

MEMORANDUM

Date: February 24, 2004

To: Faculty Council
University of Iowa

From: Executive Committee
U. of I. Chapter, American Association of University Professors

Re: University of Iowa Research-Based Faculty Salary Incentive Programs

A. Summary

1. Subject matter

- a. This memo addresses (1) the role and propriety at the University of Iowa of bonus programs and incentive payments as a supplemental mode of compensation for tenure-track faculty engaged in research, and (2) University procedures for the adoption and evaluation of such programs.
- a. We present our analysis with reference in part to the "Pilot Incentive Program in the Basic Science Departments, July 2003" (the "pilot program") recently adopted by the College of Medicine (COM) for its basic science departments. A copy of the plan is attached to this memo at pp. 7-10.

2. Summary of findings and recommendations

- a. We have significant concerns about the value of research incentive programs for the long-term interests of the University and its faculty.
- b. We believe that bonus programs for tenure-track research faculty members should not be adopted, even on a pilot basis, prior to full and informed consultation with the Faculty Senate. Accordingly, we propose that the Faculty Senate recommend that a moratorium be placed on the expansion of existing bonus plans or the adoption of new plans by the administration.
- c. We recommend that the Faculty Senate appoint a committee to assess the propriety of bonus programs for the University of Iowa in general and to recommend guidelines for such programs if the administration should introduce them.
- d. We recommend further that the Faculty Senate charge its Faculty Welfare Committee or some other committee appointed for this purpose, to conduct an independent evaluation of the success of the COM pilot program, with full access to the information in the medical school that is

required to assess fully both the benefits and drawbacks of the program. As a point of departure for this review, we present in an Appendix a possible research design for such an inquiry.

- e. Finally, we recommend that the COM pilot program not be permitted to continue beyond five years in the absence of a meaningful and exhaustive evaluation which documents that the benefits of the program clearly outweigh its drawbacks.

B. Description of the College of Medicine Incentive Program for Basic Science Departments

1. The "Pilot Incentive Program in the Basic Science Departments, July 2003" was adopted on a pilot basis in 2003 by the College of Medicine for its basic science departments (anatomy and cell biology, biochemistry, microbiology, pharmacology, and physiology and biophysics). Faculty in these departments represent 96 of 839 FTE in the COM (11%). In FY 2002, they accounted for \$25.9 million of \$131 million in total costs awarded to the COM from the NIH (20%).
2. The plan was announced at the June 30, 2003, meeting of the Executive Committee of the COM and implemented by the Dean. To the best of our knowledge, no faculty governance body was consulted prior to adoption of the plan. The University Faculty Council and Senate were not even formally advised by the University administration of the plan's adoption,
3. The plan is limited to tenure-track faculty. The core of the plan is a sliding scale of bonuses (ranging from \$1,000 to \$25, 000) determined by the extent to which extramural funds offset the faculty member's salary (from a 35% to 39% offset for the \$1,000 bonus, to a 90% plus offset for the \$25,000 bonus), p. 9.
4. The program also gives department heads discretion to award bonuses up to \$5,000 for grants in the \$350,000 to \$450,000 range that "provide limited or no salary support" and bonuses up to \$10,000 if such grants exceed \$450,000 per year. In addition, the "PI for a training grant" may also be eligible for a bonus up to \$10,000 within the discretion of the department head and/or the dean, p. 9.
5. The plan authorizes, at the discretion of the department head, bonuses up to \$10,000 for faculty who assume the "directorship of a course identified by the department as particularly intensive of time and effort or assumes a significant administrative burden in the department," p. 9.
6. Although there is a detailed explanation of how the bonus plan applies to the research endeavor, the "Teaching/Administrative Service" illustrative incentive payments, p.4, are quite restricted, i.e., they are limited to narrow specified activities rather than to excellence in teaching in general. However, the plan expresses the "hope that future versions of this plan will incorporate provisions

that reward extraordinary teaching effort and /or accomplishment along with recognizing faculty service to departments, the College or University,” p. 8.

7. The bonus plan states that it will be “evaluated over the next two academic years to determine...[if it] is successful. The review will include an analysis of extramural funding trends and faculty productivity,” p. 8.

C. Potential Benefits and Drawbacks of the Bonus Program

We attach a recent article in *Science* magazine addressing these issues. Several of the points noted below are drawn directly from the *Science* article.

