

**July 2020**

**How does Whitman compare to peer schools  
when it comes to compensating top employees?**

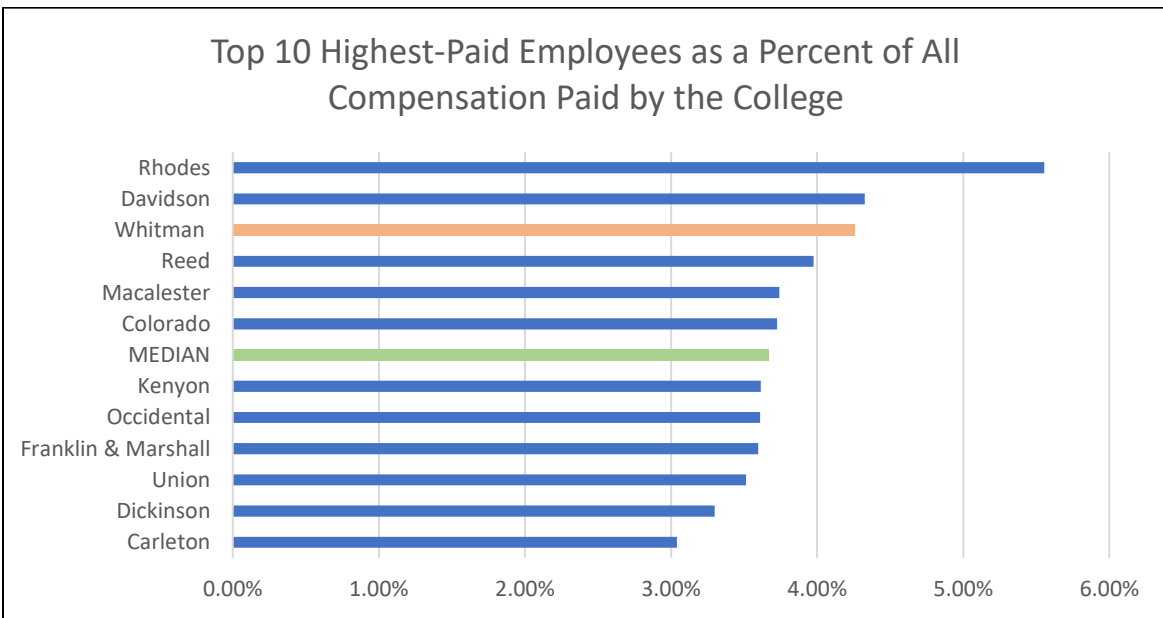
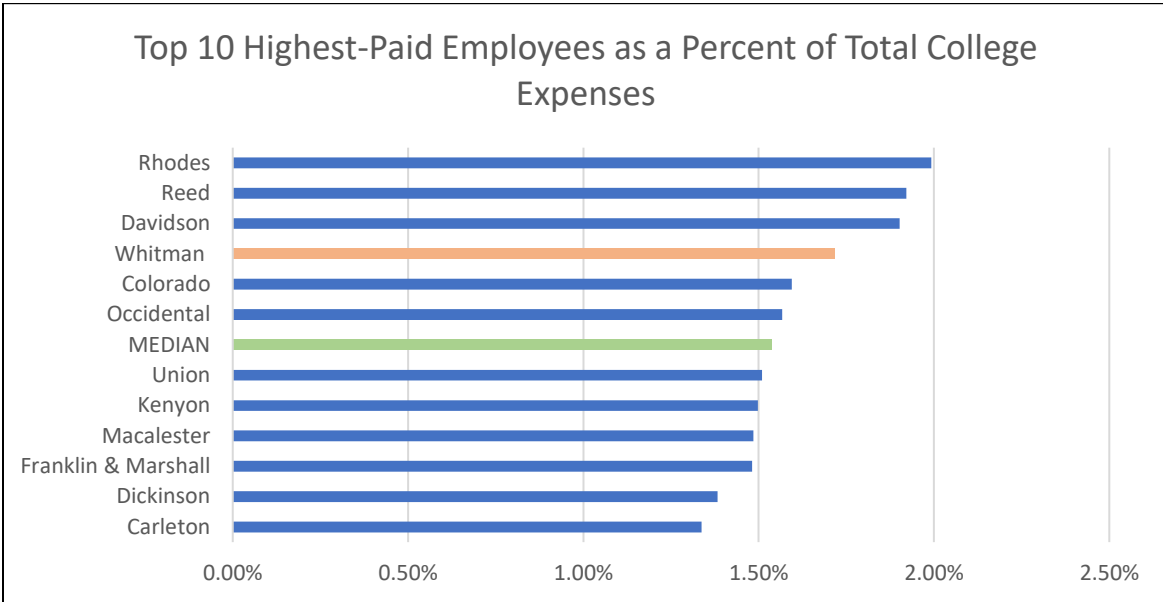
*Whitman ranks well above the median when it comes to the share of top-tier compensation in the college's spending. In other words, we devote more of our resources to top-tier compensation than many of our peer schools. Whitman's relatively smaller budget size may explain some of this differential.*

