



320 STEPHENS HALL  
UNIVERSITY OF CALIFORNIA

April 9, 2012

ROBERT ANDERSON  
Chair, Academic Council

*Subject: Report of the Senate-Administration Taskforce on Faculty Salaries*

Dear Bob,

On March 12, and April 2, 2012, the Divisional Council (DIVCO) of the Berkeley Division discussed the report of the Senate-Administration Taskforce on Faculty Salaries, informed by reports of our divisional committees on Academic Planning and Resource Allocation (CAPRA), Budget and Interdepartmental Relations (BC), Faculty Welfare (FWEL), and Status of Women and Ethnic Minorities (SWEM).

DIVCO and the reporting committees all agree that there are serious faculty salary and compensation issues that must be addressed. UC faculty salaries lag behind those of our competitors, substantially so in some fields. Additionally, FWEL noted: "An emphasis on recruitment and retention has led to a serious loyalty penalty problem and to salary inversion problems in many units."

We do not, however, believe that this proposal is best strategy for addressing these issues. We considered the relative benefits and costs of the proposal, including purported improvements in faculty retention. The prevailing sense of DIVCO is that the costs of the proposal outweigh the modest benefits we can expect from its implementation. While there was a broad consensus on DIVCO opposing the report's recommendations, we also acknowledge there will undoubtedly be a subset of our campus colleagues who support them.

The discussion in DIVCO brought a number of serious concerns to the fore.

**Berkeley's approach to compensation**

The Berkeley campus currently has a vigorous approach to compensation and salary setting. Initiatives currently underway include a salary adjustment linked to promotion to tenure, and a targeted decoupling initiative to provide competitive salaries to high-performing faculty members. Further, there is strong Senate involvement from conception through detailed implementation of these efforts, as opposed to the more mechanistic and centralized approach envisioned by the proposal.

We believe that the issue on this campus is one of insufficient funding for competitive salaries, not the process by which salary and compensation is determined. In addition, the scope and nature of the Senate role in determining compensation for faculty on our campus is a core principle that must be preserved going forward.

### **Merit-based salary setting**

We are also concerned that the proposal runs counter to Berkeley's strong tradition of merit-based salary setting. DIVCO underscored FWEL's observation:

Its operation would give faculty extra bumps in salary at the time of a merit increase essentially based on retention and recruitment packages offered to colleagues in a broad range of departments, so that faculty become free-riders on the success of their colleagues. This is not a merit-based system of adjusting faculty salaries, and would meet considerable opposition on many fronts. It has a "Lake Wobegon" aspect to it—that everyone is above average—which would not sit well with many observers and which is inconsistent with our traditions.

We believe that any retreat from the merit-based approach that has served this campus well should be strongly opposed.

### **Exacerbates recruitment, retention and equity issues**

With respect to the proposal's effect on faculty recruitment and retention, DIVCO agreed with the BC's analysis. In sum:

Step 2 of the proposed salary plan significantly raises the cost of recruitment and retention efforts (assuming no reduction in quality in the former activity and no "gaming" the step system for either activity). This indirect cost is substantial—it will likely raise the costs of recruitment and retention by between 65 and 120%. One possible response to such an increase is that the campus will forgo recruiting and retaining high-performing individuals. Another is that it recruits less distinguished individuals. Yet a third is a distortion ("gaming") of the rank-and-step system to avoid paying that indirect cost, leading to inequitable assignments of faculty to rank and step. None of these consequences are desirable and they would adversely affect Berkeley's quality, or the morale of its faculty, or both.

While equity was not included in the Taskforce charge, SWEM discussed the recommendations, noting:

... there is ample preliminary evidence (e.g., the Yahr report; ongoing salary equity studies in the School of Public Health) that pay disparities between faculty members at comparable rank and step correlate with respect to gender ...

The Taskforce recommends a system by which faculty advancement to a new rank and/or step is rewarded with a salary at least equal to the average of all campus faculty at that rank/step. The effect of such an averaging mechanism for determining salary would be to reduce disparities between faculty members; as such, it would necessarily reduce those disparities that specifically correlate to gender ...

