Selecting an Experience Premium

The *experience premium* is a parameter used to estimate the rate at which the *expected salary* of an individual changes with years in service as defined in the Multiyear Pay Plan (page 7). Calculating the experience premium per discipline based on external salary averages offers insight into the appropriate range in which to make a selection. Table 1 lists descriptive statistics for calculated experience premiums for each discipline for 2007-08 and 2008-09.

	2007-08	2008-09
Average	$ 743	$ 823
Median	714	827
Maximum	1,039	1,253
Minimum	386	345

Table 1: Descriptive statistics for calculated experience premiums
for 2007-08 and 2008-09 across UWS disciplines

Considerations

There are certain tradeoffs must be considered if an experience premium is selected based on the descriptive statistics provided. Ideally, the salary model used to calculate compression would look like that shown in Figure 1. In this graph, the experience premium connects with the salary adjustments at the time of promotion (shown in blue). Since promotion adjustments are applied uniformly, the salary increases are fixed regardless of discipline.

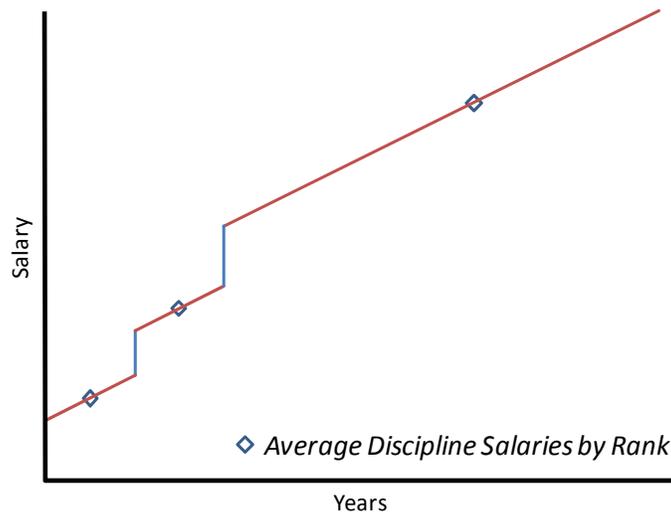◇ *Average Discipline Salaries by Rank*

Figure 1: Profile of an ideal salary model

Choosing a single value for the experience premium, however, leads to some undesired behavior when uniformly applied across disciplines. Choosing an amount that is too low yields a salary model similar to that shown in Figure 2 for some disciplines. Although the lines no longer connect

in this model, the situation is manageable since salaries will continue to be below the expected amount at the time of promotion. Newly promoted faculty will appear to have salaries lower than expected while salaries of faculty with years in rank will appear high in relation to the expected.
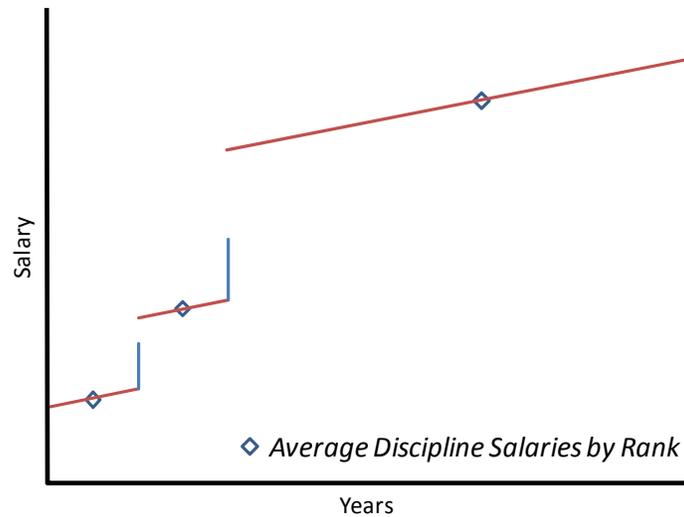

Figure 2: Effects of choosing an experience premium that is too low for a given discipline

