

Markets in Merit

Salary loadings of different kinds are rapidly becoming the norm in different parts of the university.

Their rationales vary from market forces to merit, and all points in between.

Frank Stilwell argues that there's no justification for any differential loadings for special groups of staff.

Michael Darcy responds that the industrial realities are more complicated than that position allows.

...or Merit in Markets?

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Australian universities now commonly pay various combinations of 'merit' and 'market' salary loadings to selected members of their academic staff. Not surprisingly, these salary loadings have been welcomed by the individual recipients. However, there is a broader dilemma facing academics - whether to support the salary loadings for (some) members or to be more concerned about the implications of their further spread. The academics' union strives to secure reasonable wage and salary outcomes, but can only set in place minimum rates of payment. Wage floors rather than ceilings are the focus, yet raising ceilings (for selected academics) has significant implications for equity and the general character of the academic profession.

To some extent the spread of salary loadings reflects the broader processes of commercialisation, marketisation and corporate managerialism that have been widely discussed in the educational policy literature in recent years (eg. Marginson 1997, Slaughter and Leslie 1997, Marginson and Considine 2000). However, there are specific concerns which warrant consideration. This article argues that salary loadings take universities along a path with dangerous consequences and ultimately self-defeating effects. The interconnected beliefs that there should be 'markets in merit' and that there is 'merit in markets' are particularly questionable in the context of university staff remuneration. While markets and competition can have an important role to play in many areas of economic and social organisation, their further extension in this area is deeply problematic.

What is the case for salary loadings?

The key assertions are that:

- university academics are generally poorly paid by comparison with other professions;
- Australian salaries compare poorly with salaries overseas;

- other universities, in Australia and elsewhere, are engaged in a bidding war for the best academics;
- there is a need to link rates of remuneration with performance, in line with other private and public sector employers;
- inter-university competition makes it imperative for individual institutions to pay salary loadings for fear of losing their better staff, or failing to attract good staff, if they do not.

The first of these propositions may be sound, but the problem of generally low pay cannot in general be solved by salary loadings. Paying some academics more usually means either that others must be paid less or fewer are employed. Higher salaries for some also usually mean higher workloads (either for the recipients, their colleagues, or both) unless the total resources allocated to teaching, for example, are reduced (in which case the students bear the brunt).

The second matter cannot be resolved by salary supplementation either. International salary relativities are a matter of national variations in standards of living, currency exchange rates, and other macroeconomic factors. Trying to achieve some degree of international parity by inflating the salaries of particular individuals has the same adverse consequences described above. Moreover, many of the overseas institutions with which Australian universities compete are able to pay the higher salaries because they are private universities, charging substantially higher fees, or generating considerable income from endowments.

The third point raises troublesome questions about how the 'best' academics are identified. Claims by individual academics that they require higher than standard incomes to come and/or stay at a particular university often have more to do with 'who you know' than 'what you know', and on 'what you promise' rather than 'what you actually deliver'. Institutionalising salary loadings certainly sets up a very distinctive set of incentives which, despite the best intentions of its propo-

nents, can lead to bidding processes having dubious connections to any absolute standards of 'quality'.

The fourth point, that staff should be rewarded for the quality of individual performance, is also problematic. Promotion has historically been the institutional means for rewarding performance. The presence of salary loadings alongside established promotion procedures implies that the criteria for rewarding performance cannot properly be the same in both cases. Hence the tendency for more subjectively qualitative assessments to enter into the determination of salary loadings. In practice, the effect is to compound inequities and, as is evident in the public service, to generate industrial and legal disputation.

The fifth point, about the inexorable character of competition, requires careful consideration. Competition can take many forms. Universities competing for academics with proven research-grant pulling power could do so by, say, allowing individual academics to have a percentage of the grant income they attract paid to them as personal income rather than by direct salary loadings. Alternatively, a school or faculty (or even a whole university) might 'compete' by emphasising and advertising its commitment to cooperative and collegial practices (including the refusal to introduce salary loadings for individuals). Such egalitarianism would presumably be attractive to some academics and not to others. So the best strategy to choose depends on what type of academics each institution wants to attract. There are sound reasons to be sceptical about policies seeking to attract 'high fliers', however they be defined (or self-defined), since high fliers tend to fly away.

Why not rely on the existing promotion system as the means of providing incentives to, and rewarding, merit?

The bases on which 'merit' loadings are paid are usually the same as the criteria for promotion. So why not just 'oil the wheels' of university promotion mechanisms? Merit can be routinely rewarded via promotion or, in the case of a new appointment, by recruiting at a higher grade, rather than requiring a separate 'merit' loading. If, as it is sometimes claimed, it is difficult to get promotion unless you are on the top rung of your current grade (as, say, senior lecturer) that can be directly addressed through reform of that institution's promotion process.

