

Approval of 2019-21 Pay Plan Request
for UW-Madison and the UW System

BOARD OF REGENTS

Resolution 5.

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents approves a pay plan request, on behalf of all UW System employees, of: a three-percent increase in fiscal year 2019-20 and a three-percent increase in fiscal year 2020-21, fully funded from the State's Compensation Reserve; and continued eligibility for retirement, health insurance, and supplemental sick leave conversion benefits for UW System employees, that are no less than benefits provided to other state employees through the state's compensation plan.

**2019-21 REGENT PAY PLAN RECOMMENDATIONS:
UNIVERSITY OF WISCONSIN-MADISON AND
UNIVERSITY OF WISCONSIN SYSTEM**

BACKGROUND

Prior to July 1, 2015, the Board of Regents was responsible for recommending pay plan adjustments for faculty, academic staff, and limited appointees. With the Legislature's approval of the two personnel systems authorized by Wis. Stat. § 36.115, effective July 1, 2015, the UW System Board of Regents and the UW-Madison Chancellor are responsible for recommending a pay plan for all members of the UW System workforce – faculty, academic staff, university staff, and limited appointees.

The pay plan recommendations requested by the Board of Regents, UW System President, and the UW-Madison Chancellor must ultimately be approved by the Legislature's Joint Committee on Employee Relations (JCOER). Per Wis. Stat. § 230.12(3)(e), the Board's pay plan recommendations are submitted to the state's Administrator of the Division of Personnel Management (DPM) who will submit a proposal to JCOER for adjusting compensation and employee benefits for University of Wisconsin System employees. As outlined in Wis. Stat. § 230.12(3)(e), the proposal shall be based upon:

...the competitive ability of the board of regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the board of regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium. The proposal shall also take proper account of prevailing pay rates, costs and standards of living and the state's employment policies. The proposal for such pay adjustments may contain recommendations for across-the-board pay adjustments, merit or other adjustments and employee benefit improvements.

REQUESTED ACTION

Adoption of Resolution 5, approving a pay plan request for the 2019-21 biennium.

DISCUSSION AND RECOMMENDATIONS

UW System faculty and staff are considered among the best in the world, and institutions compete nationally and internationally to attract and retain the most talented individuals. Other public universities have been steadily increasing compensation at the rate of inflation or better annually,

averaging a two-percent increase each year. These gradual increases have led to a gap between pay for UW System employees and those of other universities. UW System employees are integral to the success of the UW institutions. A pay plan increase will help maintain the quality education that students and families expect and deserve.

The President, Chancellors, and UW System Administration and institutional staff reviewed salary data from established peer groups and national reports on faculty salaries. **Appendix A** illustrates recent compensation percentage increases for State of Wisconsin employees as compared to data reported by the College and University Professional Association for Human Resources (CUPA-HR) and by the Higher Education Price Index (HEPI). The Chancellors and Provosts continue to share information on the recruitment and retention challenges they are facing in their efforts to recruit and retain the high-quality faculty and staff they need to accomplish their missions.

In prior years some institutions have been able to internally reallocate base dollars to address certain compensation issues as permitted by Wis. Stat. § 36.09(1)(j). Detailed information about turnover of UW faculty and reallocated base adjustments is provided to the Board in a separate report that will also be discussed with the Business and Finance Committee at the December meeting.

Recommendations

Under Wis. Stat. § 36.09(1), the Board of Regents is vested with primary responsibility for the governance of the University of Wisconsin System. It is the Board's policy to promote the attraction, development, and retention of a diverse and highly qualified workforce that will effectively and efficiently pursue the missions of the UW System and each UW institution.

For the 2019-21 biennium, the President of the UW System and the Chancellor of UW-Madison are recommending the following:

1. Implement a 3% increase for each year of the 2019-21 biennium, on July 1, 2019 and July 1, 2020 respectively, fully funded through the state's Compensation Reserve using general purpose revenue (GPR) for state-funded employees; and,
2. As State of Wisconsin employees, UW System employees continue their eligibility for retirement, health insurance, and supplemental sick leave conversion benefits that are no less than those benefits provided to all other state employees through the state's compensation plan.