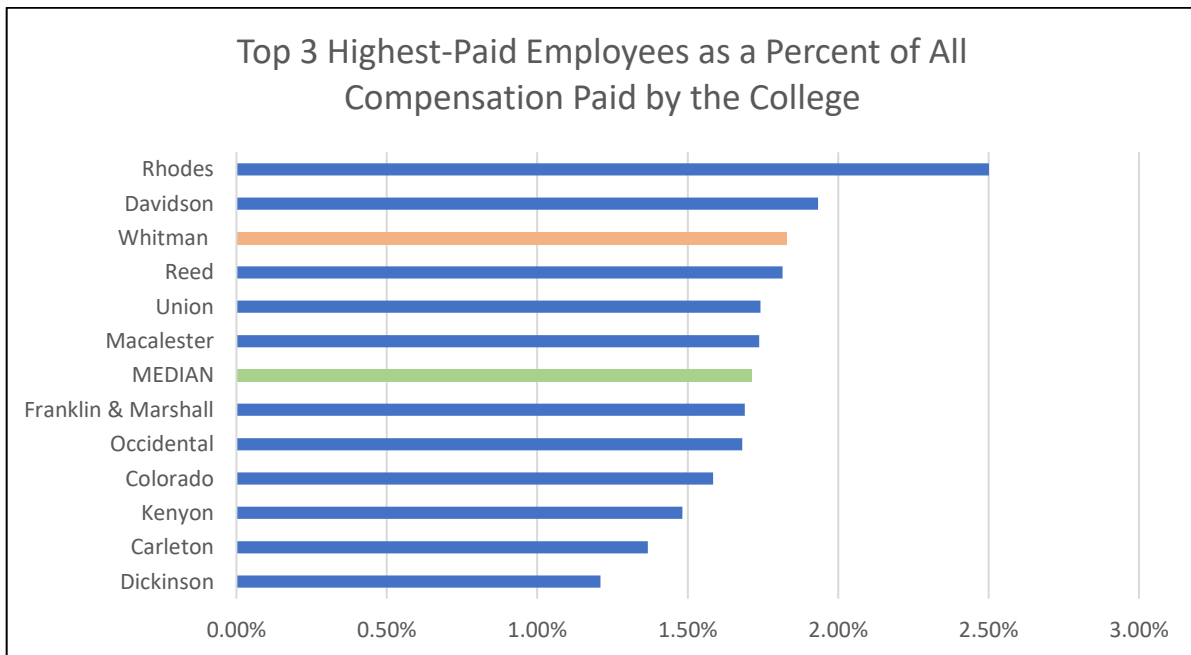
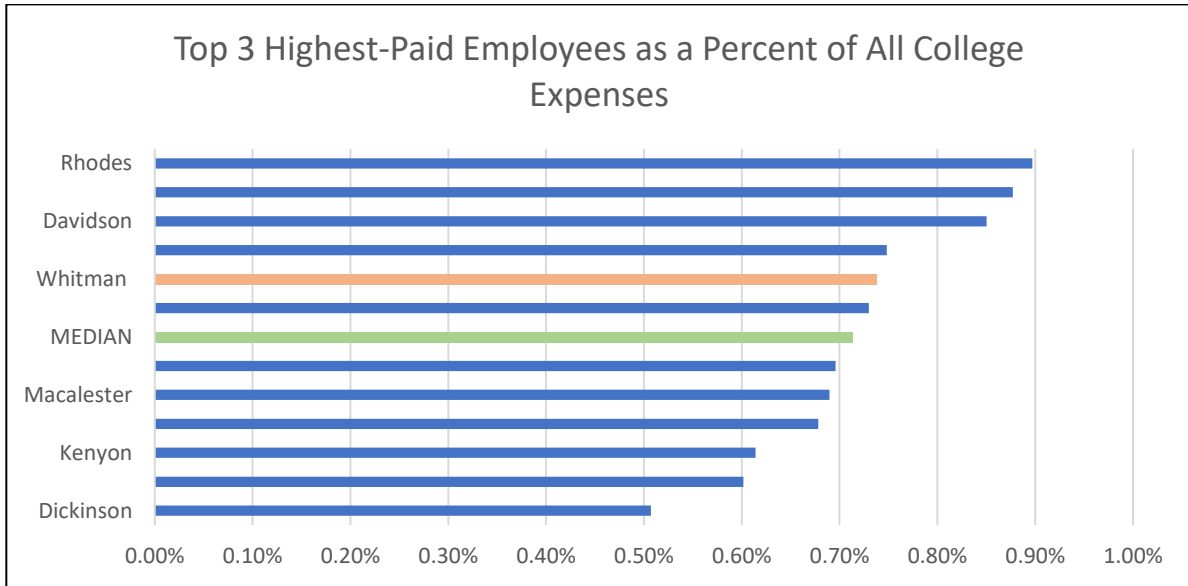
Background: Several participants in the AAUP's recent Budget 101 session raised questions about top-tier compensation at Whitman. Citing privacy concerns, Peter Harvey declined the questions. Nevertheless, publicly-available data found in IRS disclosures offers a window into administrative pay and its place in the college's budget. Because the IRS requires all nonprofit organizations to file the same disclosures, we can also compare ourselves to our peer schools.