Choosing an experience premium that is too high also negatively impacts the salary model for some disciplines. In this scenario, there are significant discontinuities at promotion rendering the salary model ineffective as shown in Figure 3. For instance, the model suggests that once a faculty is promoted from one rank to the next, that the expected salary is much less than what they are actually earning. This is most problematic for those faculty in the early portions of their rank, but beneficial for those in the later years of their rank.
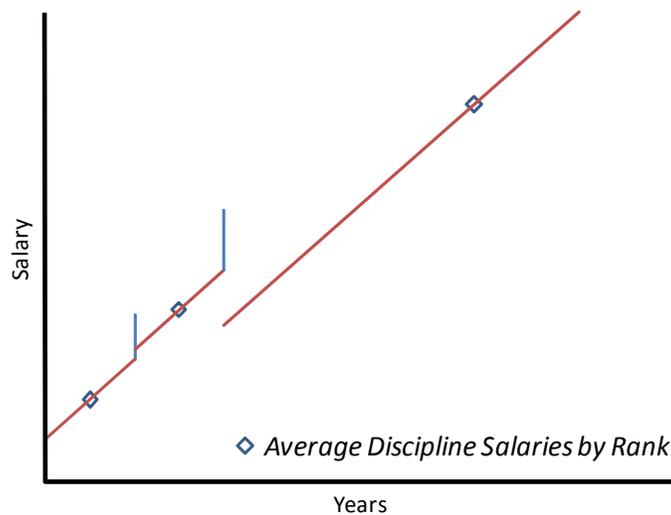

Figure 3: Effects of choosing an experience premium that is too high for a given discipline

The natural question is, "What is the valid range for the experience premium?" To prevent the situation that renders the salary model ineffective as shown in Figure 3, the experience premium cannot exceed the minimum experience premium shown in Table 1. This means that the effective range for the experience premium is between zero and $350. If by choice the statistical average were selected, then approximately one-third of disciplines would have salary models similar to that shown in Figure 2 and one-third would have salary models as shown in Figure 3.

To make a good decision regarding an amount to assign to the experience premium, one must know the nature of the experience premium across disciplines. Based on CUPA salary averages, disciplines with high starting salaries tend to plateau quickly resulting in relatively low experience premiums. On the other hand, disciplines with low starting salaries tend to have high experience premiums that quickly raise salaries over time. A comparison between disciplines with high starting salaries and low starting salaries is shown in Figure 4.
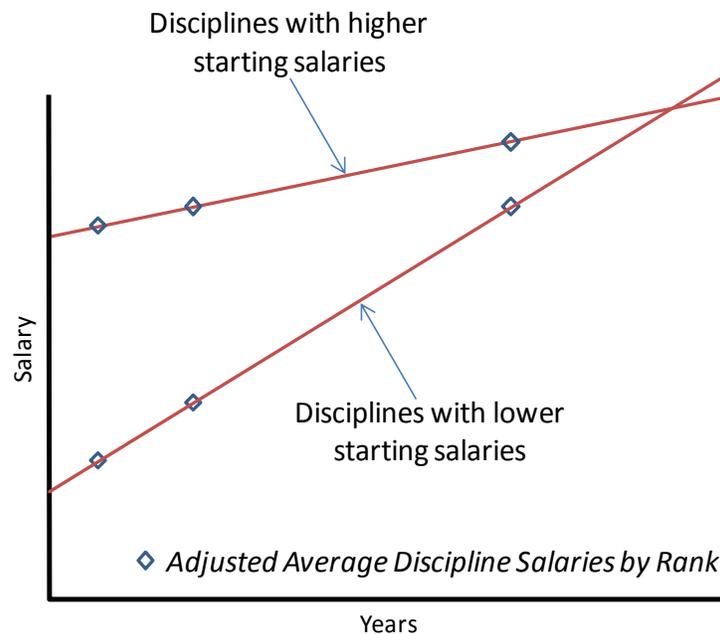

Figure 4: Experience premium trends for low and high salary disciplines

The most notable point of this comparison is that most full professors with years in rank tend to approach a common salary. Although the cause for this behavior is unknown, it has been suggested that faculty salaries reach an upper limit and bump up against the lower end of administrative salaries. In other words, faculty members who wish to earn higher salaries pursue administrative tracks.