1. The potential benefits of the bonus program may include the following:
 - a. Enhanced consistency between basic science departments by replacing five different enrichment programs within the COM,
 - b. Consistency with clinical departments that offer patient care service-based faculty salary incentive plans based on clinical productivity through the Faculty Practice Plan,
 - c. A sizeable boost in annual income for selected faculty members,
 - d. Means for retention of successful researchers with high visibility who tend to receive attractive offers from other institutions, and
 - e. An incentive to encourage faculty to apply for, and receive, additional extramural funds in excess of present funding levels, resulting in:
 - i. growth of the research enterprise, increased research opportunities for both faculty and students, and enhancement of the University’s prestige and national ranking, and
 - ii. financial flexibility that enables departments to use newly-freed salary money for other projects, such as bridging funds or hiring of additional personnel.
2. The potential drawbacks of a bonus program may include the following:
 - a. Inhibition of academic freedom by encouraging only “profitable” research. A bonus program pressures faculty to formulate their research agendas and pursue areas of research based on the ability to attract funding rather than on fundamental principles of scientific inquiry. High-risk areas of research that have a significant probability of failure, but the potential to yield extraordinarily valuable information if successful, may be abandoned,

- b. Disappearance of small independent research programs. Investigators in low-budget laboratories whose salary incentive payments may be based on salary support tied to a single grant would lose considerable personal income if that grant were not renewed. Investigators might therefore flock toward large laboratories funded by multiple sources that buffer the impact of the loss of a single grant,
- c. Unanticipated and inappropriately large salary discrepancies among basic science faculty, especially if those faculty who have previously been successful in obtaining extramural funding have already been rewarded under the traditional system through increases in their base salaries,
- d. Exacerbation of existing differences in salary between faculty in the humanities and those in the sciences,
- e. Migration of bonus programs to the humanities and social sciences, where limited opportunities for extramural support pose an even greater potential for distorting faculty research priorities, and
- f. Undermining of the very nature of the professoriate and the fundamental balance of power between the University and its faculty through:
 - i. creation of an award system that disproportionately recognizes achievement in only one of our multiple academic missions. It devalues teaching and service, compromises the value placed on mentorship, citizenship, and collegiality, and has the potential to evolve into de facto tenure-track research professorships.
 - ii. threatening of the traditional mechanisms by which scholarship and its contribution to a field are evaluated. Research productivity should be judged based on the quality and quantity, not solely on the amount of money obtained from external sources,
 - iii. devaluation of faculty in fields that do not attract extramural funding. Faculty in the humanities should be properly recognized based on well-defined criteria that involve all aspects of professional responsibilities and the value of their contributions to the University and society, and not considered less important because they lack the same opportunities for raising money from external sources, and
 - iv. elimination of the concept of tenure if bonus programs are allowed to evolve into compensation systems tied heavily to soft money.

D. Rationale of AAUP Recommendations to the Faculty Council

1. We recognize that traditionally matters of faculty compensation are solely within the discretion of the administration. However, bonus plans may have significant

impacts on the faculty and the University in terms of: our mission; incentives for relative emphasis on research and scholarship, teaching, and service; faculty collegiality; and the autonomy of the University with respect to external funding sources. We foresee significant deleterious effects from a substantial shifting of the burden of funding a college or university enterprise away from the institutional governing board onto those responsible for carrying out the mission and objectives of that enterprise. One example of that model is what has occurred in intercollegiate athletic departments at most major US colleges and universities. These departments now function largely as autonomous commercialized entertainment enterprises with little or no financial support and influence from the host academic institution. In our judgment, therefore, the propriety and form of bonus programs is properly within the jurisdiction of the Faculty Senate.

2. Adoption or expansion of incentive programs carries a substantial burden of justification. For this reason, we propose that the Faculty Senate recommend and the University adopt a moratorium on the establishment or expansion of all salary incentive programs. Additional salary incentive or bonus programs for tenure-track research faculty members should not be adopted, even on a pilot basis, prior to full and informed consultation with the Faculty Senate.
3. To guide the Senate in its consideration of bonus programs, we also recommend that the Faculty Senate charge an existing committee or appoint a new committee to assess the propriety of bonus programs for the University of Iowa and to recommend guidelines for such programs in the event they are authorized by the administration.
4. We further recommend that the Faculty Senate charge its Faculty Welfare Committee or some other committee appointed for this purpose, to conduct an independent evaluation of the success of the COM pilot program, with full access to any information that is required to assess completely both the benefits and drawbacks of the program. As a possible point of departure for the committee tasked with the responsibility for conducting an independent review of the COM pilot program, we suggest in the Appendix to this memo a possible tentative research design for the inquiry.
5. We believe that the COM carries a heavy burden of justification for its current pilot program. Accordingly, we recommend that the COM pilot program not be permitted to continue beyond five years in the absence of a meaningful and exhaustive evaluation which documents that the benefits of the program clearly outweigh its drawbacks.

