A Proposed Faculty Salary System for the University of Washington

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Introduction

Background

The current UW faculty salary policy, developed in the late 1990s and implemented in 2000, had some notable successes in the mid-2000s. But during the 2008-2009 recession, the weaknesses of the policy became evident. Recognizing the need for a revision of the policy, President Young in March 2012 appointed a joint faculty-administration working group to recommend an improved faculty salary policy. That working group presented a proposal to the university community early in 2014. During the winter and spring of 2014, extensive conversations with representatives from every college, school, and campus revealed the need for a few modifications to the policy, which were incorporated into a final draft proposal in May 2014. During 2015, the Faculty Council on Faculty Affairs worked on turning the draft proposal into Faculty Code language. A version of the proposed code language was approved by the Faculty Council on Faculty Affairs on November 3, 2015, and in the Faculty Senate (by a large margin) on December 3. It was sent back for one more round of revisions (to incorporate an "opt-out" provision for tiers, and to clarify that variable adjustments can be used to reward merit), and the revised version passed its first senate vote (again by a large margin) on April 21, 2016. This document is my summary of the proposal that was passed by the Faculty Senate, and the reasoning behind it.

The proposal is based on four pillars:

1. ***Rank Promotion Raises*** *(12%)*
2. ***Tiers Within Ranks*** *(significant performance-based raises, every four years for average faculty)*
3. ***Market Adjustments*** *(annually to all satisfactorily performing faculty, based on CPI)*
4. ***Variable Adjustments*** *(flexible, approximately 1% per year on average)*

Here are some of the advantages that the proposed system is designed to bring:

- It will provide genuine incentives and rewards for excellence throughout a faculty member's career.
- It provides faculty members with more opportunities for advancement, in addition to the two promotions a typical faculty member experiences over the course of a career.
- It will allow the university to rely far less on expensive retention raises.
- It will allow us to replace annual merit reviews by less frequent but more meaningful reviews
- When resources are tight, we can run this new system if necessary with no additional cost; but even in tight financial times, it will "tip the scales" toward continuing faculty raises when priority decisions are being made within the university.
- When more resources are available, it will make it easier for the university to meaningfully reward excellence.
- It will make the university more competitive with our peers.

The History of the Problem

Faculty salaries at the UW have suffered from two long-standing and interconnected problems: First, there has been a persistent gap between UW faculty salaries and those of our peers; and second, long-serving faculty members have suffered serious salary compression, with salaries growing barely fast enough to keep ahead of newly hired junior faculty. Recognizing the problem, the Faculty Senate leadership and the administration of President Richard McCormick negotiated a new salary policy for the university, which ultimately became part of the University Policy Directory in January 2000. The purpose of the policy was spelled out in the President's Executive Order 64:

> "The fundamental purpose of the University of Washington Faculty Salary Policy is to allow the University to recruit and retain the best faculty."

To see how the current policy has worked, it's useful to examine how salaries relate to the time since earning one's terminal degree. Figure 1 is a snapshot of faculty salaries during a recent academic year. The red curve shows the average salaries of UW tenured, tenure-track, and WOT faculty during the

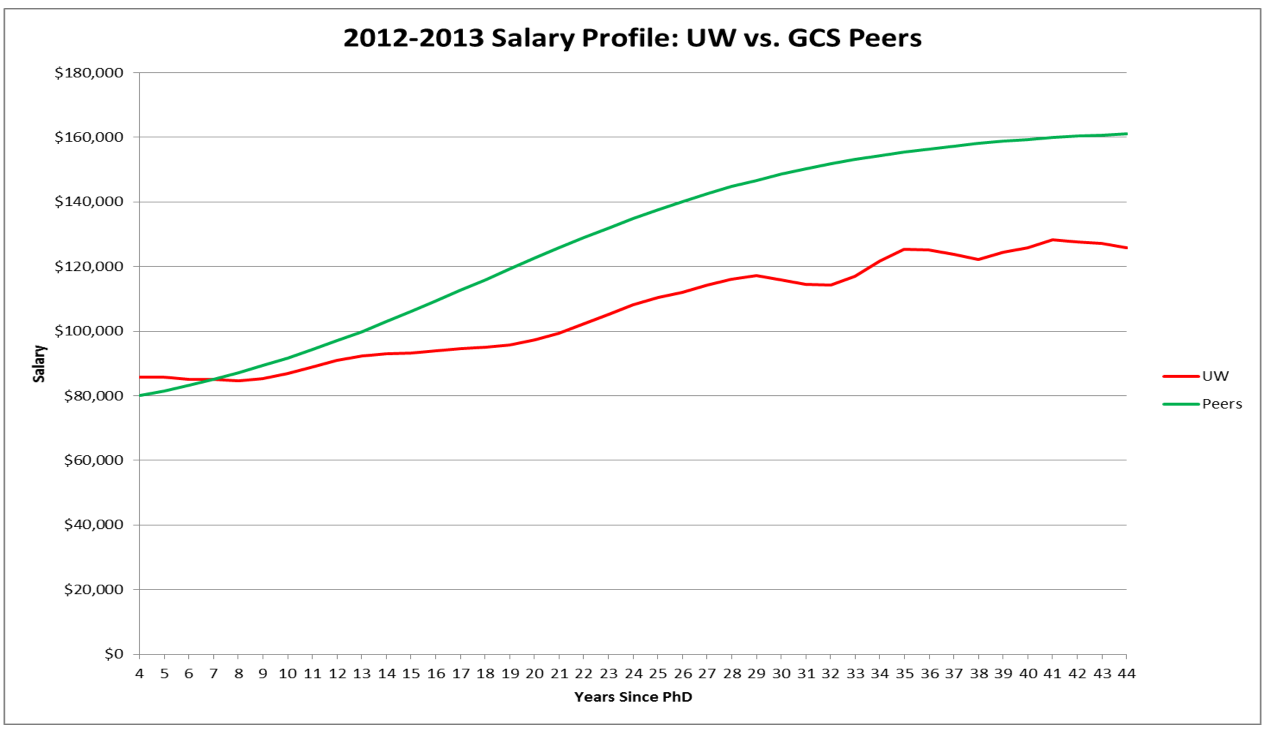

Figure 1: UW salary profile vs. peer salary profile in a recent academic year

2012-2013 academic year, plotted as a function of years since terminal degree. The green curve is an estimate of the same figures for faculty at our Global Challenge State peer universities.[1]

