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ABSTRACT

This report describes efforts by Wheaton College in Norton, Massachusetts, to address the problem of inadequate faculty salaries by developing and implementing a "profit-sharing" plan that adjusts the faculty salary pool in relation to changes in the institution's financial well-being. It notes that faculty-administration relations at the small liberal arts college had soured in the early 1990s as a result of faculty salary issues. The plan posits that as the college's resources increase or decrease relative to the mean of nine comparison institutions, Wheaton faculty salaries will change by the same margin. The "floor" of the plan stipulates that faculty salaries will increase at the rate of the consumer price index, while the "ceiling" stipulates that if Wheaton faculty salaries become equal to the mean salaries at the comparison institutions, they will not exceed that mean until Wheaton's resource base increases to within 20 percent of the average resources of the comparison institutions. The plan was successfully implemented and created a climate in which faculty began to consider themselves stakeholders in the institution's financial well being, leading to their increased participation in recruitment, retention, and fund raising.

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The college was about to embark on a major capital campaign, and the prospect of faculty playing an active role in this effort appeared slim in this environment. As one faculty member had proclaimed, “Why should I be the poster child of a campaign that isn’t going to benefit me?”

Facing the Facts

Dale Rogers Marshall had seen upon her arrival as president in 1992 that the critical question was how long the investment in Wheaton’s human resources could take a back seat to its investments in other areas. “It was my philosophy to stretch to meet the human needs,” she says. During this period, Edwin J. Merck, the college’s vice president for finance and operations, had developed a model that linked growth in faculty salaries to growth in the college’s resource base. With the president’s encouragement, he began meeting with a small group of faculty — including John Gildea, John Miller, and Gordon Weil, all of whom are professors of economics — to test and refine this concept toward a salary plan that faculty and trustees would find acceptable.

After determining an appropriate set of nine institutions in the Northeast for comparison, this group came to discover in Wheaton’s circumstance a disequilibrium of greater magnitude than anyone had anticipated. While Wheaton’s average faculty salaries were 4 percent below the mean of the “Northeast nine,” the college’s resource base was 31 percent below the mean of those institutions. These data made clear that the college had in fact been allotting a larger share of its resources to faculty salaries than any of its competitors had done.

“My heart sank when I saw how far we were behind our comparison group on the resource front,” says John Miller. “The discovery helped to impress on all of us that we couldn’t squeeze blood from a stone.” The heightened understanding of the college’s financial status helped to reinforce the logic of linking the improvement of faculty salaries to improvements in the college’s financial position relative to its comparison group.

The plan is very like profit sharing in the world of enterprises: it posits that, as Wheaton’s resource base improves relative to its comparison group, faculty salaries increase by the same margin. If the institution

Wheaton's board. "We came to support the plan as we saw that it was essentially like profit sharing. Linking salaries to the institution's financial performance made good sense to us."

The Plan's Payoffs

In the first year of the plan, the college's resources fell from 31 percent to 33 percent below the mean of the comparison institutions, and the model generated a modest increase of 4.3 percent in Wheaton faculty salaries; the small size of the increase that year caused Wheaton faculty salaries to fall from 4 percent to 6 percent below the mean of faculty salaries at the comparison institutions. In the second year, the college's resource base increased from 33 to 32 percent below the mean of its comparison institutions, which generated a salary increase of 5.4 percent and increased Wheaton salaries from 6 percent to 5 percent below the comparison group mean. The comparatively small increases to the salary pool in these two years were nonetheless above the CPI, which the college's strategic plan had initially proposed to equal.

The third year of the plan demonstrated the substantial impact that a growing resource base could exert on faculty salaries. In that year, Wheaton's resource calculation improved from 32 percent to 29 percent below the resource mean of its comparison institutions; this growth in resources yielded an 11 percent increase in the faculty salary base and brought Wheaton faculty salaries from 5 percent to 2 percent below the mean of faculty salaries at comparison institutions.

Even without the 11 percent increase that the model generated in its third year, the impact of the faculty salary plan has been tremendous. "The difference in the campus environment is like day and night," says Dale Marshall. Faculty, trustees, administrators, and staff corroborate this view of the plan's effect.

As John Miller observes, "One of the most appealing elements of the plan was that faculty salaries got determined at the top of the budgeting process, rather than as a remainder variable after other lines had been set. Moving faculty salaries from the back to the front of the budgeting process in itself sent a powerful message that faculty found reassuring."

