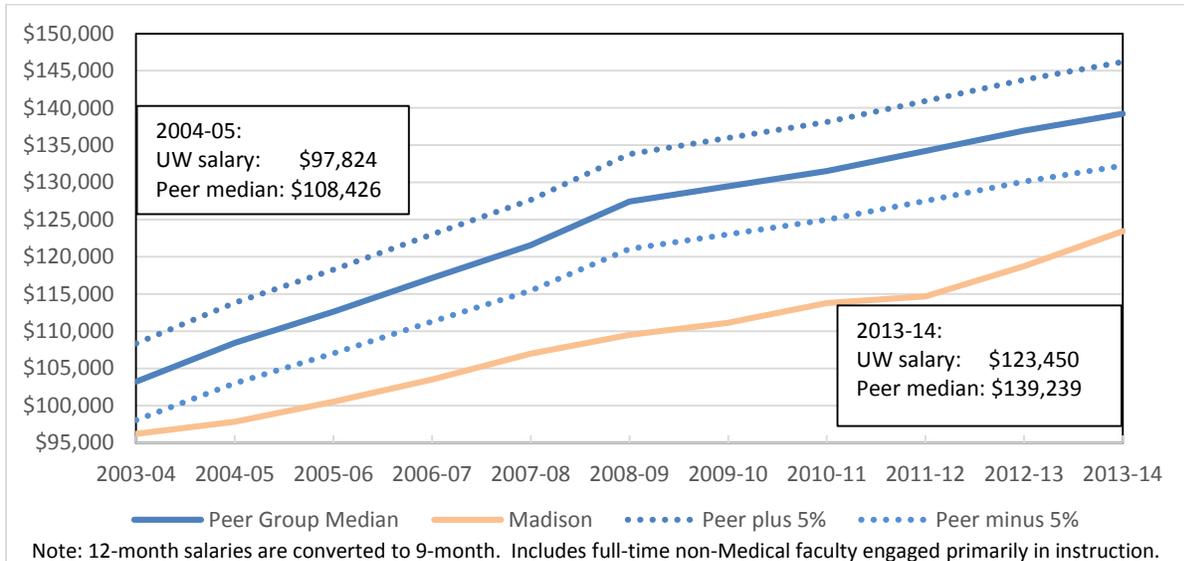
As shown in graph 3, with no annual pay plan in the state budget for the years 2009-10 through 2012-13, the new tools were insufficient to close the pay gap. We have not reached the target zone of within 5% of the peer median payroll. (For example, compare Graph 3 to the models in Graph 1 and Graph 2.) In 2013-14, UW-Madison average salaries were 9.1% behind the peer median overall.

The gap in salaries differs by faculty rank. The largest gap in salaries between UW-Madison and its peers remains at the full professor rank. Since full professors comprise almost 60% of UW-Madison faculty, this results in a large overall salary gap. When compared to peer institutions, the average UW-Madison full professor salary in 2013-14 was \$15,789, or 12.8%, below the peer median (Graph 4). In the past ten years, the size of the gap in salaries for professors has varied between 11% and 17%. Although UW-Madison has increased its average full professor salary by roughly 26% over the past ten years, peer institutions have increased their salaries by 28%, resulting in an increasing gap in faculty salaries. Because the difference was largest for full professors, two salary tools – compression-equity and post-promotion adjustments – were available only for faculty at that rank. In the absence of the allocations

³ During this period, faculty have received \$4.7 million in pay plan, \$2.4 million in individual equity increases, and nearly \$6 million in market factor increases, for a total of \$13.1 million in increases outside of the new pay tools.