As this graph demonstrates, on average, UW's current entering faculty salaries are closely comparable to (in fact, a little higher than) those of peers, while the gap widens steadily over the course of a faculty member's career. The overall average gap between UW salaries and those of peers (nearly 12% in 2012-13) is represented by the large area between the two curves. This is the problem of *compression*, which has kept many senior faculty salaries far below those of our peers and barely higher than those of junior faculty members.

This evidence shows that there really are two interconnected underlying problems. First is a funding problem: The overall amount of money devoted to faculty salaries has not been enough to close the gap with peers. Second is a distribution problem: The broadly available merit raises for continuing faculty (promotion raises, regular merit raises, and additional merit raises under the present system) have barely been enough to keep salaries for meritorious continuing faculty ahead of entering salaries, which for decades before the recent recession had been going up at about 4% per year on average. Thus in large part, the only senior faculty members who end up with salaries commensurate with their accomplishments and competitive with peer salaries at other universities are those who receive retention raises in response to actual or potential outside offers, and those who were hired in at senior ranks. This situation is damaging to faculty morale, and undermines UW's attempts to recruit and retain excellent faculty.

The funding problem is largely a consequence of the underfunding of the university by the state, and no salary policy can completely fix it. But we believe that a new salary policy can go a long way toward solving the distribution problem.

A Proposal

In order to effectively recruit and retain the best faculty over the long run, a good salary policy must also *motivate* and *reward* excellence:

> "The fundamental purpose of the University of Washington Faculty Salary Policy is to allow the University to recruit, retain, the best faculty."
> motivate, and reward

We are proposing a new faculty salary system based on four pillars:

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[1] The shape of the "Peers" graph in Figure 1 is an estimate, derived from an empirically based salary model developed by W. F. Koehler (*Ideas in Practice: Merit Pay—Equitable Selection of Recipients and Increments*, Engineering Education, vol. 75 no. 4, Jan 1985, pp. 225-30), with parameters chosen to match the reported average assistant professor, associate professor, and professor salaries at GCS peer universities, as well as observed average times in rank. The "UW" graph is a smoothed-out average of all UW full-time tenure/tenure-track and WOT faculty members.

1. ***Rank Promotion Raises*** *(12%)*
2. ***Tiers Within Ranks*** *(significant performance-based raises, every four years for average faculty)*
3. ***Market Adjustments*** *(annually to all satisfactorily performing faculty, based on CPI)*
4. ***Variable Adjustments*** *(flexible, approximately 1% per year on average)*

Let's discuss each of the four pillars in turn.

1. Rank Promotion Raises

The most effective provision in the 2000 faculty salary policy was the 7.5% raise that accompanies each promotion in rank. These raises were successful because they were clearly based on excellence, and were large enough to provide significant motivation.

The proposal is to retain these rank promotion raises, but increase the size of the raises. The president has agreed to set all promotion raises at 12%. (This amount would be set in an executive order of the president, not in the faculty code, and if necessary could be changed in the future after consultation with the Senate Committee on Planning and Budgeting and the Faculty Senate.) The 12% figure is chosen because models indicate that, together with the other components of the proposal, 12% promotion raises provide a salary progression for excellent faculty members that will be more closely in line with those at our peer institutions. (This is not accounting for inflation; for that, see the *Market Adjustments* and *Variable Adjustments* sections below.)

2. Tiers within Ranks

The most important new feature of the proposal is the creation of a "tier" structure within each faculty rank. The professorial ranks[2] would have the following tiers:

- Assistant Professor 1, 2
- Associate Professor 1, 2, 3
- Professor 1, 2, 3, 4, 5, 6; and 7, 8, 9 (the last three to be known as *Eminent Professor*)

Lecturer ranks would have analogous tiers (and similarly for artist in residence ranks):

- Full-time Lecturer 1, 2
- Full-time Senior Lecturer 1, 2, 3
- Principal Lecturer 1, 2, 3, 4, 5, 6

Ordinarily, a person first hired as an assistant professor or lecturer would be hired into Tier 1. Similarly, someone promoted to a higher rank, such as associate professor or senior lecturer, would start at Tier 1 of that rank. (A new faculty member hired from outside at a senior rank would be assigned a rank commensurate with his/her career stage and salary compared to market conditions and to the other members of the unit at the same rank.)

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[2] These tiers for the professorial ranks would apply to faculty members classified as tenure/tenure track, Research, and WOT, but not to Clinical faculty, or to Acting, Visiting, Adjunct, or Affiliate faculty. The lecturer and artist in residence tiers would apply to all full-time faculty members in those ranks who are eligible for multi-year appointments.

Then, if the faculty member's performance continues to be excellent, he or she would be advanced at intervals to higher tiers within the same rank, and each such advance would come with a significant raise.

