A PAY-FOR-PERFORMANCE MODEL

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ABSTRACT

The Board of Trustees of a college of one of the authors has set aside an annual budget line item equal to eight percent of the total faculty compensation, both salary and benefits, to be used to reward those who perform at a high level. The process to be used to determine the awards will be the department evaluation guidelines. The four evaluation areas of teaching, advising and student support, college and community service, and scholarship will be assessed with reference to three categories: "needs improvement", "meets standards", and "exceeds standards".

Faculty who exceed standards in one or more of the four evaluation areas and meet standards in all four areas will be considered for the pay-for-performance (PFP) awards. It is being proposed that fifty percent of the funds will be allocated to teaching, twenty percent to advising and student support, fifteen to college and community service, and fifteen percent to scholarship.

The categories for PFP are "excellent" (Level I), "exceptional" (Level II), and "extraordinary" (Level III), with increasing standards and payouts for each level. Faculty members may receive an award in one or more the categories.

This paper will develop a mathematical model of the PFP awards system and introduces two constraints to ensure the fairness of the proposed PFP system.