This recommendation includes a provision for the state to fully fund the cost of pay plan increases for employees due to the expected continuation of the tuition freeze. Assuming tuition rates will be frozen through the 2019-2021 biennium, UW System institutions will mark their 7th and 8th years without a tuition increase for resident undergraduate students, limiting institutions' ability to fund a share of this pay plan request.

While this pay plan request will not close the salary gaps between UW System employees and

those at peer institutions, it will provide modest salary increases and provide Chancellors with the ability to recognize the contributions of UW faculty and staff.

Data available for comparing salaries of UW System faculty to their peers is illustrated in Appendix B. **Appendix B, Table 1** shows the distance that the UW institutions' faculty are behind their peers after all 2017-18 salary adjustments. The systemwide percentage was 12.32% in 2017-18. The standard methodology established in 1984 was again used to calculate these percentages.

Appendix B, Table 2 shows the calculation of the distance that the UW institutions are behind their peers after all 2017-18 salary adjustments when factoring in the geographic cost of living among peer institutions. The systemwide percentage of distance to UW institutions' peers widens when considering geographic costs. The adjusted percentage was 16.48% in 2017-18.

Information for UW-Madison documenting the rationale for the pay plan recommendation is included as **Appendix C**.

RELATED POLICIES AND APPLICABLE LAWS

Wis. Stat. Chapter 36

Wis. Stat. Chapter 230

Regent Policy Document 20-21, University Personnel Systems

Appendix A

State of Wisconsin Pay Plan for Fiscal Years 2012 through 2018 Compared to National Averages

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Approved Pay Plan for all Wisconsin State Employees	0.00%	0.00%	1.00%	1.00%	0.00%	0.00%	0.00%
Average Percent Increases for all employees at U.S. Institutions (Public)*	1.40%	2.00%	2.30%	2.30%	2.00%	N/A*	N/A*
Higher Education Price Index (HEPI)**	1.63%	1.83%	2.03%	1.58%	2.78%	2.70%	2.98%
HEPI Reported Salary Increases for all Employees at Public and Private Institutions							
*Public pay plan data is not available from College and University Professional Association for Human Resources (CUPA-HR)							
**The Higher Education Price Index is an inflation index designed specifically for use by institutions of higher education							

Appendix B

Table 1
 Faculty Percentage Behind Peers Using Actual Salary Data
(After 2017-18 salary adjustments)

UW Institution	Actual 2014-15	Actual 2015-16	Actual 2016-17	Actual 2017-18
Madison	8.44%	9.49%	9.57%	8.49%
Milwaukee	11.39%	13.85%	16.27%	17.15%
Comprehensives	16.19%	16.50%	17.47%	16.26%
Colleges	8.44%	9.49%	9.57%	8.49%
Extension	10.43%	11.25%	11.29%	11.40%
Totals	11.64%	12.57%	13.21%	12.32%

Table 2
 Faculty Percentage Behind Peers: Adjusted for Cost of
 Living Using Economic Research Institute Index

UW Institution	2014-2015		2016-17		2017-18	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Madison	8.44%	18.32%	9.57%	19.15%	8.49%	15.60%
Milwaukee	11.39%	10.20%	16.27%	12.67%	17.15%	10.82%
Comprehensives	16.19%	20.84%	17.47%	22.65%	16.26%	18.99%
Colleges	8.44%	18.32%	9.57%	19.15%	8.49%	15.60%
Extension	10.43%	27.88%	11.29%	27.73%	11.40%	22.91%
Totals	11.64%	18.53%	13.21%	19.91%	12.32%	16.48%

UNIVERSITY OF WISCONSIN - MADISON 2019-21 PAY PLAN RECOMMENDATION

The Board of Regents and the UW-Madison Chancellor are responsible for recommending a pay plan for all members of the UW System workforce – faculty, academic staff, university staff, and limited appointees. Per [Wis. Stat. § 230.12\(3\)\(e\)](#), the Board and UW-Madison must submit pay plan recommendations to the Administrator of the Division of Personnel Management (DPM) who will submit to the Joint Committee on Employee Relations (JCOER) a proposal for adjusting compensation for the University of Wisconsin System employees. As outlined in the aforementioned statutory provision, the proposals shall be based upon,

“...the competitive ability of board of regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the board of regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium. The proposal shall also take proper account of prevailing pay rates, costs and standards of living and the state's employment policies. The proposal for such pay adjustments may contain recommendations for across-the-board pay adjustments, merit or other adjustments and employee benefit.”