The criteria for tier advancement are continued achievement in scholarship and research, teaching, and service, with particular emphasis on accomplishments since the last previous appointment, promotion, or tier advancement. The relative weights of these criteria for each individual faculty member may be adjusted from time to time as described in the Faculty Code.

Each tier advancement should come with a substantial raise, and the raise sizes should ideally be chosen so that, discounting inflation, the average faculty salary profile in each department will gradually approach that of peers. (Inflation will be addressed by the market and variable adjustments, discussed below.)

The university-wide default formulas for tier advancements will be set in an executive order from the president. Because of the wide variation in market salary conditions across different departments, coming up with an individualized formula for each department would be exceedingly complicated, and keeping those formulas in sync with the market over time would be almost impossible. Thus we are proposing a simple formula that will work well in almost all cases.

The president has agreed to establish the following default formula for tier advancement raises:

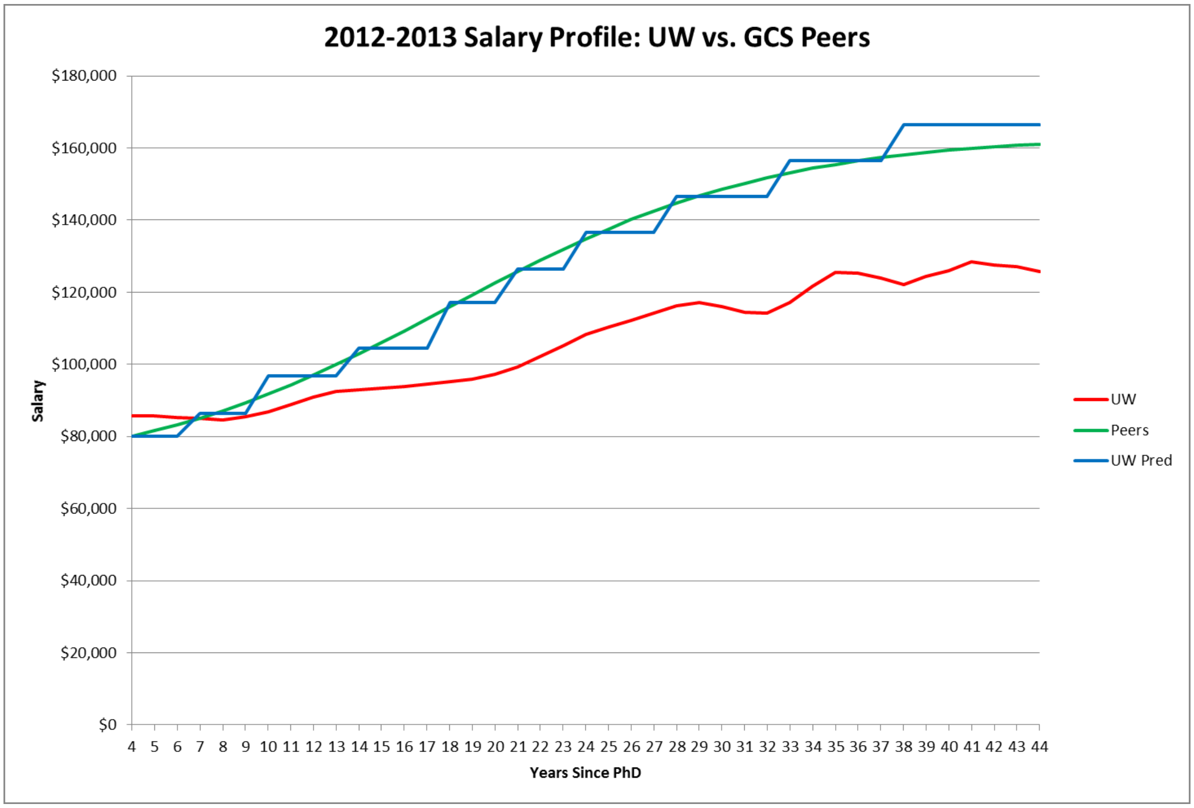
- For individuals earning more than the average UW full professor salary, a tier advancement would come with a raise equal to 8% of that average (based on monthly institutional base salary).
- For those earning less than the UW professor average, a tier advancement would come with a raise equal to 8% of the individual's salary.

Thus with the current average 9-month professor salary of approximately $132,400, faculty on 9-month appointments making more than $132,400 would receive tier raises of 8% x $132,400 = $10,592. For those on other than 9-month appointments, the raise would be prorated appropriately, so for example tier raises for faculty on 12-month appointments making more than $176,533 would be 8% x $176,533 = $14,122. Faculty members earning less than the average professor salary would receive 8% of their actual salary.

The purpose of structuring the tier raises this way is twofold:

- For faculty members nearing the end of their careers, all evidence suggests that the inflation-adjusted peer growth curve levels off somewhat, as can be seen in Figure 1. If all tier raises were 8% throughout one's career, an average faculty member who obtains a tier advancement every four years would experience continued exponential growth relative to new faculty salaries, thus potentially diverting a large portion of the salary pool away from younger faculty; with this proposed formula, the growth curve will more closely approximate that of peers.
- In addition, in the most highly paid fields (typically in professional schools), the pattern at UW and at peer universities has been to hire new assistant professors at very high salaries in order to be competitive, but then the career salary advancement in these departments is typically slower than the average for the rest of the university. The proposed formula will help to ensure that salaries in these departments do not get too far out of line with market conditions and peer salaries.

Figure 2 below shows predicted average UW faculty salaries plotted against time since terminal degree under the proposed system, adjusted for inflation (or equivalently, plotted in 2013 dollars). Note that inflation will be accounted for in the market adjustments and variable adjustments, described below.



