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Asking Whether Presidents Are Overpaid Is the Wrong Question

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"Near the parking lot one day, I introduced myself to the president of our community college. 'My name's Matt Hall,' I said. 'I teach English here part time.' Our president looked at me and said, 'Thanks for helping out.'

"Helping out? I watched as he got into his brand-new Lexus and drove away. Two-thirds of the classes at that community college are taught by part-time teachers. So then we are what to this man? Volunteers?"

-- Matthew Henry Hall,"Why I Quit Adjunct Teaching" (The Chronicle, April 24, 2003)

The account by Matt Hall, now a writer and illustrator, of leaving the teaching profession encapsulates the issue of executive pay in higher education. The problem isn't so much that college presidents can afford a Lexus; it's that they expect everyone else to work for free.

It's tempting to draw comparisons between the Wall Street profiteers of recent headlines and the growing roster of fat-cat administrators at doctoral institutions. While some presidents are almost as overpaid as their basketball coaches, most campus administrators aren't. Instead they work hard at complex and demanding positions and are often paid less than managers with comparable responsibilities in other lines of work.

So the real fight over executive compensation is: What exactly should our executives be paid to do? Would we be happier about their pay if they were doing different things to earn it?

Assessments of compensation typically invoke criteria of fairness and performance. Fairness is a relational concept: How are peers compensated? Who counts as a peer? How are others in the area, industry, or organization doing?

Presidents make claims of fairness about their compensation by pointing to what other presidents are paid at highly ranked competitor institutions. They complain about the high cost of living in the region, or they note that education administrators have historically been less well paid than similarly talented executives in other fields. Those arguments succeed to the point that they tap into widely accepted values.

The arguments break down, however, when presidents resist applying those same values to everyone else on the campus. Using one form or another of peer comparison, many administrators can easily show that they should earn 20 or 30 percent more than their current salary. But that relatively modest underpayment pales beside the perennial exploitation of adjunct faculty members.

At least 70 percent of today's faculty members serve contingently, and those who serve part-time at community colleges can teach eight or 10 courses a year for less than $20,000, without health or retirement benefits. Faculty members in such conditions can easily argue that they should earn 200 percent to 300 percent of their current salaries, suggesting an underpayment 10 times as extreme as that of most administrators. The wages for adjuncts are so low that many administrators do, in fact, regard such people as lightly paid near-volunteers.

Besides fairness, we like to assess pay by performance, and inviting workers to donate extra effort is the cutting edge of management practice. In service organizations where there are only modest gains to be had by speeding up the assembly line, managers have found vast new pockets of productivity by inducing workers to donate a few minutes of effort here and there -- reading company literature at home, having a meeting during lunch, taking client phone calls while commuting. In short, we commonly judge the capability of managers in all kinds of organizations by their success at inviting workers to act like work-obsessed professionals -- except without the inconveniently large paycheck.

Few contingent faculty members can resist the invitation to increase their donations to the cause when compellingly invited by a managerial "good cop" (say, a college president weaving an organizational saga that urges selfless devotion to students). Those who do resist, and attempt instead to provide as much teaching for 30 students as $2,000 honestly buys, will swiftly face a lower-managerial "bad cop," like a program director, department chair, or dean. Such campus officials will simply decline to renew the resister's contract and seek out another semivolunteer for the job -- someone more willing and able to devote plenty of unpaid time.

Ultimately, faculty members who want to think about whether their administrators are "overpaid" need to consider exactly what those administrators are being paid to do. By certain standards, campus leadership has performed exquisitely. As government support declines, ultralow wages for the nontenurable allow administrators to allocate money to activities and programs that tenured faculty members and students value: improved technology infrastructure, institutional support for faculty research and travel, fitness centers, sports teams.

That can seem like a victory. After all, good things are being achieved, and if people freely choose to semivolunteer as faculty members, who is harmed? Nobody's forcing them to work so cheaply.

But recent studies by Audrey J. Jaeger and others add to a growing body of research that strongly suggests a correlation between exposure to faculty members' serving in contingent appointments and negative learning outcomes at many kinds of institutions.

Further, performance targets that encourage contingent appointments appear to play a role in the slowness of progress toward diversifying the tenure stream in terms of race and class. Persons from wealthy, professional, and managerial backgrounds are far better positioned to accept semivolunteer positions. With frequent transfusions of family support, low wages are less of an issue.

White households, with an average net worth seven times as large as those of African-American and Hispanic households, are substantially likelier to be able to make the "choice" to accept low wages after a lengthy investment in education. Contingent appointments and other cost-control measures also segment the faculty by gender. Women are significantly overrepresented in nontenured positions and low-paid fields, like writing instruction.

Even the minority of faculty members who enjoy the better wages and working conditions of tenure pay a heavy price: As the tenurable proportion gets smaller, those professors devote an increasing share of their time to supervising the work of staff members, student workers, and the nontenurable.

So is executive compensation on most campuses fair, or is it excessive? Faculty organizations should start to rethink how to assess that. To do so credibly, they must put front and center the situation of the majority of faculty members on contingent appointments. They should begin with the concept of fairness. The most meaningful measure of fairness would have to begin with the wages of the lowest-paid faculty and staff members. Ask yourself: On your campus, what multiple of the wages of the lowest-paid faculty or staff member would make a fair limit for executive compensation? Four times? Five times?

Tying executives' pay ceilings to workers' salary floor is an internationally established principle of fairness. In private enterprise, recent events have renewed calls to limit the executive multiple to 25 (a figure that the late management guru Peter Drucker once proposed). Typically the multiples for nonprofit groups' executives are much lower: Military and civil-service pay scales are long-established examples of fairness. The chairman of the Joint Chiefs of Staff earns only about five times what any college-educated commissioned officer earns. Most state governors are paid less than five times what their college-educated employees earn.

If you are paying groundskeepers and part-time faculty members who teach 10 classes $25,000 without benefits, a multiple of five would set the maximum fair compensation for college presidents at $125,000. An administration that prioritized fairness and managed to raise those low-end salaries to $42,000 would see its own cap rise to $210,000.

When you have worked out a credible basis for fairness, the issue can also be approached by way of executive-performance targets. Would you give your president a substantial raise if she doubled the pay of the lowest-paid workers and spent five years raising money for an endowment that built faculty salaries instead of a new fitness center? Would you be happier about his salary if he earned it by meeting a goal to stabilize the appointments of faculty members who serve contingently? If so, your president is not overpaid -- just working toward the wrong goals.

And that's something you can fix, if you're willing to be as organized and militant as the folks who came up with the wrong goals in the first place.

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