Gordon Weil, a professor of economics who currently serves as

A Meaningful Frame

One effect of the salary plan was to underscore the strength of the college's attempt through the years to maintain faculty salaries at a competitive level. The plan seeks to provide Wheaton faculty with salaries that are on a par with those of nine other independent colleges, the average resource bases of which are 25 to 30 percent greater than those of Wheaton. On this principle, if the college should ever build its resources to attain parity with that mean, the average faculty salary at Wheaton would be one-third above that of the nine comparison institutions.

Both the faculty and trustees had recognized the need to "level the slope" between average resources and average salaries when renewing the plan for a second three-year period in May 1998. The extension stipulates that, if Wheaton faculty salaries should come to equal the mean of faculty salaries at the comparison institutions, Wheaton salaries will not rise beyond that average until the college's resources increase to 20 percent below the mean of its comparison institutions. "That's the ceiling to the model," says Gordon Weil, "and it gives symmetrical balance to the CPI floor that prevents the erosion of faculty salaries in real terms. It's a generous ceiling, and I'm not sure we would ever reach it in reality. But it provides a fair and meaningful frame to the operation of the plan." Anson Beard says that the addition of this provision in the second three years of the plan was not a contentious issue for trustees or faculty. "Everyone agreed to it, in large part because of the good will generated by the first three years of the plan."

A Deserved Trust

The success of the Wheaton salary plan is the result of a faculty that had united strongly in its discontent, and an administration that genuinely sought a solution. The outcome is a formula for determining salary pool adjustments that gained the approval of both trustees and faculty. "It's an extraordinary achievement," says Anson Beard. "The Wheaton faculty and administration, working at their own pace as a deliberative community, constructed a plan that works — and that satisfies everyone."

In addition to his roles as professor of economics and one

who helped to develop the Wheaton faculty salary plan, John Miller is campus representative of the American Association of University Professors (AAUP). This year's meeting of the association's northeast chapter took place on the Wheaton campus, and fully one-half of the meeting was given to reviewing the components of the Wheaton faculty salary plan. Faculty from other institutions found this plan to be very appealing. Since that time the college has received several inquiries, and two institutions have sent faculty groups to Wheaton's campus to gather detailed information about the plan. Administrators and trustees of other institutions have also shown a strong interest in the Wheaton plan.

"By far the most important benefit of the plan," says Ed Merck, "was to increase the trust and the feeling of partnership between the faculty and administration. It has united us as a community." Gordon Weil agrees: "The external benefit is the increase in trust, good will, and the time and attention that faculty are willing to devote to activities that fall outside of their direct responsibilities to their students." Reflecting on the dramatic change in campus environment, Dale Marshall says, "That trust is deserved. As a political scientist, when I look over the years of contention over faculty salaries, it is clear that the faculty were not asking for something outlandish. They were asking only for their fair share. Working through the plan helped us to reach a mutual agreement about what a fair share is."

Institutional Statistics

Private four-year liberal arts college in Norton, Massachusetts

1,400 students

95 full-time faculty; **45** part-time faculty

Components of the Plan

- The plan posits that, as Wheaton's resources increase or decrease relative to the mean of resources at its nine comparison institutions, Wheaton faculty salaries will change by the same margin. If, for instance, Wheaton's financial resources were to improve relative to those of its peer institutions by 2 percent, faculty salaries would also be adjusted upward by two percentage points relative to average salaries at the comparison institutions.

- The plan defines the college's resource base as the sum of net student revenues (tuition and fees minus awards of financial aid), gifts for operation, and 5 percent of endowment holdings. The salary number used for comparison is the average faculty salary for all ranks.
- The salary plan affects only the size of the annual increment to the faculty salary base; a downturn in the institution's relative financial position can result in an unusually small salary increase, but it cannot erode the salary base itself.
- The plan determines only the size of the salary pool; decisions about how those dollars will be allocated on the basis of merit, seniority, or other factors are made by the provost and president and are approved by the board of trustees.
- The "floor" of the plan stipulates that the faculty salaries at a minimum will increase each year at the rate of the Consumer Price Index.
- The plan's "ceiling," adopted with the approval of a second three-year implementation, stipulates that, if Wheaton faculty salaries come to equal the mean of salaries of the comparison institutions, they will not exceed that mean until Wheaton's resource base increases to within 20 percent of the average resources of the comparison institutions.

Exemplars Exemplars

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