- *Figure 2: Predicted average UW salaries (adjusted for inflation) under the proposed system*

As you can see from this graph, the default formula does a pretty good job of providing career average salary growth that is comparable to that of our peers. But in such a large and diverse university, this "one-size-fits-all" formula might not work in every unit to achieve the goals of adequately rewarding excellence while creating a career salary profile commensurate with peers.

Therefore, the proposal contains a provision to allow any campus, school, or college to develop its own customized formula for tier raises, either for the entire campus, school, or college, or for individual departments. The presidential order will probably stipulate that any such formula would have to result in tier raises no less than 30% nor more than 150% of the university-wide defaults established by the president through executive order. The process for developing such a formula would begin with a consultation between the dean or chancellor and the elected faculty council to develop appropriate formulas (or to change existing ones temporarily or permanently), based on current and historical UW salary data and detailed comparison with peers. Then the proposed formulas, together with the financial justification for them, are publicized to the faculty of the college, school, or campus for a set period of time, after which the faculty are given an opportunity to vote. If the proposal receives a majority vote, then the provost has an opportunity (within a set period of time, and after consulting with SCPB) to veto the proposed formulas on the basis of financial feasibility or equity.

Performance Evaluation and Tier Advancement Procedure

Tier advancement at the assistant professor rank should coincide with reappointment to a second three-year term. For all other ranks, faculty members of average merit should receive tier advancements approximately every four years on average, until they reach the highest tier for their rank, or Professor 6. Especially high-performing faculty members are expected to receive tier advancements at a faster rate, while others may receive them less frequently. It will be the responsibility of deans, chancellors, and the provost to see that each unit follows these guidelines over the long term.

One of the big advantages of this system for rewarding performance is that it will no longer require every faculty member to receive a collegial merit review every year. The current policy requires every faculty member's merit to be evaluated each year by the members of the department superior in rank; the size of each merit raise is based on this evaluation. Because these evaluations happen so often and are rewarded with such small raises (if any), it seems that they are frequently seen as futile exercises.

Under the proposed new system, a full collegial performance review would typically be conducted only approximately every four years for most faculty members. In more detail, the evaluation process will occur in three stages:

1. **Data Gathering:** As is currently the case, each faculty member will submit an annual activity report. (This provides evidence on which to base a decision about whether to initiate an early collegial evaluation.) Also, each faculty member who teaches will have his/her teaching evaluated by students every year, and by peers on a schedule determined by rank.
2. **Chair Conference:** The current code requirement for a regular conference with the chair (or dean in an undepartmentalized college) will remain, except that the frequency for full professors will be changed: assistant professors will have a conference every year, associate professors at least every two years, and professors at least every *four* years (with an analogous schedule for the lecturer and artist in residence ranks). The conference will be scheduled sooner if requested by either the chair or the faculty member. Any department, college, school, or campus may adopt policies that call for more frequent conferences.
3. **Collegial Performance Review:** After the chair conference, a Collegial Performance Review will be initiated if requested by either the chair (or dean, if appropriate) or the faculty member, or if it has been five years since the previous such review. (The university's accrediting body requires that every faculty member receive a performance review at least once within every five-year period of service.) Any department, college, school, or campus may adopt policies that call for more frequent performance reviews. These reviews are ordinarily performed by all faculty in the unit of superior rank, or, for professors, of equal rank.
   Instead of collegial performance reviews leading to differential recommendations for raises, the outcome of such a review will be one of the following recommendations:

   - Recommendation for tier advancement
   - Initiation of consideration for rank promotion
   - Finding of unsatisfactory performance
   - Satisfactory, but no tier advancement at the present time

   The voting faculty of a department may choose, by majority vote, to delegate the entire process of deciding upon tier advancements to a committee of three or more faculty members. The faculty vote would determine the size and selection process of the committee, and the delegation would have to be renewed by a new vote every two years.

If a tier advancement is recommended, it will take effect if approved by the dean or chancellor (in consultation with the elected faculty council). If consideration for rank promotion is recommended, the procedure in the current code will be followed. If there is a finding of unsatisfactory performance, there will be a mandatory Collegial Performance Review every year until the decision has been altered, during which time the person is not eligible for market or variable adjustments. Two consecutive "unsatisfactory" decisions would trigger the same actions described in the current Faculty. If no tier advancement is recommended, it is not necessary to wait any minimum number of years before reconsideration; either the faculty member or the chair may initiate the review process in any subsequent year.

Professor 7

The new policy sets a higher bar for advancement to professor tier 7, and faculty members advancing to this tier or higher will be entitled to the designation "Eminent Professor." The criteria for advancing to Professor 7 will be exceptional distinction in scholarship, teaching, and service. Advancement to this tier requires outside letters, as for a promotion in rank. We expect that fewer than half of all full professors will advance to this tier.

Opting Out of Tiers

The most recent version of the policy proposal includes an option for a college, school, or campus to opt out of the tier portion (but only the tier portion) of the new salary system. This would require an affirmative vote of a majority of the voting faculty in the college. In case of such an opt-out, the college's salary system would be governed by the other parts of the policy: 12% promotion raises, market adjustments, and variable adjustments. The main vehicle for rewarding merit in such cases would be variable adjustments, which would be allocated based on collegial performance reviews according to a schedule established by the college, school or campus.

We believe that faculty in every college, school, and campus would be better off with the tier system, as long as sizes of tier raises are appropriately customized to suit the market conditions of each department; so it should not be necessary for any unit to opt out of tiers. But in response to popular demand, the opt-out provision is there should the faculty choose to use it.

