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Faculty Compensation Task Force February 12, 2007

One of Vision OHIO's most important goals is the recruitment and retention of outstanding faculty. This report presents the recommendations of the Faculty Compensation Task Force, a group charged with responsibility to develop a multi-year strategy to move Ohio University faculty compensation forward in comparison with our peer institutions, to align institutional resources with this strategic planning goal. The investment recommended here addresses faculty recruitment and retention by improving the competitiveness of total compensation of full-time, tenure-track faculty relative to our peers.

The Faculty Compensation Task Force has met weekly for the past three months to develop a plan to respond to the Vision OHIO goal of improving the competitiveness of Ohio University's faculty compensation. The charge to the group was to identify a specific amount of funding for each of the next five years to improve Ohio University's ranking among our peer institutions in total faculty compensation as defined by the AAUP. In order to meet its charge and recommend a total necessary investment to meet the goal, the task force assumed relative stability in the level of state funding as well as success in meeting individual academic unit enrollment targets over the next five years. Because this plan requires that Ohio University make incremental progress in catching up to and moving beyond several peer institutions over the course of several years, the assumption of stability is a fundamental condition for achieving our goal.

The membership of the Faculty Compensation Task Force, chaired by Provost Kathy Krendl, included Ben Ogles, Charles McWeeny, and Renée Middleton, who served as deans' representatives; and Molly Morris, Shawn Ostermann, and Rajesh Narayanan, who were nominated by Faculty Senate to represent the faculty. Michael Williford, Greg Fialko, and John Day provided staff support and conducted the analyses requested by task force members.

Analysis

The specific goal as stated in Vision OHIO is to "Compare salary and compensation with peer institutions and meet the goal of raising our percentile rank among peers by 15 points by 2010." With the current relative position of Ohio University's total compensation among our peers, that equates to a goal of reaching the next quartile in those rankings. To determine a specific funding level target, we conducted a detailed analysis of the total compensation of the faculty of Ohio University and our peers. The analysis included all continuing, full-time Group I faculty on the Athens campus and was based on estimates of total compensation over a five-year period of time for each of our peer institutions.

The Task Force conducted an additional analysis controlling for regional differences in cost-of-

living to understand the relative competitiveness of our total compensation funding compared with our peer institutions. This approach was borrowed from U.S. News and World Report in their analysis of Faculty Resources. They control for regional cost-of-living in their calculation of rankings of investments in faculty. We conducted a similar analysis of our total compensation relative to our peers. The results are presented in Appendix A. The analysis demonstrates that Ohio University moves up to the number 5 overall ranking using this approach. This result would immediately meet the goal identified in Vision OHIO in terms of the competitiveness of our compensation. However, the task force decided to use this Adjusted Compensation analysis only as background and not as the primary analysis for meeting the Vision OHIO goal. Our final analysis presented in Appendix B was based only on funding dedicated to total compensation with no adjustments for cost-of-living or other adjustments.

Primary determinants of total compensation increases were based on salary and benefits. The task force determined that the best approach for projections for the next five years was to assume no change in the current division of total compensation between salary increases and health care benefits increases.

That is, average salary increases were 3.2% over the past five years, while average health care benefits are expected to increase 10% per year for the next five years based on the current projections.¹ Thus it appears that the increases in health benefits will continue to accelerate at a much faster pace than salary increases because of the greater proportion of increases in total compensation allocated to health care benefits.

Though the task force assumed the existing split in funding allocated to salary and benefits for the purposes of this analysis, the group recommends that the institution give careful consideration to the current relative allocation of compensation increases. The analysis demonstrated that most peer institutions have put relatively less funding into health benefits and relatively more funding into salaries. The health benefits program at Ohio University proved to be extremely generous compared to the institutional peers, whereas our salaries compared less favorably.

