Abstract

The purpose of this paper is to examine the issue of merit pay, particularly as it applies in engineering technology programs, and to attempt to answer the above questions as they relate to merit pay in educational institutions. Some of the pros and cons of merit pay systems, especially in public institutions will be examined, and some possible alternatives to merit pay as a more effective reward mechanism will be evaluated.

What?

Merit pay raises are typically defined as pay for performance above and beyond those rewards that are commonly referred to as across-the-board raises or cost-of-living raises (COLA). Merit raises are also separate from raises given on some campuses for the purposes of reducing inequities such as those due to gender or discipline. Merit pay raises are usually given for meritorious performance as a way to reward people whose performance during the latest review period was exceptional. In some instances, it is believed that such raises may instead be a way to motivate people to improve their performance.

There are actually several different kinds of merit pay plans in existence. One is a pure merit system where any increases in one’s salary are based entirely upon meritorious performance. A second system is one in which increases are a combination of COLA and merit. In systems one and two, the increase becomes part of the faculty member’s base salary. A third system is one which is a combination of a basic COLA raise with a merit bonus. The COLA raise becomes part of the base salary but the merit portion is a one-time award.

Merit pay raises are a contentious issue on many campuses for a variety of reasons. These reasons include the perception that such raises are either inequitably determined or inequitably distributed. Another point of contention is that often there is very little money available for such raises and thus the effort to determine who should receive them far outweighs any available monetary reward. A third point is that if the purpose of merit pay is to improve performance, there is little evidence that such rewards act as much of a motivator. In fact, many feel that merit pay is a detriment to quality performance and employees should be rewarded in other ways.

Lawrence Dennis\(^1\) cites several other reasons institutions of higher education should not award
merit pay to faculty. One is the fact of salary compression and that merit pay can compound the salary compression problem. A second reason he gives is that if merit is given on the basis of a percentage increase, it actually widens the gap between the higher paid and lower paid faculty, even when both are meritorious. A third reason he gives is that merit pay systems can create antagonism between those who receive such awards and those who do not. This can be particularly true in most public institutions where salaries are public knowledge. A fourth reason he gives is that people will work towards what gets rewarded rather than towards what might be perceived as the greater common good. A final reason he gives is that it becomes too easy to mistake quantity for quality.

On the other hand, there are several reasons espoused for merit pay, one of which is particularly rooted in the American psyche. This is the belief that people should be rewarded in tangible ways for exceptional performance. Such rewards are considered to be a normal part of our free enterprise system. Given the extensive use of merit pay systems in industry and the fact that most engineering technology faculty come out of industry, such faculty at least understand the concept of merit pay if not support it in an academic environment. Another rationale often expressed is that by rewarding exceptional performance, we are required to evaluate faculty and through that evaluative process, recognize those who are doing an outstanding job. However, such a reward system also needs to be coupled with a post-tenure review system which will provide a mechanism to remove nonperforming faculty. Any procedure which involves dismissal must also provide appropriate due process protection. However, without a way to remove ineffective faculty, we stand to lose face with the public, particularly those who question the need for tenure.

Why?

Taking the title somewhat out of order, the question we need to ask is why would an institution want to have a merit pay system? What is to be gained, either at the individual faculty member level, or at the institutional level by having such a system? Some people think that merit pay can serve as a motivator and spur faculty on to better performance. Actually, the data shows that pay itself is not a motivator and may actually serve as a detriment to desired performance. In the author’s opinion and experience, merit systems are not particularly effective in changing people’s performance and in some instances, may actually be divisive. Furthermore, when one looks at why people choose to become faculty members, particularly in disciplines such as engineering technology, it is usually because of the intrinsic rewards associated with the profession, not the extrinsic ones. This is true as long as the person feels they are being paid a living wage. It has been fairly obvious for some time that most faculty in a technical discipline can usually make a greater salary outside of academia.

In spite of the negative arguments, an institution, college or department may decide that they wish to recognize outstanding performance through a merit system. In some institutions, such a system may be required and there may be no choice on the part of the faculty or the administration. If that be the case, what then are some of the issues involved in instituting a
merit pay system? Some of them have already been mentioned. Others include the need to be certain that you look at quality, not quantity. Another is that the process needs to be as objective as possible and make every attempt to avoid subjective bias. A third one is to develop a system where the process is seen as being fair and there is strong faculty buy-in. A fourth point, and one often overlooked, is that the merit process should use the same measures as are used to evaluate candidates for promotion and tenure. Thus, for example, if teaching counts the most in promotion and tenure decisions, it should also count the most in merit decisions.