3. Market Adjustments

The combination of promotion raises and tier raises every four years on average is designed to provide competitive career salary growth, but only in the absence of inflation. Since inflation is an unavoidable part of life, the proposal creates a new component of the salary policy, called *market adjustments*, to mitigate the effects of general market and/or economic escalations.

For several decades, peer salaries have been going up a little faster than inflation: about 1% per year faster than the CPI. Surprisingly, the same is true for UW salaries. Figures 3 and 4 below are oversimplified (but essentially accurate) pictures of what happened to the salary profiles at peers and at UW during the six years preceding the 2008 recession: the entire curve moves upward year after year, without changing its essential shape. Although there have been fluctuations, this pattern has held essentially steady on an average basis for at least 25 years.

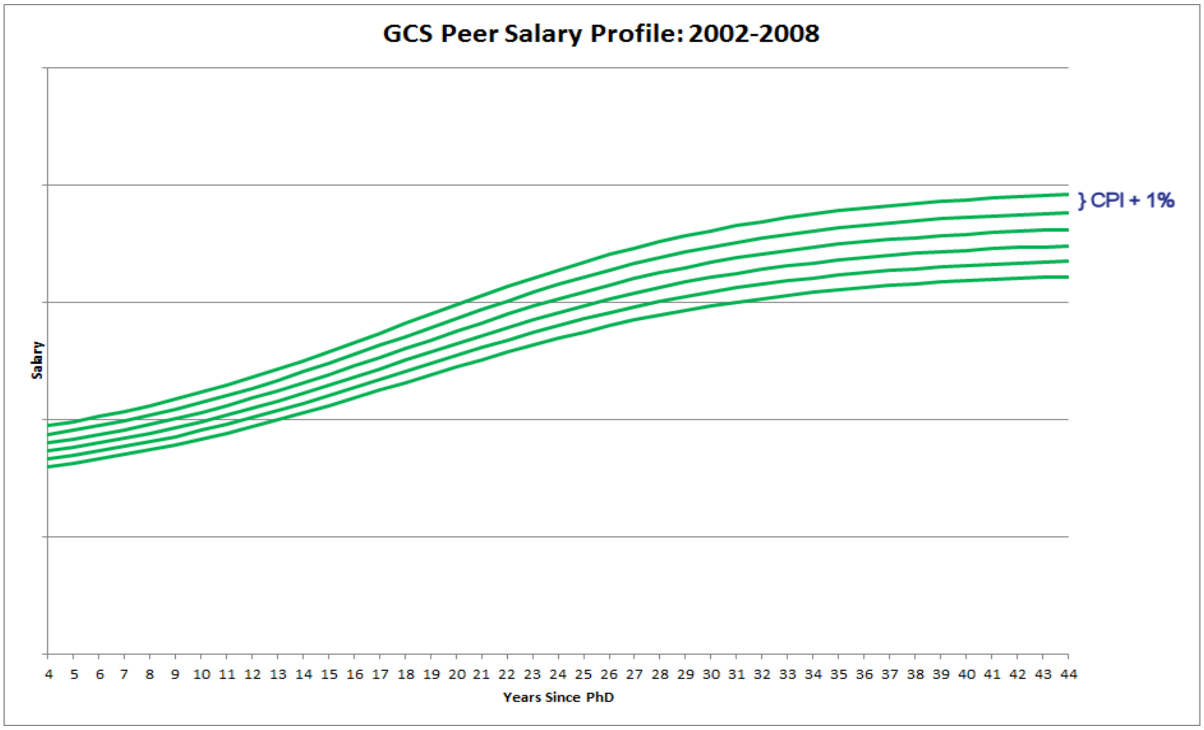


Figure 3: Effect of inflation on peer salaries

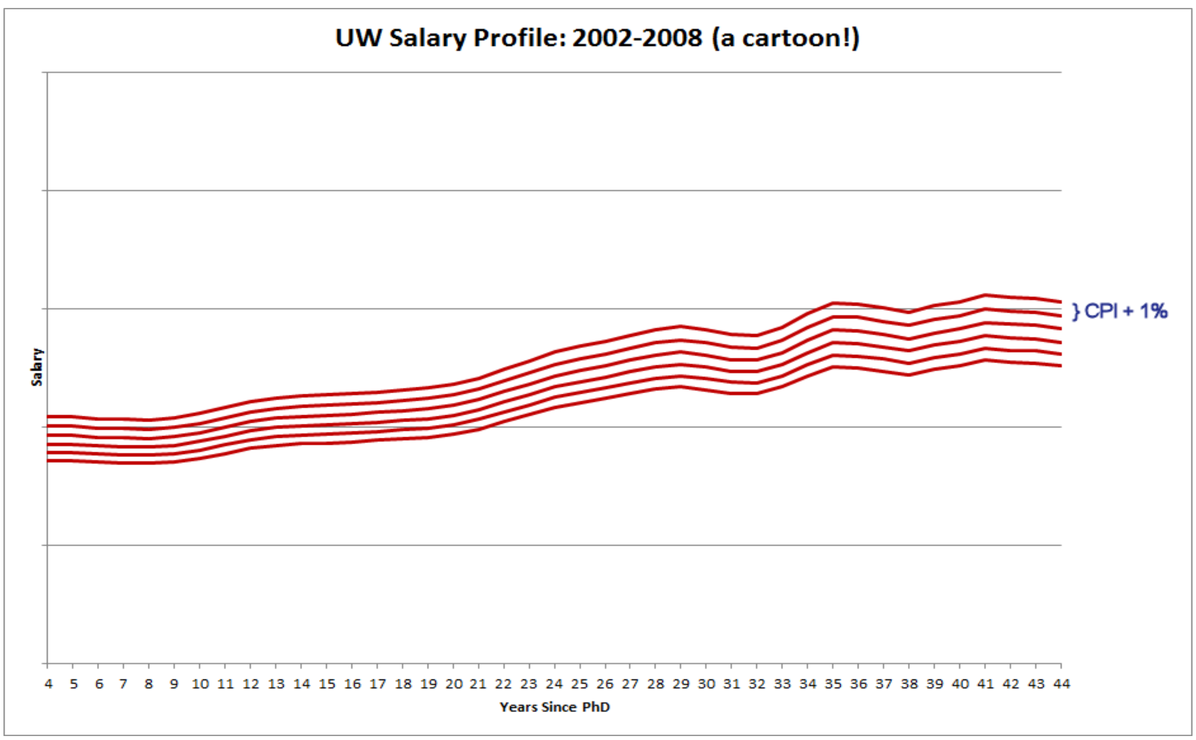


Figure 4: Effect of inflation on UW salaries

In this proposal, the main tool designed to address the effects of inflation is called *market adjustments.* A market adjustment will consist of equal percentage raises to all faculty members (including those who receive promotion raises or tier advancements), except those whose performance has been designated unsatisfactory in their last performance review. Ordinarily, there should be a market adjustment every year, in an amount set by presidential executive order. Initially, the president has agreed to set market adjustments equal to the percentage increase in an appropriate consumer price index over the preceding calendar year. In times of severe financial stress, market adjustments may be decreased or eliminated as described in the section *In Times of Financial Stress* below.

If a school, college, or campus finds that customization of tier raises alone is insufficient to adequately reward excellence while achieving projected career salary profiles that are commensurate with peers, it may develop its own formula for market adjustments. The presidential order will probably stipulate that any such formula would have to result in market raises no less than 30% nor more than 100% of the university-wide defaults established by the president through executive order. The process for developing such a formula would begin with a consultation between the dean or chancellor and the elected faculty council to develop an appropriate formula (or to change an existing one temporarily or permanently). Then the proposed formula, together with the financial justification for it, is publicized to the faculty of the college, school, or campus for a set period of time, after which the faculty are given an opportunity to vote. If the proposal receives a majority vote, then the provost has an opportunity (after consulting with SCPB) to veto the proposed formula on the basis of financial feasibility or equity.

4. Variable Adjustments

The last component of the proposed new policy is a flexible type of salary adjustment called a *variable adjustment*. It is designed to address inappropriate salary differences between peers at the university, campus, school, college, department, or individual level. More specifically, it serves two interconnected purposes.

First, to close the gap between consumer price inflation and academic inflation: Historically, for at least the last 25 years, our peer institutions have increased salaries for all ranks at an average rate approximately 1% per year faster than inflation as measured by the CPI. This is in line with the Higher Education Price Index (HEPI), which is an inflation index designed specifically to measure the cost of goods and services purchased by colleges and universities. If this trend continues, then to avoid falling further behind our peers we will need to increase our overall salary pool by a similar amount each year. (Of course, to close the gap with peers, we will need to do more than that for a while.) There is no way of knowing whether academic inflation will continue to outpace consumer price inflation; but if it does, we should plan over the long term to make up the difference between the CPI and the HEPI with variable adjustments.