Directing more funding to the salary side of the total compensation equation would increase average salaries as well as retirement benefits for individual faculty and could prove to be a valuable

¹ From Fiscal Year 2002 through Fiscal Year 2006, the University's health benefits expenses have increased by 36%, from \$25 million to \$34 million. In that time period, changes in insurance companies and a change in prescription drug co-pays have assisted in limiting cost increases to between 6% and 10% annually. Expenses for the current fiscal year are expected to rise by \$2.5 million, or nearly 8%, with future fiscal year (FY08+) expenses projected to increase by an average of 10% per year. are expected to rise by \$2.5 million, or nearly 8%, with future fiscal year (FY08+) expenses projected to increase by an average of 10% per year.

Recent surveys of peer institutions have revealed that the University's PPO health plan provides generous coverage when compared to higher education benchmarks, due to relatively low employee payroll premiums, and the PPO plan design, which does not include an in-network deductible and has a low out-of-pocket maximum for employees.

recruiting tool by providing more competitive salary offers to incoming faculty. Though task force members were not asked to make a recommendation regarding the division of funds between salary and health care benefits, the results of the comparisons with peer institutions were so striking, with Ohio University's health care benefits program being much more generous, that the group felt further study of this matter warranted attention, and we recommend that a group look into this matter further. The question is whether it serves Ohio University well to support what appears to be a comparatively generous health care program relative to other institutions, or whether a better choice is to direct some of the benefits funding into higher salaries, while keeping the total compensation package the same.

Evaluation Steps

The task force recommended that the compensation allocation process involve two steps for each of the next five years to achieve the goal of making Ohio University total compensation more competitive. The first step involves the annual evaluation process and the funding designated for the merit raise pool. According to the task force, this process should continue to take place as in the past. For example, for FY2008, the group assumed a 3% merit raise pool. The merit raise pool would be allocated using the guidelines of a minimum of a 0% increase and a maximum of 7% for each faculty member. Exceptions to the maximum would require provost approval.

The second step would allocate the additional funding, referred to as the structural realignment funding, differentially to individual faculty who have demonstrated sustained past performance in achieving college and institutional goals over the previous five years and who show the promise of continuing contributions in the future. Faculty members who have been here for less than five years would be evaluated on the basis of the promise they have demonstrated in their contributions to date.

Faculty members who qualify for consideration must be tenure-track Group I faculty working full-time as instructors and scholars. That is, faculty members who are engaged in the full mission of the institution – teaching, conducting research/creative activity, and serving their units – are eligible for the structural realignment funding. Furthermore, the funding cannot be distributed across-the-board to all faculty in a given unit. The minimum amount that a faculty member may receive from the structural realignment pool is therefore 0%; there is no maximum amount specified. For each of the next five years, the same two steps of separating the raise pool funds from the structural realignment funds would be followed with an adjusted five-year window for the review of each individual faculty member's contributions.

Structural Realignment Funding Allocation

The task force defined Structural Realignment Funds as the funds necessary to move Ohio University's total compensation up to the next quartile, at least two to three places in rank order, among the peer institutions. Those funds would be allocated as a special addition to the raise pool directed to those individuals deemed to be most effectively contributing to college and institutional goals over an extended period of time. During each of the five years covered by this plan, a proportion of the total structural realignment funding would be allocated to each college based on a detailed formula. That formula takes into account both the total FTE of each college as a proportion of the entire faculty FTE and also the total disparity in faculty salaries based on discipline-specific

market comparisons. The dean of each college would then work with chairs and directors to identify the appropriate distribution of the funds among the various schools and departments and to identify the individuals who qualify for the additional funding. Each dean would present his or her college plan for allocation of the funding to the provost for approval.

Assessment and Metrics

The analysis and projections used by the task force would increase Ohio University's total faculty compensation to the next quartile among our peers over the next 5 years. Because our peers necessarily have their own plans and priorities and are operating within their own unique funding environment, we would need to reevaluate our progress toward this goal each year. Successful completion would require the allocation of additional precious institutional resources each year, as specified in Appendix B. Current projections show that we would be able to secure that funding and still meet the other important goals of Vision OHIO. Those projections, however, make reasonable but important assumptions about state funding and enrollment that would also need to be reevaluated each year.

