

ANNUAL SALARY AND BENEFITS REPORT AND RECOMMENDATIONS, 2009

FACULTY COMPENSATION AND BENEFITS COMMITTEE OF THE UNIVERSITY SENATE

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BACKGROUND

According to the University By-Laws (3335-5-4812), it is the responsibility of the Faculty Compensation and Benefits Committee to “(s)tudy the adequacy and other attributes of the university’s policies and provisions for : (i) salaries, outside professional services and supplemental compensation; and (ii) retirement benefits, hospitalization, medical insurance, and other health benefits, life insurance, other insurance, travel reimbursement, educational benefits, recreational benefits, and other perquisites, benefits, and conditions of faculty employment.” Adequacy, of course, is not an objective criterion. Adequate benefits for a university that does not seek to improve itself may be inadequate for one that is bent on climbing the rankings by improving, among other things, the quality of its faculty. Ohio State falls clearly into this second grouping and the question addressed in last year’s FCBC report was how well faculty salaries and benefits had kept up with the substantial improvements in its academic reputation and standing over the previous decade. Its broad conclusion was that the University had improved markedly on any number of objective measures, but, relatively speaking at least, average salaries across the faculty as a whole and across ranks had remained flat. No real gains had been made on competitor institutions. This year FCBC thought it was time for the committee to look inwards a little more and to diversify its measures to gain a more rounded perspective on the strengths and weaknesses of the University’s overall salary structure. It is hoped that this report will be a first step in furthering the University’s efforts to come up with a variety of ways of benchmarking salaries and drawing finer distinctions with matching entities in other institutions.

Ohio State it has historically measured the adequacy of its faculty salaries by three criteria: (i) average salaries at OSU compared with those of other CIC institutions; (ii) average salaries at OSU compared with those at a select group of “benchmark institutions”; and (iii) average salaries at OSU compared to the salary levels it would take to get the university to the 30th position in the AAU salary rankings. Last year, this report added a section on OSU and competitor institutions’ salaries adjusted for living costs for that year. This comparison has been made possible by the availability of a reliable living costs adjustment index, the Runzheimer Report of Living Costs Standards. New to this report is a third piece of salary information, the average salary increase last year for continuing faculty, i.e., those faculty in the unit in both 2008 and 2009. Matching data for competitor institutions are not available, but an attractive feature of this new measure is presented for individual academic units as well as the university as a whole (see Appendix C).

While we barely refer to them in this report, it remains that The Ohio State University’s achievements, expectations and ambitions are the background against which its salary history must continue to be evaluated. This report begins with its traditional comparison of OSU salary increases with those in peer group, CIC and AAU institutions. It must be emphasized at the outset that the report presents only average increases broken down by rank. Since there is considerable variation across the university within and between ranks, conclusions drawn from the data in this report do not apply uniformly to faculty overall or to faculty in particular ranks. These same data are then presented adjusted for living costs and new to this report is a comparison of total vs. continuing faculty salary increases. While not allowing for comparison with other institutions, these data have the great advantage of being available all the way down to the departmental level. The report then goes to discuss the benefits issues that FCBC dealt with

this year. This is followed by a summary of pending issues, the most important of which is the Provost's recently released memo entitled "High Performance Faculty Reward System Principles." FCBC's basic position is that there is much to be said in favor of the principles laid out in this memo, and especially of its stated commitment to "developing policies guiding faculty reward systems that are clear" (p.1). Nonetheless, it has formulated a response, much of which is an attempt to further clarify the principles presented in the memo, or at least to indicate areas where lack of clarity remains a problem. Given that policies and practices derive from principles, these latter need to be formulated with exceptional clarity and precision. A second theme of the FCBC response is to draw attention to, and promote discussion of, a trend that the memo reinforces, namely, OSU's movement away from the *liberal* (academic) ideal of a university based on the exchange of ideas among equals to a *neo-liberal* (business) model of competition for resources which promotes inequality. The final section of the report contains its traditional recommendation of steps to be taken for the university to reach its faculty salary goals.