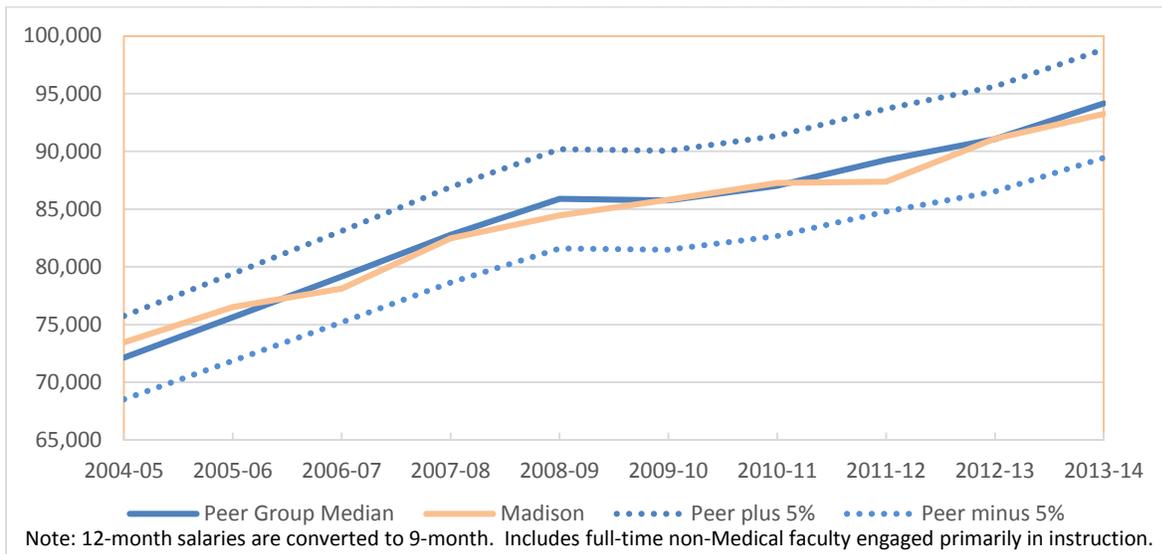
provided through these two tools, it is estimated that the gap in full professor salaries between UW-Madison and its peers for full professor salaries would have been 14.7% in 2013-14.

Graph 4: UW Madison Full Professor Salaries Compared to Median Peer Full Professor Salaries 2004-05 to 2013-14

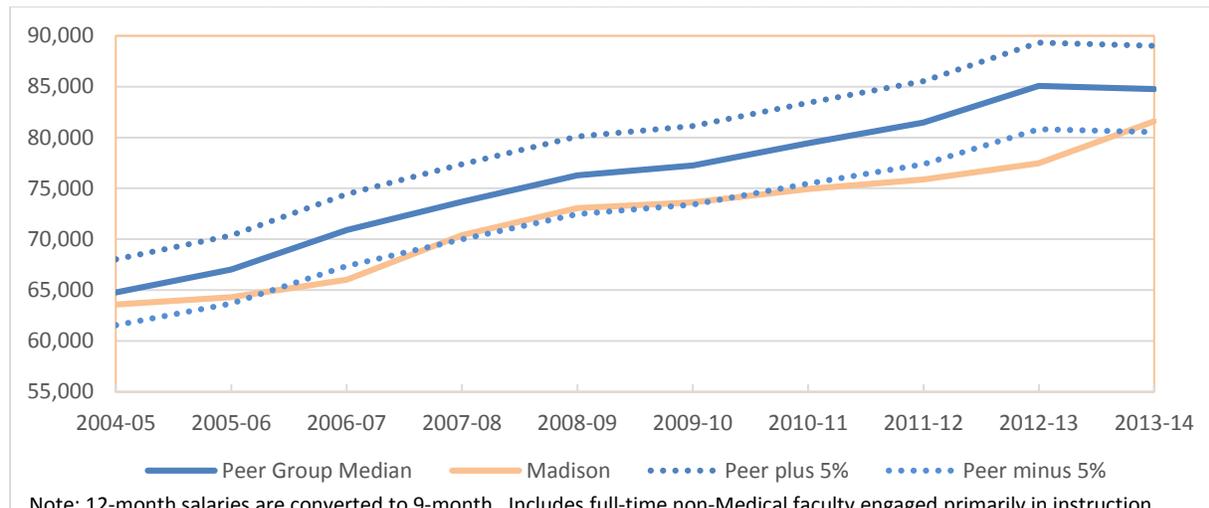


Both associate professor salaries and assistant professor salaries are currently within the target zone of 5% of the peer median: associate professors are 1.0% behind the median peer salary, and assistant professor salaries are behind 3.9% in 2013-14. UW-Madison associate professor salaries have stayed within 2% of the comparable peer median since 2004-05 (Graph 5). Assistant professor salaries at UW-Madison have hovered approximately 5% behind the peer median, ranging from 2% in 2004-05 to 10% in 2012-13 behind the official peers in the past ten years (Graph 6).

Graph 5: UW Madison Associate Professor Salaries Compared to Median Peer Associate Professor Salaries 2004-05 to 2013-14



Graph 6: UW Madison Assistant Professor Salaries Compared to Median Peer Assistant Professor Salaries 2004-05 to 2013-14



Note that the most recent peer comparison data is based on October 2013 salaries. In 2013-14, all five pay tools were available to increase faculty salaries. However, none of the \$3.3 million in CCF and less than half of the \$2.0 million of high demand raises were in effect by the October 2013 census date. Although 2014 peer comparison data won't be available until March 2015, it is likely that 2014 data will show that we made additional progress in reducing the salary gap.

