

April XX, 2024

TO: Chancellor Mo Dehghani

FROM: David Westenberg, Chair, Faculty Senate Personnel Committee

RE: Recommendations regarding Annual Salary and Wage Guidelines

Upon referral from the Department Chairs Council (DCC), the Faculty Senate Personnel Committee reviewed prior recommendations regarding the annual Salary and Wage Guidelines at Missouri S&T, UMKC, UMSL, MU, and UM System. The Personnel Committee is charged with negotiating these guidelines on behalf of faculty and staff. Based on our review and input from the DCC regarding these guidelines, we propose the following recommendations for FY2025 and beyond.

Recommendations:

1. Change the trigger for high-performing personnel to be able to access the exceptional merit pool from a minimum % increase from the base merit pool (e.g., 3.5%) to “all personnel with an overall rating of ‘exceeds expectations’ are eligible up to a maximum of 25% of total department personnel rounded up to a full person”. A percentage greater than 25% could be eligible based on consultation with the division leader.
2. The Salary and Wage Guidelines should be distributed annually to all employees so that the university community is informed of the guidelines that are followed each year.
3. If any administrator above the department chair/division leader chooses to modify the recommendations presented by chairs/division leader, chairs/division leader should be notified of such changes in writing before changes are made final to ensure accountability of administrators to the department/division processes that guide merit raise distributions at the department/division level.
4. Retention offers, equity raises, promotions, and other forms of resources (e.g., receiving additional funds to one’s faculty support) are independent of the merit pool and should not factor into merit raise considerations.
5. This recommendation has been shared with both Faculty Senate and Staff Council for endorsement.

Concerns with the current threshold requirement for exceptional performance raises

The DCC recognizes that the structure of the merit raise pool guidelines is set to ensure that faculty members who have distinguished themselves by exceptional performance will be rewarded with an exceptional merit pay increase. By setting aside a separate exceptional merit pool, it is possible to distribute the base merit pool according to the outcomes of the annual faculty review process AND reward exceptional performing faculty additionally from a separate pool. However, the DCC has concerns about the threshold conditions set to allocate exceptional performance pay. These conditions may force chairs to allocate base merit raises in a way that does not align with best practices or, frankly, reflect the faculty annual reviews. This has contributed to low procedural and distributive justice perceptions in our campus climate surveys.

Example: In FY24 the base merit pool was set for each department at 3.0% of the total faculty salaries, and the exceptional performance allocation was an additional 0.5%. For a faculty member to be eligible for the exceptional performance allocation, that person was required to receive at least a 3.5% salary increase from the base merit pool.

Consider a hypothetical department in which all members of the department contribute value to their colleagues, students, the university, and their profession. A reasonable merit distribution for such a department could include a mean of 3.0 with a standard deviation of 0.25. Under these circumstances, 95% of faculty would receive merit raises of between 2.5 and 3.5% of their base salary. A faculty member would have only a 2.5% probability of exceeding the 3.5% threshold. That means that in a large department maybe only one or two individuals would be eligible for the exceptional performance pool. Furthermore, if only one or two people were eligible, then they could easily end up with an exceptional merit pool raise of 7-8% or more in order to allocate all of the exceptional merit pool for the department, and a total merit increase of potentially more than 10%. This could easily result in an annual merit raise that far exceeds promotion raises, retention raises, and equity adjustment raises.

The problem is more acute in smaller departments where it may be unlikely that anyone exceeds the 3.5% threshold. The problem also becomes more acute if, for example, the highest performing individual in a department happens to also have the highest salary in the department. Under such circumstances, in order for a high salaried, high performing individual to receive a base merit increase of 3.5%, the median merit increase for everyone in the department would have to fall well below 3.0.

The 3.5% threshold has created a burden for department chairs that has forced them to manipulate the system for the department to be able to access the exceptional performance pool. The integrity of the review and raise process has been compromised as department members have been deprived of their earned merit increases from the base pool. This has been done to make it possible for a small number of their colleagues to be eligible to access the exceptional performance pool. Resulting merit increases in some situations have ended up varying across a department by fivefold or more.

Forced rankings or ratings (as has been compelled for raise distributions based on current rules in place) can help in immediate short-term gains (i.e., performance, initial retention of top-talent), but are often criticized as *less accurate, more difficult to use, less fair/equitable, and diminish procedural justice perceptions* (i.e., fairness in procedures used to make raise/outcome distribution decisions). (Lawler, 2003; Rubin & Edwards, 2018; Schleicher et al., 2009).

Research suggests the risks of forced distribution tactics may outweigh any benefits, particularly

in the long-term (i.e., after just a couple of pay cycles) (Berger et al., 2013; Moon et al., 2016). Finally, while there is a wide variety of findings related to pros/cons of various different pay structures, the safest conclusion is that performance appraisals should directly connect to outcomes (i.e., what is defined as a legitimate pay structure; Shaw, 2014). However, the raise pool rules of the last two years have not allowed chairs to make these direct connections, resulting in undermining chair efforts to provide meaningful and equitable performance recognition.

After two years of following these guidelines, and considering in those same two years we showed dismally low procedural and distributive justice perceptions in our campus climate surveys, it would suggest that the current raise rules are not serving their purpose or meeting their objectives, and thus need to be reconsidered. The proposed method (recommending up to 25% of the faculty up to the next whole person) would allow chairs to directly identify top performers according to their performance evaluations without having to meet arbitrary percent raise thresholds that can ultimately detract from other faculty who are performing meritoriously (resulting in the forced distribution and associated risks).

The DCC recommends that the percent base salary threshold be eliminated in favor of an alternative threshold that up to 25% of faculty (rounded up to the largest whole person) are eligible for exceptional merit increases along with a written justification to the dean.

References:

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