Because of their effects on salary inequities, SWEM believes that the Taskforce recommendations would be positive. We are, however, adequately worried by the Chair of Budget Committee's argument that implementing the Taskforce recommendations would lead to the discouragement of recruiting and retaining highly paid faculty. If so, this will also hurt the recruitment and retention of highly paid women and URM faculty.

### **Campus needs beyond salary**

DIVCO also noted that the Taskforce recommendations must be considered in the larger context of campus needs. We believe that we should balance the need for higher faculty salaries with other pressing campus needs. CAPRA expressed this well:

We agree with the Task Force that that this under-funding of faculty salaries has a negative effect on faculty welfare and risks the loss of faculty to competitors. However, we note that salary is only one of several factors affecting our ability to compete for new hires and to retain faculty who have other employment options. Additional factors that are highly important are the collegial environment and policies of shared governance for which Berkeley is rightly famous, and the quality of the resources available (laboratories, libraries, IT, support services.) CAPRA has been concerned for some time that we are not investing enough in these latter resources, and that this underinvestment has a negative impact on faculty welfare. We believe that the broader picture should be weighed in evaluating how to allocate current and/or new funds on the campuses, and in advocating for increased funding.

### **UC financial initiatives**

Recent UC initiatives such as funding streams and rebenching have been welcome steps toward efficiency and flexibility for the campuses. These have been well received by the Berkeley Division because we believe that local control over finances gives faculty a much larger say in how funds will be used on this campus. DIVCO views the Taskforce proposal as an unfortunate step back from this direction by reinforcing that salary budgeting decisions are to be made by central authority.

Many of the key points of the discussion in DIVCO are discussed in detail by BC in its report. Accordingly, I am appending the BC report in its entirety. We are happy to provide the detailed analysis contained in the appendices to the BC report as well, if that would be helpful to Academic Council.

Sincerely,



Bob Jacobsen  
Chair, Berkeley Division of the Academic Senate  
Professor of Physics

Encl. (1)

Cc: Alexis Bell and Elizabeth Deakin, Co-chairs, Committee on Academic Planning and Resource Allocation  
Benjamin Hermalin, Chair, Committee on Budget and Interdepartmental Relations  
Yale Braunstein and Calvin Moore, Co-chairs, Committee on Faculty Welfare  
Pheng Cheah, Chair, Committee on the Status of Women and Ethnic Minorities  
Aimee Larsen, Manager, Committee on Budget and Interdepartmental Relations  
Diane Sprouse, Senate Analyst, Committee on Academic Planning and Resource Allocation, and Committee on the Status of Women and Ethnic Minorities

March 27, 2012

BOB JACOBSEN, CHAIR  
BERKELEY DIVISION OF THE ACADEMIC SENATE

RE: System-wide Salary Taskforce Recommendations

We write in response to your request for comments on the recommendations of the system-wide Senate-Administration Taskforce on Faculty Salaries (hereafter the “Taskforce”), set forth in a February 3, 2012 memorandum to Executive Vice President and Provost Lawrence Pitts (hereafter the “Taskforce memorandum”). This document and attached appendices detail our analysis of the Taskforce memorandum.

To summarize our conclusions: we find that implementation of the Taskforce’s proposals would not be in the interest of the University of California system as whole. Implementation would definitely not be in this campus’s interest. If it proves politically infeasible to block implementation completely, then Berkeley should insist the policy be formulated in a way that allows campuses to opt out of participating; at the very least, campuses must be allowed to opt out of “Step 2” of the recommendations. Overall, we find that the costs associated with the Taskforce’s recommendations—financial, political, and in terms of quality—to be greater than the Taskforce memorandum suggests; that the costs outweigh the benefits; and that the benefits are less than the Taskforce memorandum suggests. Moreover, many of the purported benefits could be realized via less costly means—means that have already proved successful on this campus. We detail the rationales for these conclusions below. Given the length of this document, we have divided it into sections and provided short summary paragraphs at the end of most sections.