'Leadership' is also commonly cited as an attribute that universities are seeking to encourage and reward through salary loadings. How to define and identify it in practice is elusive. In any case, 'collegiality' in academic life may be of at least equal importance in the process of nurturing academic excellence.

Level E academics are the only ones for whom there are neither further institutionalised salary increments nor formal promotion possibilities. A scale of salary increments

for level E academics, rather than a separate system of individual loadings, could address this. Introducing a further grade (call it E or F, although 'super-professors' is a terminology more likely to gain informal currency) is an alternative. This would open up more scope for paying some particularly sought-after professors significantly higher incomes. These are logical alternatives to discretionary salary loadings. Whether such proposals for

'stretching' the salary scale are desirable depends on the acceptability of increasing the overall degree of inequality in academic remuneration.

Is it desirable to have wider income disparities between especially highly paid professors and more junior academics?

The preceding reasoning suggests that 'merit' loadings have the general effect of increasing the ratio of higher salaries relative to those of more junior academics. This mirrors trends occurring more generally in society, where a 'race to the top' in senior executive salaries coexists with a 'race to the bottom' for routine workers, especially in occupations where the growth of insecure employment is a significant feature (Stilwell 2003). Already there is a growth of a 'secondary labour market' in academia, involving the employment of casual tutors (on whose abilities and commitment the quality of much small group teaching and learning depends). There has also been disquiet, among both staff and students, about vice-chancellors rewarding themselves with large personal salary packages, while insufficient resources are provided to fund normal library acquisitions and maintain reasonable tutorial class sizes. Resentments about such matters - among many staff, academic and non-academic, as well as students - predictably increase as the already better paid academics are seen to be getting yet more substantial rewards. At a time of general fiscal constraint the greater inequalities arising from the salary loadings process are a recipe for divisiveness.

Even for the victors, the spoils may have offsetting effects. There is a considerable body of evidence from social scientists indicating that greater economic inequalities tend to reduce collective well-being (eg. Hamilton 2003, Ch.2; Saunders 2002, Ch.5). Competitive salary loadings also tend to create an aca-

democratic environment in which collegiality is undermined. For those who regard the essence of academic life as a shared, collective concern with the pursuit of knowledge (through research) and the dissemination of its fruits (through the processes of teaching and learning) remuneration structures with a more individualistic focus are a discordant element.

Are 'market' loadings an appropriate means of mirroring market trends?

Proponents of 'market' loadings usually make a pragmatic case, based on the competition for academic labour arising from a non-university employment sphere. The case may be couched in terms of inter-university competition, but it rests ultimately on benchmarks set in labour markets more generally. Hence the familiar assertions that, say, academics in departments of Accounting or Marketing must be paid more than academics in History or English Literature because of the wider array of lucrative alternative employment opportunities in 'the market'. If market criteria are the appropriate ones for remuneration, perhaps we should let the market determine whether and where the job gets done. So, if universities cannot match the salaries of professional accountants or marketing executives, for example, let the accounting profession and marketing businesses directly mount the training programs they need (paying their teachers whatever market-determined rates of pay are appropriate). If they prefer the universities to fulfil this educational function for them then they could presumably pay directly for the service.

In any case, the two spheres of employment are not equivalent. Universities offer quite different employment opportunities and conditions from those available in private sector businesses. University jobs have relatively greater economic security and, as a matter of principle, allow scope for determining one's own content of teaching and research. These are the traditional 'academic freedoms' which, although under pressure, still differentiate university jobs from most private sector jobs. There is a trade-off between these characteristics and the level of direct monetary reward. Individuals can quite properly choose which type of employment suits them best.

There is a paradox, however, because the security of employment for those receiving salary loadings sits alongside increased resort to the employment of casual and short-term staff. The latter typically have neither the security nor the high incomes: yet they are the 'life blood' on which the quality of future academic staff depends. The rhetoric of those advocating market loadings emphasises the need to attract 'good' people into the academic profession, yet the indirect effect is often to relegate potentially fine academics to long periods in the 'secondary labour market' where employment conditions tend to discourage the commitment to an academic career.

Do universities get better value for money by paying salary loadings or by employing more academics?