Appendix: A Possible Research Design for an Evaluation of the College of Medicine's Incentive Program for Basic Science Departments

We suggest that the evaluation start with an examination of the factors mentioned in the COM bonus plan— extramural funding trends and faculty productivity – for two or

three years before and after the adoption of the plan. However, it should go beyond these considerations to examine the following questions:

1. How do trends in grant applications, funding, and faculty productivity (publications, patents etc.) compare for faculty who receive bonuses and those who don't (both within the basic sciences and elsewhere in the college.)
2. Compare the trends of total salary among the bonus-eligible faculty who receive bonuses and those that don't – in the aggregate and by the levels of the bonuses received.
3. Compare trends in the bonus amounts awarded to faculty for basic research as compared to awards for teaching, and administration.
4. For faculty who do and do not receive research bonuses, compare trends before and after the program was introduced:
 - (a) in effort allocations for teaching, research, and service,
 - (b) in course teaching loads, and
 - (c) the subject matter of their research agendas.
5. Compare trends in the college's basic research (bonus eligible) departments to trends in other comparable departments in the college, that are not bonus-eligible, before and after the bonus program started in terms of: (a) start-up funds for new faculty, (b) bridging funds for faculty research, and (c) other departmental activities that are intended to benefit from enhanced revenues as a result of the bonus program.

**Pilot Incentive Program
in the Basic Science Departments
July, 2003**

I. Background

The Carver College of Medicine (CCOM) basic science departments consist of the departments of anatomy, biochemistry, microbiology, pharmacology and physiology. Dean Robillard and the basic science department heads are working to immediately address projected financial challenges. This situation demands that the College continue to grow its extramural funding sources and become increasingly cost conscious and cost efficient. Prudent management requires a more austere budgeted faculty salary policy for Fiscal Year 04 than has been experienced in quite a long time. Consequently, budgeted faculty salaries for FY04 have been held at their current levels with the exception of salary adjustments for those being promoted to the ranks of Associate Professor and Professor. Faculty are being advised that with potential tighter financial times it is possible that in FY05 some individuals may once again experience no salary increases or possibly decrements. Faculty in the basic science departments have twelve (12) month appointments rather than the traditional nine month academic appointments.

The basic science departments have had non-salary incentive programs that reward faculty who generate significant proportions of their salary from extramural research awards. Typically, departments “return” a portion of the faculty member’s salary into an enrichment account for research activities. The amount of salary recovered and returned to faculty has varied amongst departments.

In an effort to encourage incremental extramural funding during these difficult economic times, the College is proposing a modification of existent basic science department incentive programs that reward faculty who generate extramural salary support.

The proposed new plan would create a uniform approach for the basic science departments to reward faculty performance. This program would replace the five different enrichment account programs currently utilized by the basic science departments. A new feature to be added would be the establishment of lump sum incentive payments for faculty who generate 50% or more of their salary from extramural grants/contracts.

Funds previously distributed to faculty in the enrichment accounts would not be affected by this new plan. Those accounts would remain until the funds are depleted in accordance with existent departmental policies and practices.

This proposal will be evaluated over the next two academic years to determine if this pilot program is successful. The review will include an analysis of extramural funding trends and faculty productivity.

II. Proposed Plan

Concept

The concept of a basic science productivity-based incentive plan rests on the faculty member and the department achieving certain goals or productivity and achieving targets in the missions of research and service. This new plan would continue to recognize faculty whose extramural awards provide significant salary support, and in addition, would recognize faculty with high level awards that provide minimal or no salary support due to funding entity restrictions. The plan would also recognize those who spend a considerable amount of their time and effort contributing to important teaching administrative activities in their department. The new plan is intended to be an incentive that would lead to a substantial increase in research productivity and subsequent salary return for departmental uses, for example, visiting speakers seminar series, purchase of shared equipment, start-up funds for new faculty, bridging funds for faculty who experience an interruption of extramural support, etc.