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## ***Our Review Process***

In addition to considering the Taskforce memorandum itself, other information was gathered. To wit, the Budget Committee (BC) Chair had meetings with (i) Vice Provost Janet Broughton and EVC&P George Breslauer; (ii) Bob Jacobsen and Christina Maslach, Chair and Vice-Chair of the Berkeley Division of the Academic Senate; and (iii) Robert Anderson, Chair of the Academic Senate (system-wide). The BC Chair also attended the March 8, 2012 meeting of the University Committee on Appointments and Promotions (UCAP) in Oakland, at which the Taskforce memorandum was discussed. Oral summaries of the discussions at those meetings were provided to the other members of the BC and discussed by the BC as a whole. We have also availed ourselves of data supplied by Vice Provost Broughton on retention and salaries.

As part of our review process, we provided a written preliminary assessment to Division Chair Jacobsen (see Appendix A). This assessment was discussed at the March 12, 2012 DIVCO meeting. Our preliminary assessment was—as our final assessment is—negative. In our earlier assessment, we indicated that the recommended policy would not adequately achieve its stated goals; could prove unduly costly to the campuses; and would very likely significantly increase Berkeley’s costs of attracting and retaining the best scholars. Further review has not changed those conclusions.

At the March 12<sup>th</sup> DIVCO meeting, a concern was expressed that our preliminary assessment neither discussed nor gave appropriate weight to the positive consequences of the Taskforce’s recommendations in terms of improved equity. We address that concern below. Although the Taskforce’s recommendations may improve equity, the improvement is more modest than it might at first seem.

## ***High Costs***

### **Direct Costs and Funding Concerns**

In the first year, the Taskforce estimates that annual salary costs would increase by approximately \$30 million system-wide above what they otherwise would have been. After two years, the cost rises to approximately \$60 million. Projections beyond that are not offered, but since year three would represent the third year of a normal merit cycle, extrapolation suggests additional annual salary costs would be approximately \$90 million. Costs will likely rise thereafter. Note that these cost estimates *exclude* the additional costs that could arise as a consequence of recruitment and retention (discussed below, see also Appendix B).

In discussions, proponents of the new salary system have claimed it will be put in place only if adequate state funding is provided. Yet some phrases in the Taskforce memorandum create doubt about whether that is truly a condition for implementation. For example, point #3 of the memorandum’s executive summary suggests that adequate state funding may not be a necessary condition; and p. 11 of the memorandum it expressly states that “individual campuses will have

to generate the salary increase dollars.” Moreover, this last excerpt refers to Step 2, which for the Berkeley campus will be the more expensive of the two steps.

Even if state funding were provided for the first few years of the program, experience teaches that the state is an unreliable partner. There is a real danger that state funding would later disappear, and the new salary program would become either an unfunded mandate (even if it doesn’t start in whole or in part that way) or it would have to be suddenly abandoned, creating serious equity and morale issues because some faculty would have benefitted by virtue of the timing of their merit cycles and others would be left with nothing.

Cost estimates for the new salary system are predicated on absorption of decoupled increments at time of next merit review (see footnote 7 of the Taskforce memorandum).<sup>\*</sup> Under current Berkeley practice, decoupled increments are *not* absorbed at time of next merit; rather, actual salary equals the rank-and-step salary at the new step plus the previously earned decoupled increment. Absorption means that the decoupled increment is eliminated if the rank-and-step component at the new step exceeds the faculty member’s current salary; or it is reduced—and she receives no pay increase—if her current salary exceeds the rank-and-step component at her new step.<sup>†</sup> For over a decade, decoupled increments have not been absorbed on this campus because absorption was deemed to be self-defeating in retention cases (faculty knew that the increased decoupling due to retention would shortly be “taken back,” so they discounted Berkeley’s retention offers) and demoralizing when it led to no salary increase despite a successful merit. If Berkeley were compelled to adopt the Taskforce’s new salary program, it would either have to resort to absorption, which would reintroduce the aforementioned problems and would not be popular, or this campus would face even higher costs than currently estimated.