SALARIES: COMPARISON INSTITUTIONS

CIC Institutions

There are 12 CIC institutions, and two of them, Chicago and Northwestern, are private universities. There are tables and histograms in Appendix A that present a ten-year salary history for all 12 individual CIC institutions. Data are presented in the form of overall average salaries and averages for assistant, associate and full professors separately. There is some fluctuation in salary rankings, with the period 1999-200 to 2002-2003 being particularly bad for all ranks at OSU. University salaries, and especially those for assistant and full professors, then rebounded in 2003-04. The improvement stopped there, however, with the result that OSU faculty salaries, with all ranks combined, are no better within the CIC in 2008-09 than they were ten years ago. There is some good news, however, when the combined figures are disaggregated. Assistant professor salaries have moved up from 9th to 5th place over this ten-year period, and even went from 6th to 5th place between 2007-2008 and 2008-2009. Average associate professor salaries jumped two places, from 10th to 8th, over this same two-year period.

It must be emphasized that these conclusions are based on mean annual increases and changes in ranking can result from small differences in annual salary increases. Ohio State's ten-year average percentage increase for all ranks combined, for example, is 4.17, which place it 5th overall. The same average figure for Michigan State in 4th place is only slightly higher at 4.36. Equally, though, the average for 6th-placed Illinois is only slightly lower at 4.07. *Given this closeness and the tendency for rankings to change slightly on the basis of small differences in percentage increases, the trend is more reliable than the annual increase figures for evaluating the significance of salary increases. As with last year, it cannot but be concluded that Ohio State's myriad improvements as a university over the last decade do not appear to be reflected in its overall salary ranking within the CIC.*

Benchmark Institutions

A second, long-standing comparison group for OSU salaries is constituted of nine other similarly large and public universities, namely, Arizona, Illinois, Michigan, Minnesota, Penn State, Texas, UCLA, Washington and Wisconsin. This group is smaller than the 12-member CIC and it is arguably a more appropriate comparison group since all are public universities with similar profiles to Ohio State. This salary comparison reveals a similar picture to the CIC analysis and it is basically one of stasis (see Appendix A). Looking at all ranks combined, OSU's 7th-ranked CIC status over 10 years placed it roughly at the mid-point of the salary league table, but its 7th place ranking among benchmark institution in 2008-2009 sets firmly in the lower half of this distribution. Again, assistant and associate professors show a small improvement in their ranking compared to 2007-2008. Full professors show a commensurate decline. As well, unlike in the CIC where the all ranks combined figure has shown no change in ranking over the last 10 years, this same figure represents a drop of one place over the same period in the smaller number of peer institutions.

AAU Institutions

The final comparison group is the Association of American Universities (AAU), which describes itself as "an association of the 62 leading research universities in the United States." This group provides a target for which OSU aims rather than a group of institutions with which direct salary comparisons can fruitfully be made. For some time now, Ohio State has been committed to the goal of reaching the salary rank of 30th among AAU institutions. Again, data presenting an historical perspective on OSU's performance relative to this goal are presented in Appendix A. This year's FCBC report, however, departs from past practice. The norm to this point has been to treat the AAU institutions as an undifferentiated group, but this year we will complement this overall comparison with one comparing Ohio State only with AAU public institutions to allow for the possibility of upward movement within this more homogeneous group..

Taking all AAU institutions first, a slightly more optimistic picture of improved salaries emerges. Looking at all ranks combined, OSU ranks 37th out of 60 this year, up from 38th in 2007-2008 and 39th in 2006-2007. This trend is particularly encouraging insofar as we have moved steadily upwards from our low point of 46th in 2001-03 to 37th in 2008-09. But this improvement notwithstanding, we are still below our 32nd ranking in 1996-97 and only back to about where we were (38th) in 1994-95. As for public institutions alone, OSU ranks 16th in 2008-2009, which is the same ranking as the previous year and about where the University has been for the last half dozen years.

