

THE UNIVERSITY OF MICHIGAN-DEARBORN

Committee on the Economic Status of the Faculty

ANNUAL REPORT TO THE REGENTS

Approved by the UM-Dearborn Faculty Senate

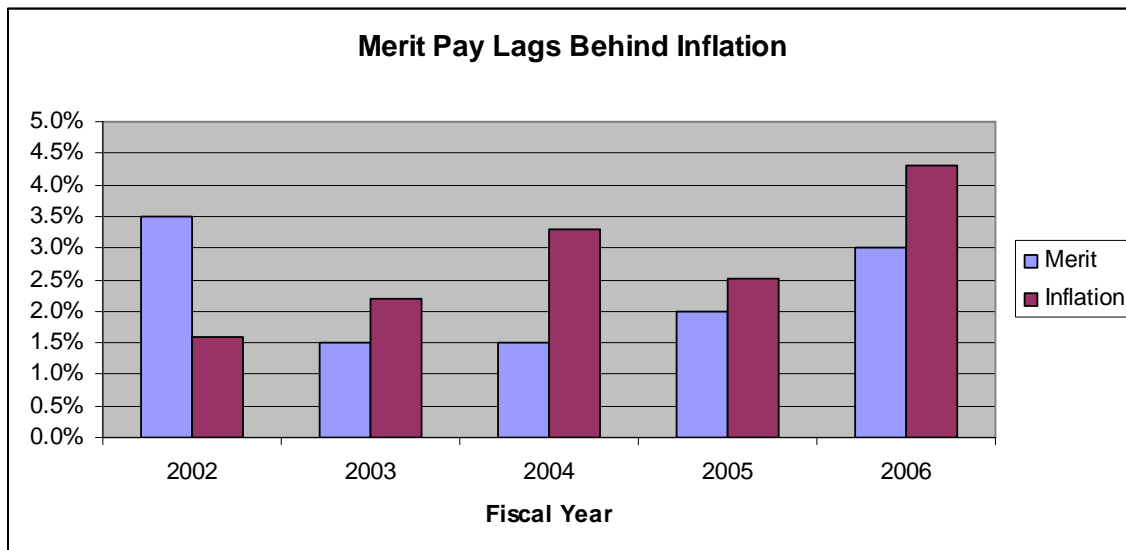
9 April 2007

Janet Elkins, Library
Marlene E. Gordon, CASL
Ghassan Kridli, Engineering
Paul Lin, CASL
William Linn, CASL
Lee Redding, Management
Les Thornton, Education

THE IMPORTANCE OF THE MERIT PAY SYSTEM AT UM-D

State cutbacks to university education in recent years have resulted in tight budgets at the University of Michigan – Dearborn and the other 14 state universities. From Fiscal Year 2001 through Fiscal Year 2006, the state allocation to the University of Michigan – Dearborn has declined from \$28.4 million to \$24.9 million¹. Given a 15.3% increase in the consumer price index, this is a drop in real terms of 23% in only five years. What was once the primary means of support to the University of Michigan – Dearborn has therefore been slashed. Administrators have faced difficult decisions in dealing with this externally generated problem. Necessarily, the cost has been borne by almost every part of the campus. Students have faced tuition increases several percentage points above the inflation rate. Class sizes have increased, representing a cost both to faculty and students. Faculty has experienced merit pay below inflation and below comparable institutions. Faculty has also experienced a reduction both in the rate of pay for summer teaching and in the number of summer teaching opportunities.

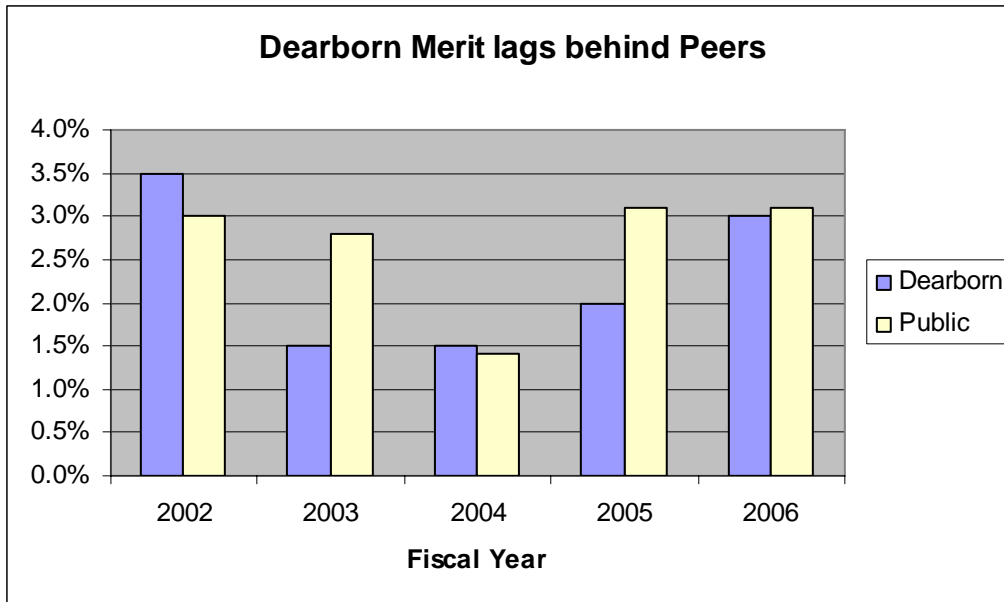
The following table, taken from the 2006 UM-D financial report, compares the merit pay program at UM-D with the inflation rate as measured by the consumer price index:



CUPA data for all public institutions also shows that merit pay at Dearborn has also lagged behind other institutions. The following chart compares the merit program at UM-D with the median average increase in pay reported by public universities reporting data to CUPA²:

¹ Source: 2006 Financial Report of the University of Michigan - Dearborn

² Note that this is the entire CUPA data set and not the peer institution list often used to compare the levels of UM-D salaries to similar Midwestern institutions. Since the reporting institutions vary from year to year, reporting the percentage change for a specific peer group is problematic.



The Committee realizes that the administration has faced a series of difficult budget years. We appreciate both that the cause of the budget problems comes from outside the University and the dedication that the administration has shown in an effort to meet the budgetary restrictions and we appreciate their real concern for the cost to the students, staff, and faculty at Dearborn. Indeed, faced with a short-term reduction in state allocation, below-inflation increases in salaries are a sensible management strategy to get the university through one or two difficult years.

Unfortunately, it now appears that the state budget difficulties are not temporary. A combination of tax cuts and a poor economy have produced a drop in state revenues that does not appear likely to reverse for several years. A reversal of the 23% cut in state funding mentioned earlier appears very unlikely. The university must therefore embark on the course of which principles to adhere to in continuing difficult times.

The Committee on the Economic Status of the Faculty urges the administration to commit to a strong merit pay system. Specifically

The Committee on the Economic Status of the Faculty urges the administration to commit to the principle that beginning in 2008; each year's merit program will be at least 3.5%.

Recent years of low merit pay systems have weakened the role of merit pay in encouraging the faculty effort necessary to build on the University of Michigan – Dearborn's mission of academic excellence with metropolitan focus.

- At least one unit has reacted to the low merit pay systems by effectively suspending a merit pay system and giving across-the-board small increases.

- The relatively small pools have meant that achievements such as journal publications and teaching excellence have not received rewards commensurate with the effort required.
- Low merit pay increases offset by periodic equity adjustments lead to pay that does not have a transparent relationship to meritorious service.

The Committee urges the commitment to at least 3.5% as a means to ensure that a modest pool will be available each year to reward faculty achievement. 3.5% is a modest level both compared to historic increases in prices and historic increases in salaries in the United States. Indeed, the fact that 3.5% will seem to some like a large amount to commit to is demonstration of the state of the current merit program.

An administration commitment to fund a 3.5% minimum requires a responsive commitment from individual units to use these funds in a transparent way to encourage faculty to achieve University goals. Faculty and deans in each unit should ensure that their units have an appropriate merit pay system. Faculty with concerns about their system should resolve these concerns with the governing faculty, executive committee, and administration within their units. The Faculty Senate, while not responsible for advising on affairs within an individual unit, should stand ready in a facilitator's role if requested by the central administration or faculty.

Again, the Committee on the Economic Status of the Faculty realizes that recent cuts in the real pay of faculty have been occasioned by external pressures. We appreciate the dedication of the administration to make difficult choices in challenging times. The Committee further realizes that (particularly in difficult budget times) a recommendation to commit more funds to one cause is implicitly a recommendation to incur an opportunity cost elsewhere. The Committee believes, however, that a 3.5% minimum as concerns the merit program for faculty base pay is crucial. Since an increase in state funding may not be forthcoming and other sources of funds (research and gift income combined with enrollment growth) may be insufficient in some years, achieving the 3.5% principle may require costs which unfortunately will be borne by faculty, staff, and students at Dearborn. We believe the maintenance of a proper incentive system provides important benefits to the campus which makes these costs worth paying.

A second issue requiring attention is the salary situation of librarians and curators. Librarians and curators are a vital part of the faculty. Further, as faculty, the CESF is responsible for evaluating whether these faculty members are being treated fairly. Unfortunately, the CUPA data typically supplied to the CESF for its report includes no information on library faculty. For curators, Dearborn faculty has a mean pay below the peer group but a median pay above the peer group. Given the small sample size and the wide variation in job responsibilities, it is difficult to draw conclusions from this. It is not always clear to the CESF how these faculty members are treated in terms of the merit pay or equity adjustment programs. Therefore,

The Committee on the Economic Status of the Faculty requests that the Provost report to the Faculty Senate concerning how salary decisions are made for librarians and curators.

The Committee will use this report to devise a strategy to better incorporate these faculty members into the 2008 report.

Respectfully Submitted,

CESF

The Committee thanks Provost Martin, Vice Chancellor Gassel, Linda Carr, SACUA staff, Renee Moton, and Judy Kennard for help and support in assembling the data for this report.