**Section summary:** The costs of implementing the Taskforce’s new salary program are very high, and they are likely significantly higher than the Taskforce memorandum indicates. Unless Berkeley wishes to drop its policy of not absorbing decoupled increments at time of merit advance, the costs will be higher still. There are reasons to be suspicious of claims that the new program will be implemented only if adequate state funding is available. Indeed, there is a significant chance that the campuses will have to come up with the necessary funding.

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<sup>\*</sup> The Taskforce writes about the “off-scale” portions of faculty salaries, which are called decoupled increments on this campus. Most faculty salaries at Berkeley have a rank-and-step component, which is the amount listed in the relevant pay scale for a faculty member’s rank and step, and a decoupled increment; the sum of the two equals a faculty member’s salary.

<sup>†</sup> For example, consider two physicists, Mary and Jane. Both are currently Professor, Step IV. Mary’s salary is \$105,000 and Jane’s \$108,000 (their decoupled increments are \$5700 and \$8700, respectively). Absent absorption, a one-step merit advance for each would make their salaries \$112,100 and \$115,100, respectively. With absorption, they would be \$106,400 and \$108,000, respectively.

## Indirect Costs Arising from Recruitment and Retention

Recruitment or retention cases often award the faculty candidate a larger-than-average salary for his or her rank and step. Consequently, the recalculated average salary for that rank and step will be higher. Because, under Step 2 of the proposed salary program, that recalculated average is the minimum salary of anyone advancing to that rank and step in the future, there is an indirect cost of recruitment and retention due to those actions' effects on the salaries of others. That is, if a faculty member gets  $\Delta$  more in salary than is average for her rank and step, then the pay level for that rank and step increases by  $\Delta/N$ , where  $N$  is the number of faculty currently at that rank and step.<sup>‡</sup> This increase in the pay level is an additional indirect cost of the proposed salary program.

An analysis that the BC Chair conducted—subsequently reviewed and endorsed by the Committee as a whole—indicates that this indirect cost raises the total cost of a recruitment or retention action by between 65 and 120% of the direct cost. That is, under the proposed salary program, the cost of recruitment and retention would roughly double. A copy of that analysis is attached as Appendix B. Some members of the Committee believe those estimates of the indirect costs are *too low* because these estimates exclude certain factors (see footnote 2 on page 2 of the Appendix B document).

To provide some context on those estimates, data from academic years 1998-2006 indicate that Berkeley had approximately 46 retention cases per year and retained on average 33.<sup>§</sup> Suppose that, on average, each retained individual's salary is \$20,000 above what it would otherwise have been;<sup>\*\*</sup> that is, above the relevant rank and step average. Hence, the *direct* annual cost of retention is \$660,000. Even just the 65% estimate implies, therefore, an additional *indirect* cost \$429,000, roughly the equivalent of four new assistant professors (including benefits). Hence, in terms of forgone slots, the *lowest* estimate of the indirect cost arising from the proposed salary program is equivalent to a loss of 6% of current annual recruitment on this campus.

The Committee believes that such a significant increase in the cost of recruitment and retention will either discourage recruitment and retention or cause other distortions. A well-known principle is that if the cost of an activity increases, less of it is done. Hence, a response to the proposed salary program could be less retention of key faculty or less effort to attract top faculty to Berkeley. A related distortion could be recruitment of less distinguished faculty, for whom salaries will tend to be lower.

Yet another possible distortion is that, although Berkeley continues to retain and recruit the same caliber faculty as before, it seeks to avoid the indirect cost by advancing or appointing these faculty at very high ranks and steps. The rationale for such a distortion is that the indirect cost

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<sup>‡</sup> Actually, the increase in salary is  $\Delta/N$  only for one year. It is higher for subsequent years because the first beneficiaries of this higher salary also, then, contribute to a higher average. See the analysis in Appendix B.

<sup>§</sup> Data supplied by Vice Provost Broughton. More recent data suggest the number of retention cases is closer to 50 per year and that we retain 38 to 42 per year.

<sup>\*\*</sup> The figure of \$20,000 is a low-end ballpark estimate derived from recent retention cases.



disappears if a candidate is advanced or appointed to a rank and step at which the average salary is approximately equal to the salary necessary to retain or recruit him or her. Such a manipulation would make a mockery of the notion that rank and step reflect academic merit. It would also be demoralizing to long-serving Berkeley faculty, who would risk seeing less accomplished faculty advanced or appointed at ranks and steps well above their own. Certainly many long-serving Berkeley faculty would see that as inequitable.