IV. Impact on Salary Compression

Compression occurs when there is only a small difference in pay between employees regardless of their experience or productivity. To successfully recruit new faculty members, competitive salaries must be offered – sometimes above the salaries of long-time faculty members, causing compression. The compression-equity tool was designed to reduce the amount of compression observed, given funding constraints. In addition, acknowledging the issue of compression and providing a mechanism for addressing it would let faculty members know that university leaders are listening to their concerns. The tool was designed to operate for five years. Each year a cohort of full professors with 10, 15, 20, and additional increments of 5 years were reviewed – after 5 years all professors with at least ten years in rank would have been reviewed for compression.

For the compression-equity tool, compression was defined as: a faculty member in the same department at a lower rank (associate or assistant or newly-promoted full professor) who was paid more than a full professor in the department, after adjusting for the full professor's years of experience.⁴

⁴The compression-equity exercise used the following method to determine whether an adjustment was justified. John Doe is a professor of Jurassic Studies who was promoted to full professor 10 years ago and is currently paid \$80,000 annually. He meets department expectations for post-tenure review. In his department, a recently-hired assistant professor makes \$76,000. The assistant professor's salary becomes the compression baseline. To calculate the adjusted compression baseline, \$76,000 is adjusted by 1% for each year that Professor Doe held the professor rank, up to 20 years in rank. Thus the baseline is multiplied by 1.11 (1% per year for ten years) and the adjusted compression baseline salary is \$84,360. Since this amount exceeds Professor Doe's salary by more than 5%, he is eligible for a compression-equity adjustment.

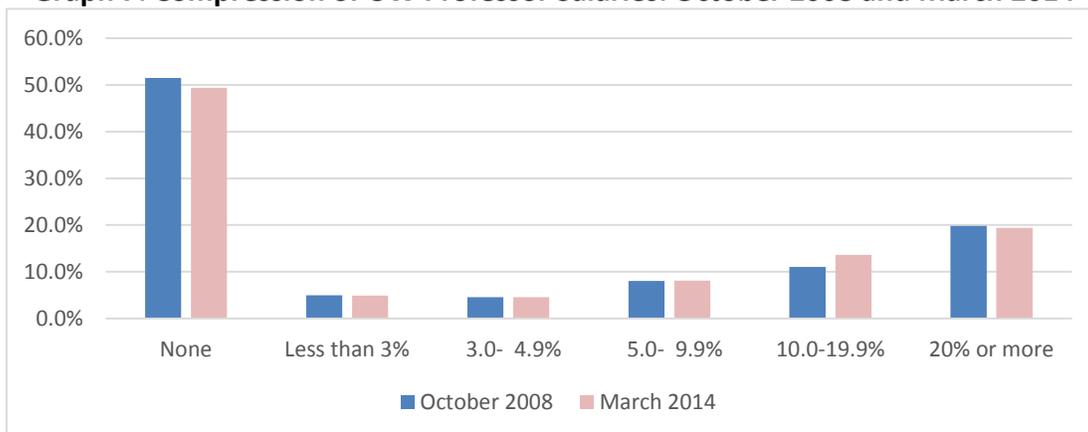
Using the formula applied for the compression-equity pay tool, Table 9 shows the number of full professors whose salaries were compressed relative to junior faculty in their department at two time periods: October 2008 (before the new tool was introduced) and March 2014 (including adjustments approved for 2014-15, after which the tool was due to sunset). In 2008, of 959 professors with at least five years in rank, just over half (51.5%) showed no signs of salary compression. About 39% were paid at least 5% less than the adjusted compression baseline salary of a junior faculty member in their department. Nearly one-third were paid at least 10% less than the adjusted compression baseline salary; for 20%, their salary was at least 20% behind. In 2014, the amount of salary compression observed is similar to that measured in 2008. About 50% of professors showed no evidence of salary compression. A compression salary gap of at least 5% was measured for 41% of professors in 2014; one-third of faculty were paid at least 10% less than the adjusted compression baseline for their department.

Table 9: Number of Professors with Compressed Salaries in 2008 and 2014

Amount of Compression	October 2008		March 2014	
	Count	Percent	Count	Percent
None	494	51.5%	445	49.4%
Less than 3%	48	5.0%	44	4.9%
3.0- 4.9%	44	4.6%	41	4.6%
5.0- 9.9%	77	8.0%	73	8.1%
10.0-19.9%	106	11.1%	123	13.7%
20% or more	190	19.8%	175	19.4%
Total	959		901	

NOTES: Includes faculty who were full professors for at least five years. Compression is calculated by comparing professor salary to salary of highest-paid junior faculty in the same department at UW, according to compression-equity review guidelines. March 2014 salaries includes compression-equity amounts provided in 2014-15.