Second, to flexibly address inappropriate salary differences within the university: Instead of pegging the variable adjustments to a fixed percentage increase for all faculty members, the proposal allows the adjustments to be used in a flexible way to address inequities throughout the salary system. Here are some typical ways this might occur:

- A college might allocate an across-the-board adjustment to all satisfactorily performing faculty members, or perhaps to be differentially allocated to different ranks.
- A department that has a particularly large “market gap” might be allocated a lump sum to narrow the gap, similarly to the way we use “unit adjustments” under the current code.

- A department can use variable adjustments to correct salary inequities between individual faculty members that are at a similar stature and career stage. For example, if two or more equally accomplished assistant professors are hired by the same department at the same time, but one gets a higher starting salary because she had a high offer from another university, variable adjustments can be used to bring their salaries closer over time.
- In a college, school, or campus whose faculty have voted to opt out of the tier system, variable adjustments will be the primary means for rewarding excellent performance.

In order to provide flexibility, the proposed Faculty Code amendments do not put any limits on the way variable adjustments are used, except that there should be transparency and faculty participation in the process for allocating variable adjustments: Whenever policies and procedures for distributing variable adjustments are determined, they should be done in consultation with the appropriate faculty bodies (SCPB at the university level; elected faculty council at the level of campuses, schools, or colleges; voting faculty at the department level). Such consultation must always include consideration of detailed financial and salary data.

Retention Raises

The proposal does not put any limits on retention raises. They will still be needed; but if this system works as it should, retention raises should become less frequent, and pre-emptive retention raises should become very rare.

In a college, school, or campus that has not opted out of tiers, any retention raise should ordinarily be accompanied by one or more tier advancements. For example, an 8% retention raise should come with a tier advancement, and a 16% retention raise should come with a two-tier advancement. (This has the effect of resetting the expected time to the next tier advancement, and potentially limiting the number of future tier advancements.)

Procedures in Times of Severe Financial Stress

In times of severe financial stress, one or more of the above provisions for salary advancement might be reduced or eliminated.

- Because variable adjustments will generally be initiated and funded by colleges, schools, or campuses (or by departments in units where departments control their own budgets, such as the School of Medicine), no special action needs to be taken to reduce or eliminate variable adjustments in a given year. But the president may limit the sizes of variable adjustments after consultation with SCPB and the faculty senate.
- The president may also temporarily limit or eliminate market adjustments, after consultation with SCPB and the faculty senate.
- Tier advancement raises may be delayed. Actual tier advancements recommended by departments would go ahead as usual, but the president could declare, after consultation with SCPB, that the raises will be delayed. When the financial situation improves, everyone who received a tier advancement during the crisis will receive their raises at the rate in effect after the delay, but not retroactively.
- Rank promotion raises can be delayed, subject to the same considerations as described for tier advancements above.
- The provost may place limits on retention raises.