**Section summary:** Step 2 of the proposed salary plan significantly raises the cost of recruitment and retention efforts (assuming no reduction in quality in the former activity and no “gaming” the step system for either activity). This indirect cost is substantial—it will likely raise the costs of recruitment and retention by between 65 and 120%. One possible response to such an increase is that the campus will forgo recruiting and retaining high-performing individuals. Another is that it recruits less distinguished individuals. Yet a third is a distortion (“gaming”) of the rank-and-step system to avoid paying that indirect cost, leading to inequitable assignments of faculty to rank and step. None of these consequences are desirable and they would adversely affect Berkeley’s quality, or the morale of its faculty, or both.

## Political and Other Costs

Even if adequate state funding were available for the new salary program, it might prove politically costly (*i.e.*, a public relations disaster that would have negative political repercussions) to direct so much of that funding to faculty salaries at time when the University is otherwise making cutbacks in staff and programs and raising tuition and fees.

Such political fallout could be exacerbated by the following. Most of the dollars spent on salary increases under the Taskforce’s proposal will go to faculty with below average salaries. Because faculty salaries are positively correlated—albeit imperfectly—with accomplishment, the Taskforce’s proposal will—on average—more heavily reward less accomplished faculty than it will more accomplished faculty. Given strong public sentiment for *more* merit-based pay for public employees (*e.g.*, school teachers), this aspect of the Taskforce’s proposal could make it even more politically costly.<sup>††</sup>

Political concerns aside, there are many other pressing needs on this campus. Hence, although an increase in faculty salaries is to be welcomed, there are other campus priorities that would also be very deserving of a share of any increased state funding.

If no or inadequate state funding is provided for the Taskforce’s proposal, but it is nevertheless enacted, then the consequences could be even more painful, because funds currently allocated to staff, faculty hiring, infrastructure and maintenance, and ensuring Berkeley remains accessible and affordable would need to be diverted to fund the proposed salary plan.

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<sup>††</sup> In this regard, it should be remembered that one motive President Yudof had to make the October 1, 2011 salary adjustments partially merit based was precisely to make it more politically palatable than a simple across-the-board salary increase.

Furthermore, to the extent that the Berkeley campus will need to pay for the new salary program, it will likely be forced to abandon other salary programs, such as market-based salary adjustments at time of tenure and the current targeted decoupling initiative (TDI). Faculty who were promised TDI awards or who were led to expect a significant salary adjustment at time of tenure are likely to feel they had been treated unfairly. Such demoralization could prove costly in terms of commitment of effort and future retention cases.

**Section summary:** There are significant public relations costs to the new salary program even if adequate state funding is available. Moreover, if such funding is truly available, there are other pressing needs that should also be addressed. If no or inadequate state funding is provided, then the new salary program will have a significant effect on other spending on the campus, including facilities, faculty recruitment, and existing salary programs. These would all prove problematic and lead to lower faculty morale.

## ***Modest Benefits***

### **Increased Faculty Salaries**

There is no denying that the new salary program will raise some faculty salaries. Three points, though, should be kept in mind: (i) the increases are relatively modest on this campus; (ii) the new salary program is not the only means available for increasing salaries; and (iii) the increases will not be evenly distributed among the faculty.

According to the Taskforce memorandum, the *average* salary increase for Berkeley faculty is 2.4% in the first year and 2.7% in the second year. Both numbers, it should be noted, are less than the 3% we received on October 1, 2011.

The October 1, 2011 salary adjustment or traditional range adjustments (increases to the on-scale portion of salaries) represent alternative models of providing salary increases. One could also consider variations on such models: for instance, a more progressive version of the October 1, 2011 salary adjustment that gave an  $x\%$  increase on the first  $\$y$  thousand of salary, a  $z\%$  increase on the next  $\$w$  thousand, and so forth, where  $z < x$  (e.g., 4% on the first \$100,000, 2% on the next \$100,000, and 0% thereafter). Another alternative is to give a percentage increase to the on-scale portion of salary (*i.e.*, like a range adjustment) and a smaller percentage (or no) increase to the decoupled increment.