Graph 7: Compression of UW Professor Salaries: October 2008 and March 2014



About 30% of the professors with at least 5 years in rank in October 2008 received a compression-equity adjustment during the five years the tool was available. In addition, 37 professors (4%) left before they

were in rank at least ten years and thus were ineligible for compression-equity review. Of those who received an adjustment, roughly one-third (104 faculty) did not show a compression gap in October 2008, according to the formula used for the exercise. However, departments were allowed to propose an alternative methodology, subject to dean and vice provost approval. In addition, a gap may have developed between October 2008 and when the individual was reviewed for compression. (For example, a highly-paid assistant professor may have been hired after 2008 and prior to the review.)

About 120 faculty with a compression gap of 5% or more in October 2008 did not receive a compression-equity adjustment. In some cases, the gap no longer existed at the time of the actual compression review exercise – the highly-paid assistant professor had resigned, or the department used another salary tool, such as high demand or market, to increase the professor’s salary. Departments were discouraged from requesting compression-equity funds for any faculty who had recently received a market, equity or high demand adjustment. In other cases, the salary gap may have been appropriate, given the market sub-discipline of the junior faculty member or her stellar productivity. In a few cases, the faculty member did not meet departmental expectations for post-tenure review.

In the absence of the compression-equity tool, professor salaries at UW-Madison would be subject to additional compression (see Table 10). If the compression-equity adjustments had not been distributed, the proportion of professors with a compression gap exceeding 20% would likely have increased to 31% in March 2014; the number of faculty with no compression gap would have decreased to 42%. (This assumes that other tools would not be substituted to address salary compression and that additional compression would have no impact on faculty retention.)

Table 10: Impact of the Compression-Equity Tool on Full Professor Salaries, March 2014

Amount of Compression	With Compression-Equity Tool		Without Compression-Equity Tool	
	Count	Percent	Count	Percent
None	445	49.4%	379	42.1%
Less than 3%	44	4.9%	32	3.6%
3.0- 4.9%	41	4.6%	28	3.1%
5.0- 9.9%	73	8.1%	63	7.0%
10.0-19.9%	123	13.7%	117	13.0%
20% or more	175	19.4%	282	31.3%
Total	901		901	

NOTES: Includes faculty who were full professors for at least five years in October 2008 and still employed in March 2014. Salaries with compression-equity tool includes compression-equity amounts provided in 2014-15. Salaries without compression-equity tool shows amount of salary compression after excluding all 2009-2015 compression-equity adjustments.

V. Conclusion

With the 2008-09 plan, we set a goal of increasing average UW-Madison salaries to within 5% of the median peer salary. Since the plan was introduced, UW-Madison has used the five salary tools described above, in combination with traditional salary mechanisms, to raise faculty salaries to levels more competitive with our peers. During the period of 2009-10 through 2014-15, about \$27.3 million was invested in faculty salaries through these new tools. Nearly two-thirds of all faculty (1663 individuals) received a pay increase with one or more of these salary tools. However, for UW-Madison faculty overall, and for full professors in particular, we have not met the goal. Without a reliable state pay plan, the pay tools allowed us to prevent the salary gap from getting worse but had only a limited impact on the size of the gap. In 2008-09, UW-Madison full professor salaries were 16.4% below the median professor salary at our peer institutions. Although our current funding and policies have reduced the salary gap, average UW-Madison full professor salaries were still 12.8% below the peer median in 2013-14. It is likely that 2014 data will show that we made additional progress in reducing the salary gap. However, we anticipate that a salary gap will remain.

Reducing the amount of internal salary compression was a secondary goal of the plan. The compression-equity tool, available for full professors with at least ten years in rank, was targeted to long-time faculty whose salaries were compressed compared to junior faculty in the same department. After five years of compression-equity adjustments, the proportion of full professors whose salaries appeared compressed remains about the same. However, if the compression-equity adjustments had not been distributed, compression would have increased. The proportion of professors with compression exceeding 10% would likely have increased substantially from about 31% in 2008 to 44% in 2014; the number of faculty with no salary compression would have decreased from about 52% in 2008 to 42% in 2014.

In order to recruit and retain the best faculty, UW-Madison must provide compensation that is competitive with our peers. The state pay plan alone has not been sufficient to provide competitive salaries. Additional funding and policies, such as those described in this memo, continue to be needed.