

Assistant Professor Pay at Lehigh University

“Academic Quality – the quality and productivity of Lehigh’s faculty, staff, students, departments and programs should compare favorably with those of top-25 research universities in the United States.” (Lehigh Strategic Planning Document, 1Sep02) To achieve this goal of excellence, Lehigh has adopted a policy of “All salary adjustments must be made on merit...” (Lehigh Salary and Wage Administration, Guidelines for the 2003-04 Budget)

There are several questions that could be asked about Lehigh’s policy decision to use strict merit pay to achieve a quality academic program. One could ask whether a strict merit pay does lead to institutional excellence. While there is an increasing amount of “best practice” experience from the business world that strict merit pay is inconsistent with achieving excellence, especially in knowledge industries; this paper will focus on a less fundamental but a more immediate question. Does Lehigh, in fact, have a merit pay program for its junior faculty?

While analyzing the relationship between merit and compensation for Full and Associate Professors can be controversial, the relationship should be simpler for Assistant Professors. According to the merit pay theory, potential Assistant Professors will tend to go to the school where they will receive the best salary and benefits package. If Lehigh is using a policy of merit pay to obtain and motivate faculty to excellence comparable to that of the “top-25” schools then one would expect Assistant Professor Salaries and compensation to be comparable as well.

To argue the contrary, that Lehigh can obtain “top-25” quality junior faculty while paying substantially less than the “top-25” schools pay, assumes that Lehigh’s Deans, Chairs, and senior faculty are significantly more capable of accurately evaluating academic quality than the best schools in the country. While I have the deepest respect for my colleagues, I think that this is unlikely.

Does Lehigh University, in fact, “pay-for-merit” to obtain Assistant Professors comparable in quality of the “top-25”? If the University Administration has a list of “top-25” schools then it hasn’t been released. However, the annual college issue of U.S. News & World Report (USN&WR) provides a widely quoted ranking of perceived excellence among national doctoral universities many of which “strongly emphasize research.”¹ There are twenty-seven Universities among USN&WR “top 25” because of a three way tie for twenty-fifth place. It is of note that Lehigh has slipped in perceived quality over the last several years and is now tied for fortieth place with Boston College and Yeshiva University in the USN&WR ratings.

¹ Princeton (1), Harvard (2), Yale (2), Cal Tech (4), Duke (4), MIT (4), Stanford (4), U of Penn (4), Dartmouth (9), Columbia (10), Northwestern (10), U. of Chicago (12), Washington-St Louis (12), Cornell (14), Hopkins (15), Rice (15), Brown (17), Emory (18), Notre Dame (18), UC-Berkeley (20), Carnegie Mellon (21), Vanderbilt (21), U of VA (23), Georgetown (24), UC-LA (25), U of Michigan-Ann Arbor (25), and Wake Forest (25).

The table compares the average Assistant Professor Salary and Compensation characteristics of the twenty-seven schools in USN&WR “top-25” list to those of Lehigh University.

	Assist Prof Salary	Assist Prof Comp
“Top-25” Average	\$70,000	\$87,600
Lehigh University	\$63,600	\$78,800
“Top-25” Maximum	\$84,300	\$110,900
“Top-25” Minimum	\$55,900	\$71,200
“Top-25” Standard Deviation	\$7,100	\$9,000
Lehigh’s place in “Top-25”	23rd	24th

In the case of both salary and total compensation, Lehigh pays its Assistant Professors an amount approximately one standard deviation below the mean of the “top-25” schools. Another way of looking at this gap is in terms of the wage bill. The 2002-2003 wage bill for the sixty-six Lehigh Assistant Professors was approximately \$5.2 million. To pay these junior faculty compensation equal to the average of the “top-25” would require an increase in the wage bill of 11% or about \$600, 000.

A wider comparison confirms the results in the table. Compared to all Doctoral level schools in the U.S., assistant professor salary at Lehigh is in the first quintile but only \$700 from falling into the second. This reflects a minor deterioration of relative salary at Lehigh since 1992-1993. On the other hand, compared to all Doctoral level schools in the U.S., relative assistant professor compensation fell sharply over the last decade and is now in the upper end of the second quintile.

The fact that relative compensation has deteriorated faster than salary alone reflects, of course, the impact of benefits. While the ratio of benefits to total compensation at Lehigh has remained almost unchanged over the last decade at 27%, the benefit ratio has increased at the “top-25” schools. This has probably gone unnoticed at Lehigh, because while the annual salary announcements cause a stir on campus and immediately lead to comparisons with what other schools have announced, the expansion of benefits at other schools generally receives little attention.