UW-Madison Pay Plan Recommendation

For the 2019-21 biennium, UW-Madison is *recommending a 3% increase at the beginning of each of the two fiscal years* funded by the state compensation reserve using general purpose revenue. Given that tuition rates are expected to be frozen through the biennium for the bulk of our student body, marking the 7th and 8th years without a tuition increase for resident undergraduate students, we respectfully request that the state funds the full cost of this increase for employees supported on state general purpose revenues and tuition.

This recommendation also includes state funding for retirement, health insurance, and supplemental sick leave conversion benefits at a level no less than those provided to all other state employees through the state's compensation plan.

Rationale for Recommendation

Providing general wage increases for UW-Madison faculty and staff is critical in the 2019-21 biennium. The following key points, similar to the 2017-19 biennium pay plan recommendations, provide context and justification for this recommendation.

- *Lagging compensation compared to peers* – Faculty salary comparisons continue to show UW-Madison lagging its peers in the Big 10 and across the country. For example, salaries for full professors at UW-Madison are 10.4% below the median for its peer group (see Appendix C1). Faculty are the essence of what allows UW-Madison to achieve its goals in teaching, research and outreach.

- ***Historical lack of general wage increases*** – UW-Madison received funding for a 4.04% pay plan increase effective in fiscal year 2019. This important increase helped to begin closing the pay gap, however, minimal pay plan increases between 2010 to 2018 for faculty and staff are in contrast to much higher pay increases among our peers. Our official peer institutions provided 3% increases for faculty and 2.2% increases for staff in each of these years on average while Big Ten institutions annually provided 2.5% for faculty and 2.2% for staff (see Appendix C2). At UW-Madison the annual increase was only 0.96% for faculty and 0.68% for staff. This leaves a substantial pay gap. The wage gap continues to make UW-Madison a target for outside institutions trying to recruit faculty and staff and is a drag on our mission to support the state with a world-class university positioned to drive meaningful advancements in research, teaching, and workforce / economic development.
- ***Increased benefit costs for employees*** – University employee benefit contributions have risen substantially over the last number of years (e.g., employee’s share for retirement benefit was 0% in 2010—now 6.7% of annual salary in 2018). This has compounded the problem posed by lagging base salary levels and has resulted in many campus employees having less spending power now than in 2010 due to increased benefit costs and inflation.
- ***Labor market challenges*** – Madison’s unemployment rate has hovered around 2% in 2018. Local wages have continued to rise based on the increased difficulty filling vacancies. UW-Madison has many positions where the local labor market is relevant for recruitment and retention of staff. If existing wages for employees are not keeping up with the local market, it becomes increasingly difficult to attract and retain employees to enable us to deliver on our public mission.

Approval of this request will prevent faculty and staff falling further behind external competitors. This will allow UW-Madison the ability to pursue and keep top-talent needed for a world-class university to thrive.

Appendix C1

2017-18 Average Faculty Salaries by Professorial Rank UW-Madison's Official Faculty Salary Peer Group

