Compensation Committee
Report on Flat Dollar Merit Pay Proposal
April 15, 2016

At the request of the University Senate, the Compensation Committee considered the Flat Dollar Merit Pay Proposal introduced in the University Senate on May 12, 2015. The goal of the proposal was to diminish the disparity in pay across campus; with “equivalent dollar amounts for equivalent merit ratings across campus,” the proposal is intended to bring salary levels closer together over time.

In order to test the long-term effects of a Flat Dollar Merit-pay plan on salaries, the Compensation Committee decided to do some ten-year simulations, with the help of committee member Senator Riehl. In addition to testing the effects of a Flat Dollar Merit pay plan on salary levels, the committee was interested in gauging the effect of Flat Dollar Merit pay on UW-Eau Claire’s salary competitiveness over a 10-year period.

Our simulations used UW-Eau Claire salary data from 2014 and salary data from our peer institutions as provided by the College and University Professional Association (CUPA). Our study indicated that a Flat Dollar Merit pay plan would negatively affect the competitiveness of salaries for many UW-Eau Claire faculty. Some Associate and most Full Professors would be negatively affected, with some salaries falling to 25-30% below their CUPA peers*. We also identified several departments with faculty salary levels that are markedly below our peer institutions.

We ran a similar simulation using the University Pay Plan, passed by the University Senate in 2015 and approved by the Board of Regents. Because the University Pay Plan requires that 10% be set aside for use by the Chancellor to address equity issues, there is a 3% difference between the two simulations. The University Pay Plan simulation resulted in the salaries at each rank becoming more equidistant from the CUPA averages, but without some of the gains in salaries seen at the assistant and associate rank in the Flat Dollar Merit pay plan*.

Neither the Flat Dollar Pay Plan nor the University Pay Plan fully address the large gaps between UW-Eau Claire salaries and our peer institutions. A decade long failure to invest in salaries has resulted in significant equity challenges.

We attempted to run a similar study on academic staff, but our results were less conclusive. UW-Eau Claire academic staff positions do not use a consistent, standard set of position titles. This makes it very difficult to determine which CUPA data should be used for comparisons.

Our current University Pay Plan and the Flat Dollar Merit Pay Plan have differing goals. Our current pay plan focuses on rewarding merit and addressing compression and inversion, while the Flat Pay Plan is geared towards rewarding merit and improving morale for lower paid staff members. At this point, we are grappling with philosophical issues, as we are unlikely to have any pay plan funded by the state for years to come.
The Compensation Committee discussed other ways the University might address pay inequities, especially pay rates that are substantially below those of peer institutions. The Compensation Committee will be sharing with the Chancellor a proposal to do a more in depth study of salaries, using data from CUPA to identify both internal and external inequity (departments and units, gender). Using data from this study, as well as System’s titling study in future years, the Compensation Committee will be better able to propose targeted equity adjustments as well as design the next University Pay Plan.

* The characterizations of the simulation results were difficult to agree upon. The interpretations in this report do not reflect the consensus of the entire committee.