The overall impression to emerge is that OSU has held its ground relative to AAU institutions. *It has not, however, made sustained gains against many of the universities we have to overtake,*

and are overtaking in terms of quality and reputation, if we are eventually to place 30th in the AAU salary rankings.¹

SALARIES: ADJUSTED FOR LIVING COSTS

The committee recognizes that a possible weakness of the CIC, benchmark and AAU comparisons is their assumption that a dollar in Chicago or Los Angeles has the same buying power as one in Columbus or Urbana-Champaign. A different perspective on salary differentials might emerge, in other words, if the relatively low cost of living in Central Ohio were taken into account. Being sensitive to this argument, we asked the Office of Human Resources to replicate these comparisons while taking into account differences in living costs between the areas in which the CIC and benchmark institutions are located. The adjusted information for all three comparison groups is presented in Appendix B.

Taking the benchmark institutions first, adjusting dollar salary figures for cost of living does indeed paint a different picture of the relative value of OSU salaries. They improve from being the 7th-highest in this group of ten institutions to being 4th-highest. UCLA salaries, in contrast, drop from first to last place, while Minnesota's stay stable in 6th place. Adjustment has a similar effect among AAU institution, propelling OSU from 37th to 23rd place in the salary rankings. It is a different story with the CIC, however. Adjustment drops Ohio State from 7th to 8th place in the table.

¹ The place of reputational ranking, as reflected in the *USNWR*'s 2009 list of the top 25 public universities, in our deliberations was also a topic of discussion for the committee. A CIC comparison is difficult, however, because Chicago and Northwestern are private institutions and, surprisingly, Indiana, Michigan State and Minnesota do not make this top 25 list despite having a better salary record than OSU over the last decade. Moreover, only three of the remaining CIC institutions, Michigan, Illinois and Penn State do better over this period than Ohio State in terms of both 2009 reputational ranking and mean salary increases over the decade. Three others, Iowa, Purdue and Wisconsin do worse in terms of average salary increases, but only Wisconsin has a better reputational ranking. A similar picture emerges with the benchmarks. In particular, Arizona and Minnesota have a better salary record than OSU over the last decade, but do not make the *USNWR* list.

On balance, then, there is little reason to argue for a disjuncture between Ohio State's salary and reputational ranking relative to its competitors. Moreover, this conclusion is not included in the main body of the report for two reasons. First, because it uses indicators like the number of books in the library, student entry scores, and physical plant, it is not clear what the *USNWR* reputational ranking tells us about the quality of faculty in public universities. Second, granting that faculty quality does shape reputation to some degree, reputation, whether moving up or down, is itself inertial and slow to change so that OSU's continuing academic improvement is unlikely to be fully reflected in an improved reputation for some time.

Overall, then, to look at salaries in terms of real purchasing power brings good news to Ohio State faculty. Nonetheless, a balanced perspective on the university's salary structure must also take other considerations into account. One, it is not possible to take change over time into account because we do not have matching living costs data extending back over a significant period. This means that we do not know whether OSU's comparative advantage in living costs has increased or decreased over the period of the university's improvement. Franklin County's rapid economic growth over this period, for example, might suggest that they have gone up rather than stayed the same or gone down. Two, if living costs are to be taken into account in assessing the true value of salaries, so too should quality of life. Some areas are more expensive to live in than others because they are commonly thought to be better places to live. How many OSU faculty members, for example, would relocate to West Lafayette, Indiana simply because, among all AAU institutions, adjusting for living costs leads to the single biggest improvement in salaries at Purdue University?

In sum, adjusting for living costs improves Ohio State's salary standing among benchmark and AAU institution, but it depresses it slightly relative to those in the CIC.

SALARIES: TOTAL FACULTY VS. CONTINUING FACULTY INCREASES

This section is new to the FCBC annual report and its provenance is the observation that annual salary data can be a little misleading because they include information on new as well as on continuing faculty, whereas the notion of year-on-year salary increases should apply, strictly speaking, to faculty on the payroll in the two years over which salary change is calculated. The committee decided, therefore, to report the average salary increases of continuing faculty as well as the more traditional figure for the full faculty population. An added advantage of presenting these salary increase data is, being unique to OSU, they can be disaggregated to the level of campus (Columbus vs. each regional campus), college, department and professorial rank for both all and continuing faculty. This satisfies the long-existing demand for more information on groups within the university with which individual faculty might wish to compare themselves. The full set of comparisons are presented in Appendix C.