Under the Taskforce's proposed salary plan, faculty whose salaries are above average for their rank and step could see little or no increase at all: as envisioned in the Taskforce memorandum, any increase in the scale would result in the absorption of an equal amount of those faculty members' decoupled increments. For example, consider a Professor, Step IV on the regular scale who has a decoupled increment of \$24,000 (the Berkeley average). Her current salary is, thus, \$123,300. She would be eligible for a salary increase at her next merit advance. The on-scale salary at Professor, Step V, under the new salary program is estimated to be \$124,100. Her increase in salary would, therefore, be \$800 or 0.6%. Had her decoupled increment been \$25,000, she would have received no salary increase.

Although the highly progressive nature of the Taskforce’s proposed salary program could be welcomed by some, many other faculty would perceive it as being unfair that they received little or no increase under the plan, especially after they have enjoyed a successful merit.

**Section summary:** The Taskforce’s proposed salary plan would raise salaries on average. That noted, similar size increases could be achieved via alternative programs that would not generate the indirect costs and other distortions associated with the Taskforce’s plan. Moreover, it is likely that many faculty will view the Taskforce’s plan as unfair insofar as the distribution of salary increases is highly uneven and many meritorious faculty would enjoy little or no pay increase.

### **Improved Faculty Retention (Alleged Benefit)**

It is claimed in the Taskforce memorandum (p. 13) that the new salary plan (specifically Step 2) “is a mechanism that has been in place at UC Irvine for several years, . . . and has proved effective in faculty retention.” *A priori*, we do not understand why this would be true even if it were. Worse, we have been told that UC Irvine actually suffers from retention problems.<sup>††</sup> It is unfortunate—and rather unscientific—that the Taskforce did not compare retention rates at UCI with those at the other UC campuses.

As noted above, because Step 2 of the Taskforce’s salary plan significantly increases the costs of retention, it should lead to fewer successful retention cases. For that reason it could lead to more successful poaching of Berkeley faculty by our rivals: given the costs of generating outside offers, rival institutions are more likely to hunt, all else equal, where they think their chances of success will be greatest. In short, adoption of the Taskforce’s plan could lead to Berkeley losing more of its stars.

**Section summary:** Although the Taskforce memorandum claims a benefit of the new pay plan would be to improve faculty retention issues, both logic and actual experience indicate that just the opposite is more likely true.

### **A Means (Questionable) to Keep UC Faculty Salaries Competitive**

One of the principal goals of the new salary program is to keep UC faculty salaries competitive with those at relevant peer institutions. The way this would work is through Step 2 of the plan: Every competitive recruitment and retention case would raise the average salary at the candidate’s rank and step. Specifically, if she receives  $\Delta$  more in salary than is average for her rank and step, then the pay level for that rank and step increases by  $\Delta/N$ ,  $N$  the number of faculty

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<sup>††</sup> Conversations that Division Chair Jacobsen had with UCI colleagues indicate that UCI has a retention problem in the sciences. In a conversation with BC Chair Hermalin, Senate Chair (systemwide) Anderson confirmed that retention was an issue across the campus at Irvine.

currently at that rank and step. Faculty subsequently advanced to that rank and step would obtain a greater salary (see page 3 of Appendix B for details). In this way, UC salaries would increase somewhat to reflect market.

Although this effect will tend to raise UC salaries, observe that division by  $N$  means the effect is somewhat limited if there are a large number of faculty at the candidate's rank and step. (For example, if  $N = 30$ , then the long-run effect of a  $\Delta$  of \$20,000 is a \$1,000 salary increase for each individual advancing to that rank and step.) Of course, if there are lots of competitive recruitments and retentions at a particular rank and step, then the increase in the salaries of others advancing to that rank and step will be larger.

