

**ACADEMIC SENATE  
OF  
THE CALIFORNIA STATE UNIVERSITY**

AS-2714-05/FA  
September 16, 2005

**Re-affirmation of Prior Actions and Statements on Merit Pay**

RESOLVED: That the Academic Senate of the California State University (CSU) reaffirm its strong support for the findings of the Final Report of the 1997 Task Force on Merit Pay, which can be found at [www.calstate.edu/acadsen/records/resolutions/1997-1998/2394.shtml](http://www.calstate.edu/acadsen/records/resolutions/1997-1998/2394.shtml); and be it further

RESOLVED: That the Academic Senate CSU reaffirm its continuing commitment to the positions articulated in other Academic Senate CSU resolutions and documents on this subject:

[Resolution on] Merit Pay Task Force Report AS-2394-97/FA - November 6-7, 1997 <http://www.calstate.edu/acadsen/records/resolutions/1997-1998/2394.shtml>

Merit Pay Principles and Future Contract Bargaining

AS-2394-97/FA - November 6-7, 1997

[www.calstate.edu/acadsen/records/resolutions/2000-2001/2523.shtml](http://www.calstate.edu/acadsen/records/resolutions/2000-2001/2523.shtml)

Urging Outside-of-Bargaining Assessment of Merit Pay Policies AS-2516-01/FA - January 18-19, 2001

[http://www.calstate.edu/acadsen/records/resolutions/2000-](http://www.calstate.edu/acadsen/records/resolutions/2000-2001/2516.shtml)

[2001/2516.shtml](http://www.calstate.edu/acadsen/records/resolutions/2000-2001/2516.shtml) AS-2516-01/FA - January 18-19, 2001

Merit Pay Principles and Future Contract Bargaining

AS-2523-01/FA - March 15-16, 2001

<http://www.calstate.edu/acadsen/records/resolutions/2000-2001/2523.shtml>;

and be it further

RESOLVED: That the Academic Senate CSU strongly re-endorse the principles outlined in that report, in summary (and slightly resequenced here) that

- The merit of faculty in the CSU is customarily measured by processes identified in the RTP and lecturer evaluation processes, and indicated by the system of academic ranks;
- No [other] merit pay plan shall be implemented until faculty salaries in CSU match those at comparison institutions, that is, until the “CPEC salary gap” is closed;
- The purpose of such a plan shall be clearly stated;
- Merit pay awards shall be strictly limited to a maximum of two steps on the salary schedule;
- Merit awards may take the form of bonuses, additions to base pay, or both;
- Criteria for awards of merit pay shall be clearly stated in writing, and made available to all faculty, prior to the implementation of any merit pay plan;
- All decisions about recipients shall be made by faculty at the department, school, or college level;

- The system shall be fully open and subject to scrutiny;
- Those receiving merit pay need excel in only one of the three categories customarily used to measure faculty performance: teaching or work in any other primary assignment for which the faculty member is hired; professional achievement and growth; service;
- The application process shall be simple and straightforward in order to require as little time as possible of the faculty applying;
- Those serving on review committees shall not be eligible for merit awards;
- Any merit pay process shall include a fair and equitable grievance process for those who are denied awards;

and be it further

RESOLVED: That the Academic Senate CSU urge that any merit pay system provide all faculty equal access to consideration for merit pay; and be it further

RESOLVED: That the Academic Senate CSU urge that no merit pay system be implemented until the costs and benefits of previous merit pay experiences in the CSU are fully evaluated and assessed; and be it further

RESOLVED: That the Academic Senate CSU urge that implementation of any merit pay system be contingent upon additional funding from the legislature; and be it further

RESOLVED: That the Academic Senate CSU communicate the will of the Academic Senate CSU to Chancellor Charles B. Reed and the Board of Trustees of the CSU.

*RATIONALE: According to information provided by the United States Department of Labor (<http://www.dol.gov/dol/topic/wages/meritpay.htm>), “Merit pay, also known as pay-for-performance, is defined as a raise in pay based on a set of criteria set by the employer. This usually involves the employer conducting a review meeting with the employee to discuss the employee's work performance during a certain time period. Merit pay is a matter between an employer and an employee (or the employee's representative).” [Emphasis added.]*

*This definition points to one of the greatest difficulties inherent in discussion of merit pay in an academic context: it violates the principle that faculty have primary responsibility for decision-making about recommendations for rank and status of colleagues, contributing to the erosion in CSU of the relationship between rank and salary and to the role of faculty in peer review processes. Past efforts to engage faculty in the process of making recommendations for merit pay--like those that do not include faculty in the process--have led to divisiveness among faculty, thereby playing a role in the declining morale of CSU faculty.*

*As of mid-March 2005, anybody asking Google for information on merit pay would have been directed to any of 3,460,000 entries, of which some are undoubtedly more sophisticated than others. Two of some current interest then were Pay, Performance, Money and Bureaucracy, Ralph Smith (Coalition for Effective Change), <http://www.fedsmith.com/articles/articles.showarticle.db.php?intArticleID=330>, and*

*Tech industry turns away from stock options,*  
<http://www.dailybulletin.com/Stories/0,1413,203~21482~2758169,00.html>