University	Full Professor		Associate Professor		Assistant Professor		Percent Change from 2016-17		
	Average Salary	Rank	Average Salary	Rank	Average Salary	Rank	Full Prof	Assoc. Prof	Assist Prof
University of California-Los Angeles	204,017	1	133,723	1	106,042	2	4.6%	3.7%	4.6%
University of California-Berkeley	191,177	2	131,487	2	110,984	1	3.3%	6.3%	1.0%
University of Michigan-Ann Arbor	170,226	3	113,181	3	95,678	6	1.2%	1.6%	2.8%
University of Texas-Austin	165,580	4	107,566	5	101,531	4	3.2%	3.8%	2.7%
Michigan State University	154,629	5	101,904	8	82,616	12	3.0%	2.3%	3.7%
University of Illinois-Urbana	150,478	6	104,242	6	95,530	7	1.9%	4.8%	3.6%
Ohio State University	149,982	7	101,286	9	89,445	10	0.3%	1.5%	2.4%
University of Washington-Seattle	144,847	8	110,084	4	101,893	3	4.9%	6.0%	2.9%
University of Minnesota-Twin Cities	143,422	9	100,540	11	88,992	11	1.0%	1.2%	1.6%
Purdue University	142,408	10	101,248	10	89,673	8	2.7%	3.4%	1.8%
Indiana University-Bloomington	142,184	11	97,286	12	99,948	5	1.5%	1.6%	3.8%
University of Wisconsin-Madison	136,243	12	102,110	7	89,466	9	2.7%	1.1%	2.6%
Peer Group Median (w/o UW-Madison)	150,478		104,242		95,678				
Percent Increase Needed to Reach Median	10.4%		2.1%		6.9%				

Notes: Based on the annual AAUP Faculty Salary Survey. Faculty on 12-month appointments are included, but their salaries have been converted to 9-month rates. Medical schools are excluded. UW-Madison's peer group for purposes of salary comparisons was established by The Governor's Commission on Faculty Compensation in 1984. The peer universities include the University of California-Berkeley, University of California-Los Angeles, University of Michigan, Ohio State University, University of Texas-Austin, University of Illinois, Purdue University, Indiana University, University of Minnesota, Michigan State University, and the University of Washington-Seattle. Salaries reported to AAUP are affected by several factors, including faculty turnover and promotions, salary adjustments for promotions, competitive market adjustments, and equity adjustments, in addition to any announced annual increases

Appendix C2

Historical Compensation Increases - UW-Madison Official Salary Peers

Institution Name	2017-18		2016-17		2015-16		2014-15		2013-14		2012-13		2011-12		2010-11		Eight-Year Average	
	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff
Public A	4.99%	3.00%	4.78%	3.00%	4.78%	3.00%	4.78%	3.00%	3.78%	3.00%	1.78%	0.00%	4.78%	3.00%	1.78%	0.00%	3.93%	2.25%
Public B	4.99%	3.00%	4.78%	3.00%	4.78%	3.00%	4.78%	3.00%	3.78%	3.00%	1.78%	0.00%	4.78%	3.00%	1.78%	0.00%	3.93%	2.25%
Public C	3.49%		3.73%		4.36%		3.09%		1.97%		2.64%		2.74%		4.64%		3.33%	
Public D	3.20%	3.40%	3.81%	3.65%	4.30%	4.78%	3.01%	2.31%	3.07%	2.09%	2.84%	2.97%	1.90%	1.65%	2.52%	2.47%	3.08%	2.92%
Public E	3.00%	1.90%	3.00%	1.00%	2.50%	2.00%	2.50%	2.00%	2.25%	2.00%	2.00%	2.00%			2.00%	1.00%		
Public F	2.88%	1.27%	0.80%	0.40%	0.80%	0.10%	4.00%	2.50%	4.80%	3.00%	4.60%	2.70%	4.40%	2.90%	2.70%	0.50%	3.12%	1.67%
Public G	2.70%	2.70%	2.90%	2.40%	2.60%	2.30%	2.90%	2.20%	2.50%	1.00%	2.90%	2.20%	2.80%	2.20%	2.60%	2.30%	2.74%	2.16%
Public H	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.80%	1.84%	2.00%	2.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.10%	2.11%
Public I	2.00%	2.00%	2.50%	2.50%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%	0.00%	0.00%	2.00%	2.00%	1.94%	1.94%
Public J											2.20%	2.00%	0.025	1.50%	3.00%	3.00%		
UW-Madison	1.40%	0.50%	1.40%	0.50%	0.60%	0.10%	1.00%	1.00%	1.30%	1.30%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.96%	0.68%

Average (excluding UW-Madison) **3.25%** **2.41%** **3.14%** **2.24%** **3.12%** **2.40%** **3.21%** **2.36%** **2.96%** **2.32%** **2.62%** **1.93%** **2.88%** **2.03%** **2.50%** **1.47%** **3.02%** **2.18%**

Source: Association of American Universities Data Exchange, Current Developments. Compiled by Academic Planning and Institutional Research, Office of the Provost, UW-Madison ari, October 2018

Average by institution was only calculated for those institutions that provided information in each year presented here. One official salary peer did not report information.