A serious concern about this mechanism is that it is likely self-defeating. As discussed above, because this mechanism roughly doubles the cost of recruitment and retention, it will in all likelihood lead to either less recruitment and retention, or to a gaming of the system by which recruits and retained faculty are brought in at or advanced to higher ranks and steps to keep their high salaries from having much of an effect on the relevant averages. In short, a mechanism that seeks to operate under the principle that a rising tide raises all boats simultaneously provides incentives to build a dam to keep the tide from coming in. Moreover, to the extent that cost concerns cause a campus to lose retention cases involving its high fliers—people whose salaries are already above average—there is a danger that the mechanism can actually serve to drive down salaries as water flows out of the harbor.

As with the issue of generally increasing salaries, there are other mechanisms available; moreover, these mechanisms are more direct and do not have the negative features of the Taskforce's recommended plan. Two such mechanisms are the use of targeted decoupling initiatives (TDIs) and efforts to provide discipline-specific, market-based salary adjustments at the time of promotion.<sup>§§</sup>

**Section summary:** Although it is advertised as a way to keep UC faculty salaries competitive, the Taskforce's recommended salary plan is a very indirect way of doing so. Its ability to do so—even assuming no negative feedback loop in terms of reduced recruitment or retention or gaming of the step system—seems modest. Once feedback is taken into account, the prospects for the Taskforce's plan to enhance the competitiveness of UC salaries become even dimmer. Furthermore, we reiterate that the Taskforce's plan is not the only possible answer: in particular, use of TDIs and market-based adjustments at time of promotion would serve the same purpose, more directly and with fewer side effects.

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<sup>§§</sup> Currently, Berkeley has just one promotion market-based salary adjustment, done at the time of promotion to Associate Professor (tenure). The administration and Budget Committee have expressed an interest in having a similar program at time of promotion to Professor, should funds become available.

## A Means to Undo the Loyalty Penalty

Another claimed benefit of the Taskforce's recommended salary plan is that it will address the "loyalty penalty," (see page 6 of the Taskforce's memorandum); that is, the tendency of long-serving faculty at UC campuses to get lower salaries than newly hired faculty of comparable, or even lesser, achievement.

To the extent long-serving faculty have lower salaries than more recently hired faculty *at the same rank and step*, then they will indeed see an increase in their salaries in the short run under the Taskforce's plan. Note, however, that the plan will do nothing to address salary inversion by age or step. That is, if the new, highly paid faculty are at a lower rank and step, their high salaries will have no effect on the salaries of long-serving faculty.

The *long-run* benefits of the proposed salary plan *vis-à-vis* the loyalty penalty are questionable. Data made available to us by Vice Provost Broughton show that the probability of becoming a retention case drops steadily with age after 35.\*\*\* If Berkeley's own hiring shows a similar age pattern, then recruitment and retention at the upper levels of the professoriat will be relatively rare and, thus, the influence of those actions on salaries at the upper steps of the professoriat minimal.

It is sometimes claimed that women suffer disproportionately from the loyalty penalty. The limited evidence available to us calls that claim into question, at least for the Berkeley campus: for the period 1998-2006, women faculty were 30% of all retention cases, while they were less than 25% of the total faculty (source of data: Vice Provost Broughton). Under-represented minorities were also disproportionately retention cases: for the same time period, nearly 10% of all retention cases involved members of under-represented minorities, while this segment made up little more than 6% of the faculty.

**Section summary:** The Taskforce's recommended salary plan could partially alleviate the loyalty penalty in the *short run* insofar as long-serving Berkeley faculty without recent retention actions (who are, thus, likely to have below average salaries for their rank and step) will see immediate raises. The Taskforce's plan is not, however, a long-run solution to the loyalty penalty. In neither the short nor long run is it a solution to issues of salary inversion by age and step. Finally, we again note that it is not the only possible remedy: TDI programs can and have sought to address the loyalty-penalty issue directly, again without the side effects of the Taskforce's plan.

## A Means to Improve Equity

Some of the issues considered previously already touch on matters of equity. One issue connected to equity is the salary dispersion within rank and step; specifically, if rank and step are

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\*\*\* The data concern Berkeley retention cases from academic years 1998-2006.

supposed to reflect achievement, then equity—at least by some definitions—suggests faculty at the same rank and step should earn similar salaries. Because the Taskforce’s recommended salary plan sets a floor for each faculty member’s salary at time of advancement or appointment to a given rank and step equal to the average at that rank and step, it must necessarily reduce salary dispersion within each rank and step. Consequently, it will improve equity.