University administrators commonly emphasise a 'top down' view of the conditions conducive to academic excellence. Indeed, prestigious professors, attracted to particular universities by salary loadings, may generate 'trickle down' benefits for their faculties, or even whole universities. However, this is not necessarily the best strategy for creating a productive academic environment. Instead of paying one professor 'a bit over the odds' at, say, \$120,000, three level A academics could be employed at \$40,000 each or two level B academics at \$60,000 each (in round terms). Hiring more junior academics has all sorts of benefits for a discipline and for a university in general - nurturing talented researchers and teachers, having younger academics more in touch with the concerns of the bulk of students, and helping to create a larger and more diverse community of scholars, for example. Publicly declaring such a policy - indeed, actively advertising it - could be a major point of appeal for a faculty or for a whole university. Some senior academics might even be more attracted to working in an environment where nurturing younger talent is the top priority.

How do salary loadings affect the balance between teaching, research and administration?

The proponents of salary superannuation sometimes claim that teaching quality is a relevant criterion. However, teaching evidently figures less strongly than marketable research-related characteristics (or consultancy income-generating abilities) in practice, notwithstanding declarations of those good intentions. Teaching quality is harder to measure than an academic's 'track record' in research output or the generation of research funds. 'Super professors' are more likely to stake their claims in the latter terms or in terms of administrative capabilities which pay off in terms of generating research funds.

'Leadership' is also commonly cited as an attribute that universities are seeking to encourage and reward through salary loadings. How to define and identify it in practice is elusive. In any case, 'collegiality' in academic life may be of at least equal importance in the process of nurturing academic excellence. This may involve supporting colleagues in various ways (reading and commenting on their work-in-progress, and talking with them about their ideas for teaching and research, not to mention the unheralded but important business of refereeing articles for journals and examining theses from other institutions). Such supportive activities could, in principle, be rewarded with salary loadings but the sort of academics

inclined to use their energies in these ways are not normally at the front of the queue for more money. University life would be poorer if these activities were widely seen as being only undertaken by the 'losers' in an increasingly commercialised academic environment.

Is the formalisation of salary loadings conducive to harmonious working relationships?

Salary loadings can either be determined in an ad hoc manner or through formal procedures, whereby committees review applications for 'merit' and 'market' loadings or combinations thereof. The latter has the obvious appeal of greater transparency. However, having committees to adjudicate on salary loadings impacts on personal relationships among academics in various ways. Seeking to impress members of committees of one's worthiness for a salary loading may take various forms beyond the formal construction of an application. It invites the proliferation of personal practices that can be quite uncomfortable both for applicants and judges, jarring with the professional relationships among academics that are most convivial and productive when they are least explicitly hierarchal.

The question of who should be on committees reviewing claims for salary loadings is central to this concern. Therein lies a tension - between relatively centralised models and ones that are more broadly-based, including academic staff other than 'line-managers'. The more broadly-based model has more participatory and democratic features, but is more time-consuming and puts more academics in the potentially awkward personal circumstances just described. Bringing in 'independent external experts' can broaden the base but raises questions about their capacity to evaluate the merit of academic work. It is also costly since any such experts normally require direct remuneration. The decision-making processes themselves constitute a major call on scarce resources.

It is also pertinent to note that the pursuit of these individualistic processes for the determination of loadings can also be very time-consuming, both for potential applicants and for the judges. Where official procedures exist to determine salary supplements on a case-by-case basis, applicants must prepare their cases carefully and committees must spend time in carefully considering them. For unsuccessful applicants the damaging effects on morale (and therefore on both productivity and commitment to the institution) may also be significant. On the other hand, where the salary supplementation decisions are taken on an ad hoc basis by deans, vice-chancellors or pro vice-chancellors, concerns about arbitrary and capricious decisions are predictably the source of different types of attempts to 'curry favour', and of personal resentment where they fail.

Appeals procedures are a related concern. Such procedures are important to ensure the perception of fairness, but they are also time-consuming for the parties concerned and often generate additional heat. Not to have appeals procedures reduces the accountability of the process but to have them adds to the commitments of time, not only for committee members and applicants but also for union representatives where an applicant seeks such representation.

Conclusion

It is pointless to close the stable door after the horse has bolted, some would say. Salary loadings have already crept into academic remuneration in a piecemeal manner, and it is hard now to envisage a spontaneous process of reversal. However, universities can adopt policies to limit their further spread. This is not just a salaries issue. Among the matters at stake are the cooperative character of teaching, research, and administration, the resources available for those activities, the collegial character of decision making processes, and the quality of interpersonal relations among academic staff. *a*

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Glossary

Merit loadings: payments to selected academics, over and above the normal salary for their level of appointment, according to institutional judgements about their individual merit.

Market loadings: payments to selected academics, over and above the normal salary for their level of appointment, because their subject area is one where higher salaries prevail in non-university employment.

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