There are some other considerations\(^3\) in awarding merit pay that are important in having an effective system and a system which faculty will support. First, merit pay cannot make up for a situation where there is not a sound salary structure or as stated above, where faculty are not making a living wage. Secondly, merit pay should not be in any way construed as a motivator for underachieving faculty or used to withhold pay as a punishment for poor performance but rather as a reward for outstanding performance. Finally, as stated above, there needs to be faculty buy in and as such, a mutually agreed upon definition of excellence.

**Who and How?**

These two questions go hand in hand as the how determines the who. There are a number of approaches to a merit system and the purpose of this section will be to look at some of these approaches with the idea that the readers can take from them what they feel is appropriate for their particular situations. There are some underlying assumptions that also go with this section which include the idea that the institution already has a sound salary structure, that merit is being awarded for superior performance, and that it is being awarded in addition to or on top on any monies already allocated for COLA. Thus if there are x dollars available for raises in a given year, something like 0.25x may be available for merit.

With these assumptions in mind, let’s look at some possible components of merit pay plans. One concept which could be part of any merit plan is the idea that merit pay is something faculty must apply for and not all faculty need to apply. This reduces the amount of work on the part of the people doing the evaluation and even if someone does not apply who appears to deserve merit, they could be encouraged to do so. At the author’s institution, we have also tied merit pay to faculty goal setting and those faculty who are considering applying for merit pay must have done goal setting with their department chair or they will not be eligible for merit. We also purposely do not allow faculty who are on leave for a given year to apply for merit pay in that year as it is too difficult to determine their contributions under those conditions.

Another consideration is whether or not to limit the number of merit pay awards in any given unit. Many institutions do this but rather arbitrarily. Informal discussions with chairs will provide a sense of the number of faculty whose total performance is above and beyond normal expectations. This may be typically somewhere from a fourth to a third of the faculty in a given unit. However, some merit plans such as described later on suggest that such limits should not be imposed but that anyone who performs meritoriously in any of the areas being evaluated...
should be awarded some merit.

As to process, an evaluation of the factors used to determine merit is the first thing that needs to be considered. As stated earlier, these factors need to be congruent with the factors used in promotion and tenure decisions. Again in the College of Applied Science and Technology (COAST) at the author’s institution, for purposes of evaluation for promotion or tenure, teaching is weighted between 55 and 75%, scholarship between 10 and 25%, and service between 10 and 25%. We then use these same weights in evaluating faculty for merit. We also make merit expectations a function of rank such that an associate professor needs to do more to earn merit than an assistant professor.

The sources of evidence used in determining merit is also an important consideration. Typically these would include both a self-report from the faculty member and student evaluations of teaching. Other sources of evidence could include a peer review committee or a report from the department chair. The author feels strongly that if the chair is used as a source of evidence, then that chair should not also be an evaluator of the evidence as it becomes difficult under such a situation to eliminate bias. Then the question becomes one of how the evidence is to be used. For example, Arreola⁴ argues that student evaluations can only be used to judge two of the four major aspects of teaching, namely instructional delivery and instructional design. He considers the other two major aspects to be content expertise and course management. Content expertise has to be evaluated through a peer committee or by classroom visitations and course management through the self-report of the faculty or by the department chair.

Besides the notion of what constitutes merit, there is the question of how to award merit. Should it be awarded on the basis of overall performance or if someone is doing an outstanding job in one area, say teaching, but not doing any scholarship or service, should they also be considered for merit? One school⁵ takes this latter approach. Again the criteria for merit needs to be a faculty decision. Another consideration is how the money available for merit should be divided. For example, should it be given as a percentage of base salary or as a fixed dollar amount? This is frequently an institutional decision. The author prefers a fixed dollar amount for two reasons. One, a fixed dollar award avoids increasing the spread between highly paid and lowly paid faculty. Two, it says that meritorious achievement is worth the same regardless of the individual’s salary.

Finally there is the issue of who does the evaluation. Several of the schools discovered in the research⁶,⁷ use a committee of some kind for this purpose. However, it was not clear as to what happens when a committee member is also applying for merit. It would appear that they would have to recuse themselves under that condition. In COAST at Weber State, the department chair makes the initial recommendation and then the chairs as a group review all of the recommendations and the dean serves as the final arbitrator.

Conclusions
If an institution or a division of an institution is going to have a merit pay system, several things are required for such a system to operate successfully. First, there needs to be an appropriate salary structure in place where the salaries are reasonable and equitable. Second, the criteria for meritorious performance need to be clearly spelled out and agreed upon by the faculty. These criteria should be closely related to those required for promotion and tenure. Finally, the process needs to be clearly understood and provide an appropriate balance between the time required to do the evaluation and the level of awards available. With these caveats, merit allows institutions to recognize their top performers with a monetary award using an agreed upon process where everyone knows how they are to be rated and by whom.

Bibliography
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