The first comparisons given for the two groups are for the whole university (Columbus campus only) and this figure is broken down by rank for this same population. In the aggregate, continuing faculty can be seen to do better than the full faculty population and that they continue to enjoy an advantage when the university-wide comparison is broken down by rank. When these figures are broken by college, department and professorial rank, the picture to emerge is one of great variation. Continuing faculty do better in the Colleges of the Arts and Biological Sciences, for example, but do worse in a number of other colleges, including Nursing and Pharmacy. The same variation characterizes the pattern of salary increases between departments within colleges and between professorial ranks within department. The one consistent finding worthy of note in light of the concern expressed last year's FCBC report over regional campus salaries is that continuing faculty do better than the faculty population on all four campuses. Moreover, the difference persists, again on all four campuses, when full, associate and assistant professor salaries are compared.

BENEFITS

It is almost impossible to compare benefits packages across universities, but FCBC feels that Ohio State's package is both attractive and competitive. Moreover, recent evidence attests that this view is widely shared by OSU's faculty and staff (OSU Today, 7/13/2009). In recent years, for example, spiraling health care costs have been successfully reined in and insurance premiums costs were not raised this year. As well, tuition concessions to the children of parents who are both OSU employees have been improved.

This year, progress was made on two benefits issues, each of which has the dual advantage of being of potentially great value to faculty and staff and of little cost to the University. The first was a carryover from last year and it concerned making phased retirement options better known and more easily accessible for faculty. It had been decided last year that a new phased retirement scheme would not be introduced by the University. Instead, FCBC asked the Office of Human Resources to collate into a single brochure the scattered phased retirement options already on the books with a view to distributing this brochure to all faculty for their information. HR did this, but distribution of the document has been held back since the University decided to reconsider whether it wants to introduce a new, integrated phased retirement scheme that might prove more attractive to interested and eligible faculty. There will be more on this in next year's report.

The second important benefits issue was brought to our attention by OSURA (Ohio State University Retirees Association) and it concerns the fee structure for the various 403B retirement plans available to faculty and staff on the University campus. To put it simply, there is variation in the options that each retirement vendor offers and in the fees that they charge. Moreover, the fee structures of the plans are not always transparent and easily accessible breakdowns of them are difficult, if not impossible, to obtain. Nor are the differences in the fees structures trivial. Over a 35-year period, total fees paid by the client can differ from plan to plan by tens and tens of thousands of dollars (www.403bwise.com). Working with OSURA, FCBC asked the Office of Human Resources to create a website that specifies clearly and simply the investment options offered under the OSU 403(b) plan as well as a comprehensive breakdown of each vendor's associated fee structure. It is hoped that the comprehensive breakdown will be available online early this Fall and that the online educational tools will be available by early 2010.

FCBC discussed if there were other resources that would be of little cost to the University and of potentially substantial value to faculty members. The committee's attention was then drawn to the substantial list of ongoing discount programs for OSU faculty and staff with vendors like, Barnes & Noble, Ricart Automotive, and Verizon Wireless – to name but a few. The website is <https://hr.osu.edu/special/discounts>. Information on short-term discount offers for specific concerts, exhibitions, and the like can also be found in Human Resource's quarterly publication, *Resources*.

Finally, FCBC was consulted about how Human Resources could best go about the task of periodically purging university records of ineligible benefits recipients. Currently an honors system prevails and there is evidence of a number of ineligible people receiving benefits at a non-trivial cost to the University. Human Resources will report back to FCBC when it has devised a procedure for keeping the records up-to-date.

All faculty members are invited and encouraged to submit both salary and benefits issues of concern to them to the committee chair at mughan.1@osu.edu before the beginning of the 2009-10 academic year.

PENDING

Provost's Memo on Faculty Reward System Principles

Provost Alutto released a very important document in Spring entitled "Principles for Faculty Reward Systems in a High Performance Academic Culture." This document has profound implications for, among other things, the criteria by which faculty compensation is determined over an academic career. FCBC felt compelled to respond to this document and its recommendations and thereby perhaps encourage a wider discussion of it among faculty and between faculty and administration. Our response, together with the provost's original proposal, is included with this report as Appendix D.

