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research for the real world

Paying Professors

My first published article (way back in 1995) was about the compensation of university professors.

I am now about to face putting research into practice. This month, I become the new chair of the economics department at Cornell. Among my many new administrative duties will be making compensation recommendations for my colleagues. Compensation systems for college professors offer unique challenges and opportunities. That said, the importance of pay and performance, institutions and strategy are as relevant in academic markets as they are anywhere else. Many lessons from general compensation practice can be applied. Unfortunately, many times they are not.

Tenure, aka Lifetime Employment

One of the most interesting quirks of academia is professorial tenure. Many argue that tenure is necessary so that faculty can be protected by "academic freedom" to study the issues they find important without outside interference or pressures to conform. It is also, obviously, a nonmonetary reward and this security for life could offset higher salaries. At many colleges and universities, faculty are hired as assistant professors soon after earning a Ph.D. In the typical case, they are evaluated in their sixth year for promotion to associate professor with tenure or are let go. This is sometimes called up or out, and essentially squeezes a lifetime of job risk into one big performance review. This evaluation includes considerations of the quality and quantity of the candidate's teaching, research and service record. The process is formal and serious. It includes letters from outside experts, is built on the cumulative career portfolio of work, and takes many, many months of peer and administrative assessment.

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Few accounts of the tenure system, however, recognize that while tenure essentially grants a job for life, it does not come with guaranteed lifetime raises. And given inflation and compounding, this matters a lot. As one of my friends told me when I earned tenure in 2001, "Congratulations: You have just been guaranteed a job with zero lifetime wage increases."

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Pay and Performance

So what is it these tenured professors do? What performance should they be paid for? Professors (tenured and untenured) primarily teach, conduct original research and provide service to their universities and the profession at large (e.g., serve on recruiting, budget and admissions committees, advise students and write letters of recommendation for them, provide feedback and publishing recommendations to peer-reviewed journals). Some colleges and universities (and even departments within) differentiate themselves by developing reputations for teaching and student-centric cultures. Others choose to stand out for their faculty's research. Theory would say that good pay-for-performance practices should reflect these business and branding strategies.

There is evidence that pay of university faculty is indeed related to metrics reflecting these varied activities. In particular, Bernt Bratsburg, James F. Ragan Jr. and John T. Warren show that faculty pay is related to, among other things, the number of Ph.D. student advisees, number of books written, number of articles written and measures of quality of research, such as number of citations. ("Negative Returns to Seniority: New Evidence in Academic Markets," *Industrial and Labor Relations Review*, 2003).

Some academic organizations, however, give roughly across the board annual raises. They don't seriously reward performance until a faculty member comes up with an outside offer. The department chair and college dean or president are then faced with deciding in a short time whether to let the person go or retain the faculty member by matching or beating the competing total rewards offer (compensation considered not just in terms of direct salary but also teaching load, course choice, office or lab resources, etc.). This kind of compensation practice creates incentives for above-average professors to spend a lot of time looking for a job, which takes time away from activities more productive for the school, namely teaching, research and service.

Inequality

Dramatic differences can develop in pay for tenured professors even in the same school (e.g., one professor of history may have a salary that is twice that of her colleague in the next office with the same number of years of experience). Faculty, administrators and the public have differing views about how big these gaps really should be. And very little is known about how big they actually are. If gaps are reflecting performance pay differences, this may be fine. If gaps are reflecting a long ago difference in performance pay due to once-differing performance that has now grown simply through compounding, maybe this is a problem. If gaps are due to gender bias or other discrimination, this is obviously unacceptable.

In an interesting new study, our Institute for Compensation Studies (ICS) at Cornell is collecting demographic and compensation information on every faculty member in every year for a single university (the university is not Cornell) for more than 100 years. From this we hope to examine changes in inequality, the gender pay gap and many other issues that such unique longitudinal data can inform. And, as the summer research assistants that I am paying to transcribe those decades-old records into spreadsheets pound away at their keyboards, I'm going back to contemplating the salary recommendations that will soon be my responsibility.

got a question

The Institute for Compensation Studies (ICS) at Cornell University analyzes, teaches and communicates about monetary and nonmonetary rewards from work, and how rewards influence individuals, companies, industries and economies. ICS research and leading-edge insight address compensation issues challenging employers and employees in today's dynamic global marketplace. **www.ilr.cornell.edu/ics**

Send topic suggestions to **ics-ilr@cornell.edu**.