Official salary peers include: University of California-Berkeley, University of California-Los Angeles, University of Michigan, Ohio State University, University of Texas-Austin, University of Illinois-Urbana, Purdue University, Indiana University, University of Minnesota, Michigan State University, and University of Washington-Seattle.

Historical Compensation Increases - Big10 Public Institutions

Institution Name	2017-18		2016-17		2015-16		2014-15		2013-14		2012-13		2011-12		2010-11		Eight-Year Average	
	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff	Faculty	Staff
Public A	3.20%	3.40%	3.81%	3.65%	4.30%	4.78%	3.01%	2.31%	3.07%	2.09%	2.84%	2.97%	1.90%	1.65%	2.52%	2.47%	3.08%	2.92%
Public B	3.00%	1.90%	3.00%	1.00%	2.50%	2.00%	2.50%	2.00%	2.25%	2.00%	2.00%	2.00%			2.00%	1.00%		
Public C	2.88%	1.27%	0.80%	0.40%	0.80%	0.10%	4.00%	2.50%	4.80%	3.00%	4.60%	2.70%	4.40%	2.90%	2.70%	0.50%	3.12%	1.67%
Public D	2.70%	2.70%	2.90%	2.40%	2.60%	2.30%	2.90%	2.20%	2.50%	1.00%	2.90%	2.20%	2.80%	2.20%	2.60%	2.30%	2.74%	2.16%
Public E	2.60%	1.90%	2.60%	2.54%	1.90%	2.40%	2.20%	2.55%	2.10%	2.43%	2.38%	2.46%	3.13%	2.94%	2.47%	2.84%	2.42%	2.51%
Public F	2.13%	2.25%	2.13%	2.00%	2.00%	2.00%	2.20%	0.00%	2.63%	2.25%	2.10%	2.50%	2.00%	2.25%	0.00%	0.00%	1.90%	1.66%
Public G	2.00%	2.00%	2.50%	2.50%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%	0.00%	0.00%	2.00%	2.00%	1.94%	1.94%
Public H	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.80%	1.84%	2.00%	2.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.10%	2.11%
Public I	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	3.50%	3.50%	2.75%	2.75%
Public J	1.75%	1.75%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	2.67%	2.67%	2.00%	2.00%	2.00%	2.00%	0.00%	0.00%	2.12%	2.12%
Public K	0.00%	0.00%	0%	0%	2.00%	2.00%			5.50%	5.50%	5.50%	5.50%	0.00%	0.00%	0.00%	0.00%		
Public L											2.20%	2.00%	0.025	1.50%	3.00%	3.00%		
UW-Madison	1.40%	0.50%	1.40%	0.50%	0.60%	0.10%	1.00%	1.00%	1.30%	1.30%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.96%	0.68%

Average (excluding UW-Madison) **2.21%** **1.92%** **2.20%** **1.91%** **2.37%** **2.33%** **2.66%** **2.14%** **3.00%** **2.59%** **2.92%** **2.74%** **2.11%** **1.81%** **1.90%** **1.63%** **2.46%** **2.20%**

Source: Association of American Universities Data Exchange, Current Developments. Compiled by Academic Planning and Institutional Research, Office of the Provost, UW-Madison ari, October 2018

Average by institution was only calculated for those institutions that provided information in each year presented here.

Big10 Public Universities include: University of Illinois-Urbana, Indiana University, University of Iowa, University of Michigan, Michigan State University, University of Minnesota, University of Nebraska-Lincoln, Ohio State University, Pennsylvania State University, Purdue University, University of Maryland, and Rutgers University