Two questions arise: (i) how inequitable are current Berkeley salaries? And (ii) by how much would the Taskforce’s salary plan improve equity? In other words, how big is the problem and how much of a fix will the Taskforce’s salary plan provide?

A complete study of equity was beyond the capacity of this Committee. However, a limited exercise, while not definitive, does offer some sense of what the answers to those questions might be. The details of our analysis may be found in Appendix C. For data, we took all Professors in the Divisions of Arts and Humanities and Social Sciences (with the exception of Economics, which has a different pay scale) at Steps III through IV.5. The rationale for choosing this group is given in Appendix C. For each step, various measures of inequality were constructed using actual salaries and also under the assumption that those with salaries below the average would have them raised to the average. Three measures were calculated: the coefficient of variation (CV), the inter-quartile range divided by the median (a “robust” variant of CV—call it RCV), and a Gini coefficient. For all these measures, a higher score means greater *inequality*. Across the four steps, using actual data, the CV varied between 10% and 24%; RCV between 9% and 24%; and the Gini coefficient between .06 and .12. To provide a sense of magnitudes, the OECD iLibrary reports a CV for US income of 90% and a Gini coefficient of .38. For Sweden, these numbers are 80% and .23. Across the four steps, raising all salaries below average to the average, the CV varied between 6% and 16%; RCV between 1% and 8%; and the Gini coefficient between .03 and .07.

It is doubtless open to debate as to what constitutes an unacceptable level of inequality within rank and step and how valuable the reductions in that inequality described above are. That said, given the various competing goals that the campus faces—including preserving and enhancing the quality of its faculty—we are unconvinced that these equity gains trump the significant costs that the Taskforce’s proposal would impose.

Finally, we again note that the proposed pay system is not the only way to address inequality: TDIs are another proven way to address it.

**Section summary:** The Taskforce’s proposed salary plan would reduce inequity in salaries with any given rank and step. Although a legitimate concern, a partial analysis of the situation at Berkeley suggests that such salary inequality is not especially great. Moreover, the Taskforce’s plan does not seem as if it would reduce that inequality dramatically. Finally, alternative methods exist to address inequality, such as the use of TDIs.

## ***Final Remarks***

After careful review and discussion, the Committee has concluded that the new salary program set forth in the Taskforce memorandum is a bad plan. It is very costly and the costs—claims of its proponents notwithstanding—will be borne in large part, if not entirely, by the campuses. In contrast, the benefits it delivers, at least for the Berkeley campus, are relatively small and no greater than those provided by existing, less expensive programs. Whatever new funding may exist to fund the Taskforce’s plan could be better spent—if only to expand existing salary programs such as market-based salary adjustments at time of promotion and targeted decoupling initiatives (TDIs).

It is not only that the costs of the proposed plan would outweigh its benefits that make us recommend against it. The proposed plan would also generate a number of distortions that would jeopardize the quality of UC Berkeley, demoralize its faculty, or both. It would—on average—give greater pay increases to our less-accomplished faculty than to our more-accomplished faculty, with the latter group possibly facing small to no pay increases in the short term. It would likely mean the end of existing salary programs, which would represent broken promises. Finally, it would mean either Berkeley would be seriously disadvantaged in terms of recruitment and retention because the costs of those activities would roughly double, or, as a means of evading those costs, Berkeley would be forced to “game” the rank and step system so that rank and step came to reflect market salary more than merit.

For all these reasons, our recommendation is that the Senate resist as fully as possible the adoption of the Taskforce’s recommended salary plan. Should that prove a losing battle, then the line of retreat should be to allowing campuses to opt out of it. The final line should be that Berkeley be allowed to opt out of the Step 2 provision, which is the most pernicious and harmful feature of the plan.

Benjamin E. Hermalin, Chair  
Committee on Budget and Interdepartmental  
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