Is the relative salary and compensation picture at Lehigh as grim as the table seems to state? One can think of at least four reasons that the picture is not as bleak as it first seems. First, the sample of Lehigh assistant professors may be too small; second, the Lehigh valley may have a significant cost of living advantage; third, Lehigh University may hire a disproportionate number of faculty in fields that tend to be relatively poorly paid, and; finally, Lehigh may be perceived as providing a higher quality of life for potential Assistant Professors. Unfortunately, it is unlikely that any of these explanations explain Lehigh’s relative compensation situation.

First, it is true that relatively few assistant professors are hired each year at Lehigh and therefore, in any single year, the hires are probably unrepresentative of the total faculty. For example, in a given year Lehigh may hire new faculty in fields that are relatively poorly paid (medieval poetry?) while the “top-25” are hiring faculty in relatively well paid fields (petroleum engineering?) However, one stays an assistant professor for four to seven years and, over that period; the field composition of the assistant professors tends to more closely approximate that of the University as a whole.

Second, the University Administration has often stated that compensation should be adjusted for cost of living with the implication that the Lehigh Valley is a relatively low cost area compared to the locations of the “top-25.” And therefore the relative cost of living adjusted value of Lehigh’s compensation is higher than its nominal value. However, two related cost of living issues are rarely appreciated.

For faculty compensation comparisons, the relevant cost of living area is not that of a University but that of a University’s faculty. Cambridge Massachusetts, the home of Harvard and MIT, is one of the highest cost areas in the U.S. But many Harvard and MIT faculty have rationally responded to this high cost by choosing to live in lower cost areas in other parts of the city or even outside Route 128. Such rational relocation means that the cost of living differential among faculty at different Universities tends to be smaller than that of their Universities.

Also, there are significant direct and indirect compensation effects of location that may offset any cost of living differential. Even in this electronically integrated age, a big city University tends to provide greater opportunities for outside earnings from such activities as consulting. At the same time, a big city location facilitates developing an improved reputation in one’s field through seminar attendance, joint research, and other professional contacts. And this improved reputation may eventually lead to higher compensation as well.

Both the adjustment for faculty, not university, location and the big city-small city differential on faculty’s non-University compensation tend to work against Lehigh and may offset some or all of the apparent cost of living advantage enjoyed by Lehigh’s Bethlehem location.

A third possible explanation for Lehigh’s poor showing in Assistant Professor Pay is that lower paid fields of study are disproportionately represented at Lehigh. Faculty in fields such as engineering and business tend to earn much more than their colleagues in the humanities. This is not a reflection of relative quality but rather the higher opportunity cost of an academic career for someone with an advanced engineering or business degree or experience.

If Lehigh tended to hire a large proportion of humanities faculty while the “top-25” schools hired mostly engineering and business faculty then this might explain the gap in average Assistant Professor Salaries and compensation. However, the reality is exactly the opposite! While there are a few schools that have *either* a greater proportion of engineering faculty *or* business faculty than Lehigh; there are no “top-25” schools that have a higher proportion of engineering *and* business faculty than Lehigh.

In other words, (everything else being equal) even if the average salary and compensation of Lehigh Assistant Professors were exactly equal to the average of the “top-25” schools then Lehigh faculty pay would still be uncompetitive because the Lehigh average would tend to contain a greater proportion of engineering and business Assistant Professors.

The final possible explanation is that, compared to the “top-25” schools, Lehigh is perceived to provide a more satisfying work environment, or a higher quality of life. While it is true that generations of Lehigh faculty have grown to love the University and the unique community that is its home, this is one explanation of the pay gap that the University Administration can not use. At best, it reflects fuzzy thinking, and at worst, hypocrisy, to advocate a policy that relies primarily on merit pay to achieve academic

quality and, at the same time, argue that the University can get away with paying less than schools of greater reputation because faculty behavior is determined by more complex motivations.

In summary, both Lehigh's assistant professor salary and compensation are about one standard deviation below the mean salary and compensation of the "top 25." These salary and compensation gaps combined with the relative deterioration of Assistant Professor Compensation over the last decade are inconsistent with the claim that one of the priorities of Lehigh's compensation policy is attracting and retaining young faculty whose quality "should compare favorably with those of top-25 research universities in the United States."

We are not paying enough to get the best.

Frank R. Gunter, Economics Department, frg2