The improved recruitment and retention of outstanding faculty that can be achieved by this plan will further the university toward its vision of being "recognized for the excellence of its faculty and the balance they strike between teaching and scholarship." This recommendation is a vital component in our overall plan to achieve the goals of Vision OHIO.

**Ohio University Athens Campus
Faculty Compensation Peer Comparisons and Estimates
5-Year Plan to Increase OU Mean Compensation in Relation to Peer Institutions**

	Year 1	Year 2	Year 3	Year 4	Year 5	Grand Total
1.) All Ranks Total Annual Anticipated Compensation Increase to Achieve Goal	\$3,944,815	\$4,145,487	\$4,356,372	\$4,577,991	\$4,810,889	\$21,835,554
2.) OU Anticipated Total Compensation Increase*	\$2,728,056	\$2,903,989	\$3,091,314	\$3,290,854	\$3,503,500	\$15,517,713
Portion Attributed to Salary:	\$1,703,574	\$1,792,834	\$1,885,730	\$1,982,348	\$2,082,770	\$9,447,256
Portion Attributed to Health-Related Benefits:	\$730,874	\$803,962	\$884,358	\$972,794	\$1,070,073	
Portion Attributed to Non-Health Benefits:	\$293,608	\$307,194	\$321,227	\$335,713	\$350,657	
3.) Additional OU Compensation Increase Needed (Difference: Line 1 - Line 2)	\$1,216,759	\$1,241,498	\$1,265,058	\$1,287,137	\$1,307,389	\$6,317,841
Portion Attributed to Salary:	\$1,085,805	\$1,110,168	\$1,133,602	\$1,155,831	\$1,176,535	\$5,661,941
Portion Attributed to Health-Related Benefits:	\$0	\$0	\$0	\$0	\$0	\$0
Portion Attributed to Non-Health Benefits:	\$130,954	\$131,330	\$131,456	\$131,306	\$130,854	\$655,900
4.) Annual OU All Ranks Mean Compensation with Anticipated Compensation Increase	\$98,352	\$103,886	\$109,073	\$115,815	\$122,238	
Mean Salary:	\$74,555	\$78,636	\$82,621	\$86,898	\$91,249	

*Using BPC recommended increase (3.2%) for salary and non-health related benefits and Human Resources recommended increase (10.0%) for health-related benefits in all five years.

Note: Data represents Ohio University 2006-07 Actual Compensation and Peer Universities 2006-07 Projected Compensation

**Public Doctoral/Research-Extensive Faculty Compared with Ohio University Faculty
Ohio University Peers**

	Professor			
	Average Compensation	Comp. Rank	Adjusted* Compensation	Adjusted* Compensation Rank
Auburn University, Auburn, AL	\$116,300	9	\$108,539	9
Clemson University, Clemson, SC	\$117,400	8	\$127,032	2
Indiana University – Bloomington	\$133,800	4	\$136,444	1
Ohio University	\$114,400	10	\$114,400	8
University of Connecticut, Storrs	\$145,800	2	\$121,855	3
University of Delaware, Newark	\$147,500	1	\$119,622	5
University of Missouri – Columbia	\$117,800	7	\$118,036	6
University of New Hampshire, Durham	\$128,300	5	\$105,676	10
University of North Carolina – Chapel Hill	\$138,300	3	\$115,720	7
University of Tennessee, Knoxville	\$122,300	6	\$120,249	4
Washington State University, Pullman	\$110,500	11	\$100,963	11

*Cost of living adjustment: Athens, OH to each city (<http://www.homefair.com>)

Source: The Chronicle of Higher Education, April 28, 2006 based on data from AAUP Academe
Ohio University Office of Institutional Research