Faculty having less than 50% of their salary funded through extramural sources, but 35% or more, would be eligible for “enrichment account” contributions. Faculty with 50% or more of their salary on extramural sources would be eligible for lump sum payments.

The lump sum bonus payments would be in addition to and unrelated to yearly merit salary increases. The basic science productivity incentive payment would be given in early November based on attainment of the previous academic years’ goals or targets. Accordingly, basic science productivity incentive payments will not be a permanent part of the faculty member's salary for those who participate in this plan. If the faculty member fails to meet the goals agreed upon, a basic science productivity payment will not be given.

This plan is consistent with the current expectation that all tenure track faculty in the basic science departments support a minimum of 40% of their salary through extramural grant/contract funding. This plan would be applicable to tenure track faculty including department heads of the basic science departments.

The initial year of this basic science productivity incentive plan focuses on research dollar generation. For the obvious reasons, that incremental money will assist in reducing the financial stress of individual basic science departments. It is our hope that future versions of this plan will incorporate provisions that reward extraordinary teaching effort and/or accomplishment along with recognizing faculty service to departments, the College or University.

The following defines the lump sum payment amounts associated with the acquisition of extramural awards that provide salary support, extramural grants

that provide limited or no salary support and teaching/administrative service productivity payments.

Research Basic Science Productivity Incentive Payments

Extramural Awards that provide salary support: ^{1, 2}

Salary offset of:

- 35%- 39% - \$1,000 enrichment fund contribution
- 40 – 49% - \$2,000 enrichment fund contribution
- 50 – 59% - \$5,000 lump sum payment
- 60 – 69% - \$10,000 lump sum payment
- 70 – 79% - \$15,000 lump sum payment
- 80 – 89% - \$20,000 lump sum payment
- 90% and above - \$25,000 lump sum payment

Extramural Grants that provide limited or no salary support. ^{1, 3,4}

- If the PI has \$350,000 - \$450,000 in such extramural research support per year, the productivity incentive payment will be determined by the department head and may be up to \$5,000.
- If the PI has >\$450,000 in such extramural research support per year, the productivity incentive payment will be determined by the department head and may be up to \$10,000.
- The PI for a training grant may qualify for an incentive payment of up to a maximum of \$10,000. Determination of payment amount will be by the department head and /or Dean depending on the type, scope and duration of the grant.

Teaching/Administrative Service Incentive Payments

- If a faculty member assumes the directorship of a course identified by the department as particularly intensive of time and effort, or assumes a significant administrative burden in the department, the incentive payment will be determined by the department head and may be up to \$10,000. Each department may identify a course(s) and/or departmental service(s) to which this incentive applies.

¹ Carver and other internal seed grant awards that originate from external sources are not considered extramural awards.

² All incentive payments will be based on the ratio of total extramural salary support of an individual faculty member as a percentage of the individual's total salary payments in the previous fiscal year.

³ Faculty are expected to maximize salary return on such grants to be eligible for productivity incentive payments.

⁴ May include shared instrumentation and training grants.

Eligibility Requirements

The incentive payment program is applicable to tenure track faculty having their primary appointment in a basic science department of the Carver College of Medicine.

In addition to the above requirements, a faculty member must be on the Carver College of Medicine payroll at the time payment is made. The only exception to this requirement is noted in the below paragraph addressing the eligibility of emeritus faculty.

Faculty in phased retirement will be eligible in year one of their phased retirement based on their performance in the previous fiscal year. Phased retirement participants will be excluded from participation in the incentive pay plan upon completion of the first year of their phased retirement.

Emeritus faculty will not be eligible for an incentive payment except during the first year of their emeritus status based on their performance in the previous fiscal year which is utilized for calculating the incentive payment amount.

Operational Guidelines

The maximum payment in FY04 for an individual faculty member is capped at \$25,000.

The development of procedures for implementation of this program will be the responsibility of the basic science department heads with the Dean, Carver College of Medicine, having final decision authority for the overall program, including adjudication of any interpretation issues, complaints, and/or grievances related to program policy.

This program will be conducted in a manner consistent with applicable personal income tax regulations and laws.