Each process of consultation with SCPB will include an opportunity for SCPB to vote on the proposed change, and an opportunity for feedback from the affected faculty.

Some Notes on Funding

A natural question to ask is "Can we afford this?" The simple answer is that the proposal has been designed so that it can be run in a cost-neutral way if necessary: If we wish merely to avoid falling further behind peers, the average annual growth in faculty salary costs will be closely comparable to its average annual growth over the past 20 years. But the natural operation of this system should push more of the available salary funds into raises for continuing faculty, and thus provide a more appropriate career salary progression for faculty who depend on the regular merit pool instead of retention raises.

Of course, if we wish to start closing the salary gap between UW averages and peer averages, we will need to put more new funds into the salary system each year for a while (mainly in the form of additional variable adjustments). Because our overall average salaries are roughly 12% behind those of peers, an additional annual investment of only 0.33% of the total salary pool (that's *one-third of one percent*) will be enough to gradually close the gap with peers over the course of the professional careers of faculty who are starting now, and go avoid recreating our dire compression problems in the next generation of faculty. Note that this additional investment would be required regardless of whether we adopt this new salary system, stay with our old one, or try something entirely different.

Here's more detail about how the proposed system will work financially. Under this proposal, the *new* salary costs each year would come in several forms:

- New entry-level hires
- New senior hires
- Promotion and tier raises
- Market adjustments
- Variable adjustments
- Retention raises

Because new faculty are hired at somewhat lower average salaries than retiring faculty (even in our compressed environment), this expense is partially offset by a decrease due to retirements and resignations.

The promotion and tier raises will cost a little less than 2% of the overall salary pool (including benefits) each year. Modeling indicates that in the early years, almost half of the funding for those raises can be covered by funds recaptured from retirements after accounting for new entry-level hires. (After this system has been in effect long enough to correct most compression problems, nearly all of the cost of the tier and promotion raises can be funded from retirements, at least for tenure/tenure-track faculty.) In addition, this system should result in far less need for retention raises—and most of those that do occur will become part of the tier system.

Thus the costs of the proposed system are the CPI-based market adjustment (which has averaged about 2.1% since 2000, when the current salary policy went into effect), a little less than 2% to fund tier and promotion raises, and an indeterminate amount for variable adjustments; meanwhile, in the early years, a little less than 1% of the salary pool will be saved annually by retirements. In summary, assuming 2.1% annual inflation, the *minimum* new annual funding required to operate the system in times of restricted resources would be as follows:

1.8%	Cost of tier and promotion raises
2.1%	Market adjustment (assumed rate of CPI increase)
0%	Variable adjustment
–0.8%	Retirement recapture
3.1%	New permanent funds (1% more than the increase in CPI)

This should be compared to the approximately 3.5% per year of new funding that's been added annually to the salary system on average since 2000 (a period that includes the 2008-2012 salary freeze!).

A net increase of 3.5% per year is comparable to what our peers have been adding to their salaries over the same period. Note that this is just about enough to avoid falling behind peer salaries; it will not help us to close the gap.

Although the policy does not require any more new money than the 3.1% annual investment described above, it is extremely likely that most colleges will put more than that into the salary system -- to fund retention raises (which we expect to be less frequent, but not to disappear altogether) and variable adjustments (which will likely be needed to address equity issues and to avoid falling farther behind peers), and to hire senior-level faculty (who typically start at higher salaries and thus raise the overall average).

We have to expect that the annual net investment will continue to be at least what it has been over the past 16 years (with suitable adjustments for fluctuations in inflation). If it's consistently less than that, our salaries will be falling steadily farther behind peers, which is clearly not sustainable if we hope to continue to be a world-class research institution. (It's possible that a time will come when academic salaries no longer rise so much more quickly than inflation, a change that would undoubtedly be good for society as a whole. If that happens, this salary system will adapt automatically, because overall salary levels are driven by hiring-in salaries.)

Assuming net investment stays roughly the same as it has been historically, here's what our annual investment would look like:

1.8%	Cost of tier and promotion raises
2.1%	Market adjustment (assumed rate of CPI increase)
0.4%	Variable adjustments and retention raises
–0.8%	Retirement recapture
3.5%	New permanent funds (matching the average since 2000)

If the net investment does not increase, how will this policy help? Consider these numbers:

Under our current system, the amount available to faculty annually in the merit pool (promotion raises, the 2% "regular merit," plus varying amounts of "additional merit") has averaged about 2.9% over the past 16 years. So for those who didn't receive any of the "dark money" of retention raises, 2.9% is all that was available while entry-level salaries were rising by 3.5% a year.

Under the proposed new system, even if no money is invested in variable adjustments (a worst-case scenario, from the point of view of salary growth), the corresponding amount (promotion raises, tier raises, and market adjustments) would average about 3.9%. This is already a dramatic improvement.