Phased Retirement

The committee will also keep the phased retirement discussion on its agenda for next year and it will continue to look for improved ways of benchmarking salaries. In particular, it will explore the possibilities for comparison at lower levels of aggregation.

Regional Campus Salaries

Another remaining agenda item at this point concerns the salaries of faculty at the regional campuses of The Ohio State University. These faculty members are tenured in the university and are expected to meet their units' expectations for quality research, while faculty members at the regional campuses of other universities in the state have lower research expectations. But a 2007 FCBC sub-committee review of regional campus salaries showed that no OSU regional campus has the highest average salary, at any rank, among the state's 23 regional campuses for all Ohio universities combined. OSU ranked as low as ninth for full professors and as low as tenth for associate and assistant professors.

The subcommittee recommended that regional campus salaries at The Ohio State University be raised so that they are the highest at all ranks among the state's regional campuses. The full committee will debate this report next academic year.

RECOMMENDATIONS

The repeatedly confirmed salary goal of the university is to achieve 30th position in the AAU salary rankings. FCBC enthusiastically applauds the University's determination to reach this goal, as reflected in the Provost's announcement of an average 2.5% salary increase despite the extremely difficult economic circumstances in which the University finds itself in 2009-2010.

It is unclear what effect this 2.5% increase will have on our relative standing. Its impact will depend on whether or not our competitor institutions also award salary increases this academic year. Given the likelihood that some will and some won't, it is particularly difficult to make a set of recommendations that have traditionally been built on the assumption that all our competitors will award some kind of salary increase. This said, the committee decided to continue with this assumption. The worst-case scenario is that the 2.5% increase this year does little to affect our OSU's relative salary standing. The best-case scenario is that OSU alone increases salaries, closing the gap between us and better-paid competitors. Should this latter scenario prevail, the recommendations that follow can be scaled back appropriately in next year's FCBC report.

Last year's FCBC report recommended a seven-year strategy designed to move OSU up to 30th place in the AAU rankings, a strategy that comprised specific short-term and long-term targets. The committee determined that this strategy remains a reasonable and viable one and so has decided to update and reiterate it this year.

We therefore again propose a two-tiered strategy over seven years:

- First, we recommend an initiative to achieve annual increases that produce by 2010-11 an overall average salary that is no more than 0.5% below those of our benchmarks (OSU's 2004-05 levels). Assuming a continued average increase of 4.16% for the benchmarks, we would anticipate the need for two annual increases adding up to 9.6% (approximately 4.8% per year) to get OSU back to its 2004-05 position. Virtually any combination of increases adding up to 9.6% will meet this target. Given that the 09-10 raise has been set at 2.5%, the increase the following year would need to be approximately 7.2% to meet the goal in two years.
- Second, since AAU average increases have been below those of our benchmarks over the last three years (an AAU average of 3.85% compared to a benchmark one of 4.16%), the university's longer-term compensation target of 30th in the AAU is less daunting. FCBC estimates the need to fund salary raises of 4.1% per year to reach this position by 2015. Average raises of 4.75% per year would get us to 30th by 2011-12.

FCBC recognizes that the University is keenly aware of its failure to improve its salary ranking in recent years among benchmark and CIC institutions in particular. It also acknowledges that the University is making great efforts in economic hard times to rectify a disadvantage that could well end up threatening its ability, in President Gee's words, "to retain, attract, and reward world-class teachers and researchers in all academic areas of the university."

As it did last year, the committee calls for a holistic approach to salary matters and recommends that the administration read this report in conjunction with last year's Final Report of the Budget System Advisory Committee. We applaud this thoughtful and thorough document and fully align FCBC's short-term goals and long-term aspirations with the letter and spirit of its recommendations. In particular, its Section IV draws attention to the unlikelihood of being able to realize the objectives of the Academic Plan, including those concerning faculty excellence

and salary, without improved alignment of academic and budgetary policies and/or without generating additional resources.

This is surely the greatest challenge facing this second Gee administration. *No amount of exhortation or wishful thinking will sustain the university's continued improvement as long as OSU salaries remain stagnant in relative terms and uncompetitive in absolute terms with those of the universities we aspire to displace as we move up the rankings.*