*The first, by a proponent of rewarding good performance in the federal government's workforce, identifies first on his list of requirements for a "successful system" of performance-based pay in the federal government "Gaining Consensus on the Basis for Rewards and Corrective Actions." The CSU is very far from any such consensus. He notes later, ad seriatim, that one requirement for any performance pay system is adequate funding; another is a "rational, reasonable process for appealing actions having a material effect on the employee." And he is very clear that one difference between private-sector uses of merit pay and the way in which public-sector agencies work is that "most private sector companies do not get involved in the complex, convoluted, and expensive . . . structure of the various appeals applicable to the federal workforce.*

*This topic is hardly new to the California State University, nor to its Academic Senate: within the last decade several versions of merit pay -- ranging from the PSSI program to the FMIs -- have been imposed upon the faculty in the belief that competitive bidding of faculty for higher salaries for the few would improve the worklife of the many. In response to the swirl of proposals made in the 1990's, the Academic Senate of the CSU created the Task Force on Merit Pay, chaired by Hal Charnofsky, whose final report can be found at <http://www.calstate.edu/AcadSen/Records/Resolutions/1997-1998/2394a.shtml>; the other members were Robert Cherny, David DuFault, Jackie Kegley, and Dan Whitney.*

*The premise of merit pay systems, as this report notes, is that those receiving merit pay will experience increased motivation and become "more productive." While this premise may hold in contexts in which base salary levels are strong, the literature on merit pay tells us clearly that it is not valid where base salaries fall below those offered in comparison organizations. In "The Case for the Invisible Merit Raise: How People See Their Pay Raises," Atul Mitra, Nina Gupta, and G. Douglas Jenkins, Jr., writing in *Compensation and Benefits Review*, 27 (May-June 1995):*

*71-6, make several compelling points (as cited in the final report of the Merit Pay Task Force).*

- 1) Unless a merit raise is at least 6% to 7% of base pay, it will not produce the desired effects on employee attitude and behaviors...Small merit raises are simply unlikely to make employees work any harder or better.*
- 2) Beyond a certain point, increases in merit pay size are unlikely to improve motivation and performance.*
- 3) When merit raises are too small, employee motivation and morale suffer.*
- 4) Very small and very large merit raises may actually obstruct an organization's motivational efforts.*

*In short, the environment in which CSU could implement any merit pay program would not produce the desired effects: what was true in 1995 remains true ten years later.*

*The overview of the final report of the Task Force on Merit Pay is as follows.*

### **OVERVIEW**

*“The Merit Pay Task Force of the CSU Academic Senate found that nearly all CSU faculty intensely disliked the PSSIs. In our face-to-face contacts with about 400 faculty from Humboldt to San Diego and our internet contact with almost 200 more, we discovered that the PSSIs caused some degree of disharmony and rancor on all 20 campuses we visited. To continue them in their current form is almost certain to cause an even greater decline in faculty morale.*

*“We also learned that most, but by no means all, faculty are deeply suspicious of any form of merit pay other than that provided presently through retention, tenure, and promotion (RTP). Colleagues in all parts of the state—in large schools and small, in urban and rural areas, at commuter and residential campuses—accept and welcome appropriate evaluation; they are part of an enterprise that rigorously evaluates its members before hiring them, before reappointing them, before awarding them tenure, and before promoting them to higher ranks. Faculty also believe that forms of merit pay other than RTP will prove divisive. This is especially true when faculty compensation lags so far behind comparison institutions.*

*“Our colleagues, almost to a person, told us that the CSU should not have merit pay until the CPEC faculty salary gap is closed or, at the very least, until a definite and binding agreement is in place to do so. Faculty often contrasted the Trustees’ readiness to close the gap for CSU presidents with the Trustees’ failure to make the same commitment to faculty. As with presidents, salaries below standard make it increasingly difficult to recruit and retain quality faculty. Faculty views on this issue closely paralleled the literature we reviewed on merit pay and the views of experts we interviewed. Both agreed that the farther a company’s or an institution’s pay lags behind the industry standard, the harder it is to make merit pay effective.*

*“Based on our review of the literature and interviews with experts, the Task Force concludes that merit pay cannot work unless the rationale for having it is clearly articulated. No one we contacted, including presidents and a former Trustee, could clearly state the rationale for the PSSI, and it was not made clear in the MOU accepted by the Board of Trustees and the California Faculty Association (CFA). The assumption that merit pay has proven effective in the private sector is not borne out by the literature we reviewed nor by the experts we interviewed. Not all universities nor systems have merit pay. A recent report by the CSU Institute for Education Reform found that merit pay does not motivate K-12 teachers.*

*“Although we conclude no merit pay plan is likely to be a good fit with CSU professorial culture, we began and ended our task on the assumption that merit pay nonetheless is likely to continue in the CSU. We have done our best to reflect the*

*views of the hundreds of colleagues we contacted in person and electronically. Their views were varied, thoughtful, professional, and forcefully stated. We drafted the principles in our report to be necessary elements of any merit pay package that might be bargained between the CFA and CSU.*

*“Based on contact with colleagues, analysis of the literature, study of merit pay systems in other universities across the country, and discussions with experts, we developed 12 principles. We present these principles as essential elements of any merit pay package that might be bargained. We also developed models to demonstrate the possible application of these principles that appear in the Appendix.”*

*The 2005 ‘sunshine proposal’ of the CSU preparatory to collective bargaining expresses renewed interest in some form of merit pay, a particularly divisive and destabilizing approach to faculty compensation in an era of continuing budget shortfalls and inadequate funding for the CSU. For this reason, it is again appropriate to remind those charged with management of the CSU of the faculty perspective on merit pay.*

**Approved – September 16, 2005**