If we wish to start closing the salary gap between UW averages and peer averages, we will need to invest more new funds into variable adjustments. As mentioned above, 0.33% per year will close the gap over a 36-year career. A bit more optimistically, the following funding level would represent a strategic investment into faculty salaries, designed to close the gap with peers in about twelve years:

1.8%	Cost of tier and promotion raises
2.1%	Market adjustment (assumed rate of CPI increase)
1%	Variable adjustment (distributed to departments depending on gaps)
–0.8%	Retirement recapture
4.1%	New permanent funds (2% more than the increase in CPI)

Over the longer term, once our salary profile has stabilized into a less compressed shape, the funds recaptured from retirements should be sufficient to cover virtually all of the costs of tier and promotion raises, so the annual cost increases will be dominated by funding for the market and variable adjustments. If historical trends continue, this should represent an annual increase about the same as that of the Higher Education Price Index, or about 1% faster than the rise in CPI.

The Transition

Because this proposed salary system works so differently from our current system, we will need to undertake a carefully designed transition process before the new system fully takes effect. Here is how that transition will work.

Once the new salary policy is enacted, a "Transition Year" will be established by the president, sometime in the next few years. The full implementation date of the new policy will be the beginning of fall quarter following the Transition Year.

From the time the legislation is passed until the beginning of the Transition Year, we will operate under the old salary policy with only one exception: The president has agreed to set promotion raises immediately at 9%, so as to minimize the motivation for faculty members to delay promotions in order to get a higher promotion raise.

During the Transition Year, three assignments will be made for each continuing faculty member: (1) an initial tier, (2) an initial year for next mandatory tier review, and (3) a transition raise. The procedure for making these assignments is designed to be as “automatic” as possible, so as to minimize concerns about fairness.

The time preceding and during the Transition Year is also a time for Academic Human Resources, the Payroll Office, campuses, colleges, schools, and departments to work out their procedures for implementing the new policy, and for faculty in the various schools, colleges, and campuses to decide if they need to customize their raise formulas or even to opt out of tiers altogether.

1: Assignment of Initial Tiers

During the Transition Year, each tier-eligible faculty member will be assigned an initial tier, which will become the person’s tier as of the implementation date of the new salary policy. These initial tiers are designed to be, as far as practicable, commensurate with the individual's career stage, accomplishments, and current salary.

There will be no tier advancements during the Transition Year. The assignment of an initial tier, in itself, has no effect on any individual's salary.

For continuing Assistant Professors, the initial tier will be 1 or 2, depending on whether the individual is in their first or second three-year appointment.

For all continuing Lecturers and Artists in Residence, the initial tier will be 1. (This does not include Senior Lecturers, Senior Artists in Residence or Principal Lecturers; they are covered by the rules below.)

For all other tier-eligible continuing faculty members, two numbers will be calculated:

1. **A career-based tier,** determined by the number of years at current rank (assuming the individual would have achieved tier advancements at the average rate of once every four years).
2. **A salary-based tier,** determined by comparing the individual's current salary to a table of "expected salaries" (showing what the average salaries at different tiers would be in that unit if the new salary policy had been in effect for a long time), and choosing the tier at the individual's rank whose salary is closest to the individual's current salary.

Once the seniority-based and salary-based tiers have been calculated, each individual's initial tier will be assigned as follows (subject to the exceptions noted below):

- If the two calculated tiers are equal, that becomes the individual's initial tier.
- If the career-based tier is lower than the seniority-based tier (meaning that the individual's salary is compressed), the individual may choose any initial tier within that range.
- If the career-based tier is higher than the seniority-based tier, the career-based tier becomes the individual's initial tier.

The exceptions to this rule are that no Professor will be assigned an initial tier of 7 or higher, and no faculty member (except Assistant Professors) will be required to begin at the highest tier for their rank, or at Professor 6.

2: Assignment of Next Mandatory Reviews and Transition Raises

Because the affordability of the tier system depends on approximately 25% of continuing faculty members receiving tier or promotion advancements each year, it is important to establish staggered expected times for collegial performance reviews and tier advancements.

Each tier-eligible faculty member will be assigned a time for next mandatory collegial review. This will also be the expected time for a "typical" faculty member to be considered for a tier advancement. The actual time of next tier advancement for any individual faculty member may be earlier or later than the assigned year; but any consideration for tier advancement earlier than the assigned year should be based primarily on accomplishments within the four years immediately preceding the assigned mandatory review year. For example, for a person assigned a mandatory review year of 2018-19, a tier advancement decision should be based primarily on work done in 2014-2015 and later.

For Assistant Professors, the next mandatory collegial review coincides with the mandatory consideration for renewal or promotion.

For all other tier-eligible faculty members, the next mandatory collegial review year will be calculated based on the year in which the individual was last promoted or hired, using the assumption that reviews happen at the average rate of once every four years. Thus a person who was promoted to Professor in the fall of 2008 would be presumed for this calculation to have been reviewed in 2007-08, 2011-12, and 2015-16, and therefore would be assigned a next mandatory review year of 2019-20.

During the Transition Year, there will be no tier raises and no market adjustments for tier-eligible faculty. Instead, each meritorious tier-eligible faculty member will be awarded a *transition raise* to take effect no later than the implementation date of the new policy, based on the date of next mandatory collegial review.

The default plan is as follows: If an individual's next mandatory review date is

- 1 year after the transition year, the transition raise is 2%.
- 2 years after the transition year, the transition raise is 4%.
- 3 years after the transition year, the transition raise is 6%.
- 4 years after the transition year, the transition raise is 8%.

Because some departments might wish to use some of the salary funds available during the Transition Year to address compression or other internal inequities, we propose that a unit may choose, by vote of a majority of its voting faculty, to use an alternative plan that allocates a little less to transition raises, with the difference being treated as a Variable Adjustment as described in the new salary policy.

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- Marilyn Cox (Vice Chancellor for Administration and Planning, UW Bothell)
- Cheryl Cameron (Vice Provost for Academic Personnel)
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- Jim Gregory (Professor of History, SCPB chair)
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