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**Public Doctoral/Research-Extensive Faculty Compared with Ohio University Faculty
Ohio University Peers**

	Associate Professor			
	Average Compensation	Comp. Rank	Adjusted* Compensation	Adjusted* Compensation Rank
Auburn University, Auburn, AL	\$84,200	11	\$78,581	10
Clemson University, Clemson, SC	\$88,500	8	\$95,761	2
Indiana University – Bloomington	\$94,400	5	\$96,266	1
Ohio University	\$88,800	7	\$88,800	5
University of Connecticut, Storrs	\$106,900	1	\$89,344	4
University of Delaware, Newark	\$106,200	2	\$86,128	6
University of Missouri – Columbia	\$84,400	10	\$84,569	7
University of New Hampshire, Durham	\$99,000	3	\$81,543	8
University of North Carolina – Chapel Hill	\$95,700	4	\$80,075	9
University of Tennessee, Knoxville	\$93,300	6	\$91,735	3
Washington State University, Pullman	\$84,800	9	\$77,481	11

*Cost of living adjustment: Athens, OH to each city
Source: The Chronicle of Higher Education, 1/2006
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*Cost of living adjustment: Athens, OH to each city (<http://www.homefair.com>)

Source: The Chronicle of Higher Education, April 28, 2006 based on data from AAUP Academic

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**Public Doctoral/Research-Extensive Faculty Compared with Ohio University Faculty
Ohio University Peers**

Assistant Professor				
	Average Compensation	Comp. Rank	Adjusted* Compensation	Adjusted* Compensation Rank
Auburn University, Auburn, AL	\$73,900	10	\$68,969	8
Clemson University, Clemson, SC	\$79,500	6	\$86,022	1
Indiana University – Bloomington	\$80,200	5	\$81,785	2
Ohio University	\$75,100	9	\$75,100	4
University of Connecticut, Storrs	\$87,600	1	\$73,214	5
University of Delaware, Newark	\$86,200	2	\$69,908	7
University of Missouri – Columbia	\$68,800	11	\$68,938	9
University of New Hampshire, Durham	\$82,600	3	\$68,034	10
University of North Carolina – Chapel Hill	\$81,100	4	\$67,859	11
University of Tennessee, Knoxville	\$77,600	7	\$76,298	3
Washington State University, Pullman	\$77,400	8	\$70,720	6

*Cost of living adjustment: Athens, OH to each city
Source: The Chronicle of Higher Education, 1/2006
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*Cost of living adjustment: Athens, OH to each city (<http://www.homefair.com>)

Source: The Chronicle of Higher Education, April 28, 2006 based on data from AAUP Academic

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**Public Doctoral/Research-Extensive Faculty Compared with Ohio University Faculty
Ohio University Peers**

	All Ranks			
	Average Compensation	Comp. Rank	Adjusted* Compensation	Adjusted* Compensation Rank
Auburn University, Auburn, AL	\$92,400	7	\$86,234	10
Clemson University, Clemson, SC	\$91,700	8	\$99,223	2
Indiana University – Bloomington	\$103,200	5	\$105,240	1
Ohio University	\$91,300	9	\$91,300	5
University of Connecticut, Storrs	\$114,600	1	\$95,779	3
University of Delaware, Newark	\$112,000	2	\$90,832	6
University of Missouri – Columbia	\$88,900	10	\$89,078	7
University of New Hampshire, Durham	\$107,500	3	\$88,544	9
University of North Carolina – Chapel Hill	\$106,000	4	\$88,693	8
University of Tennessee, Knoxville	\$93,800	6	\$92,227	4
Washington State University, Pullman	\$86,500	11	\$79,034	11

*Cost of living adjustment: Athens, OH to ea
Source: The Chronicle of Higher Education, 1
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Source: The Chronicle of Higher Education, April 28, 2006 based on data from AAUP Academe

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