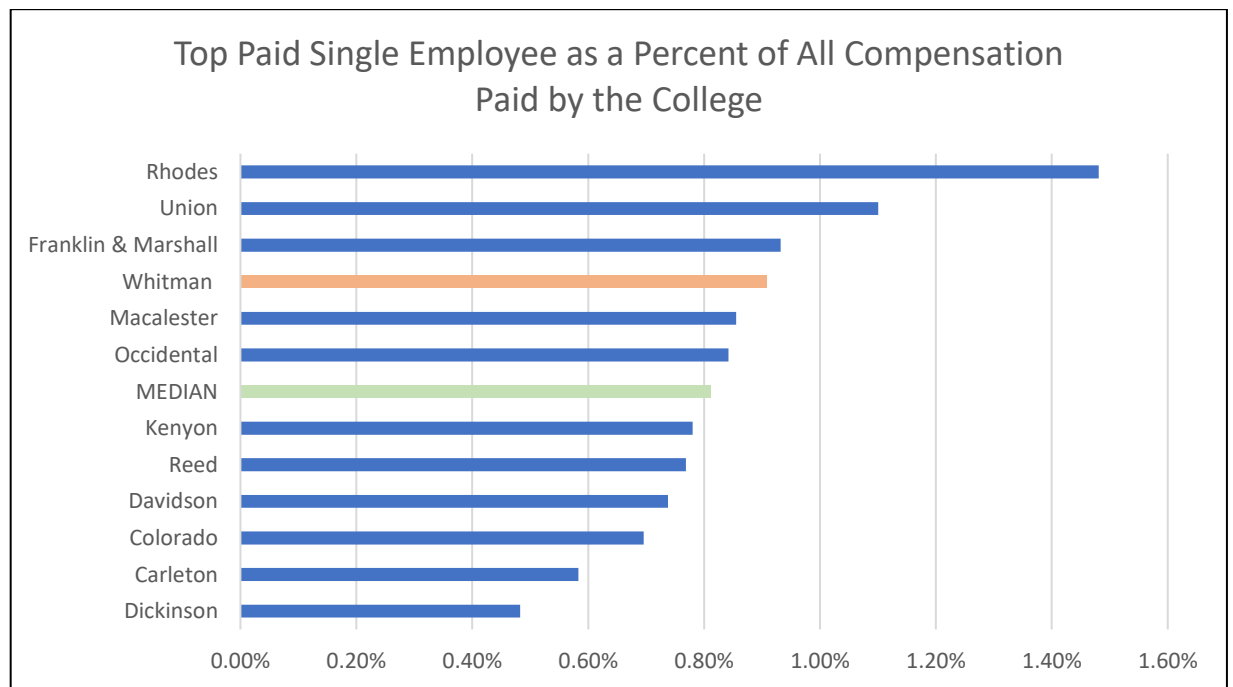
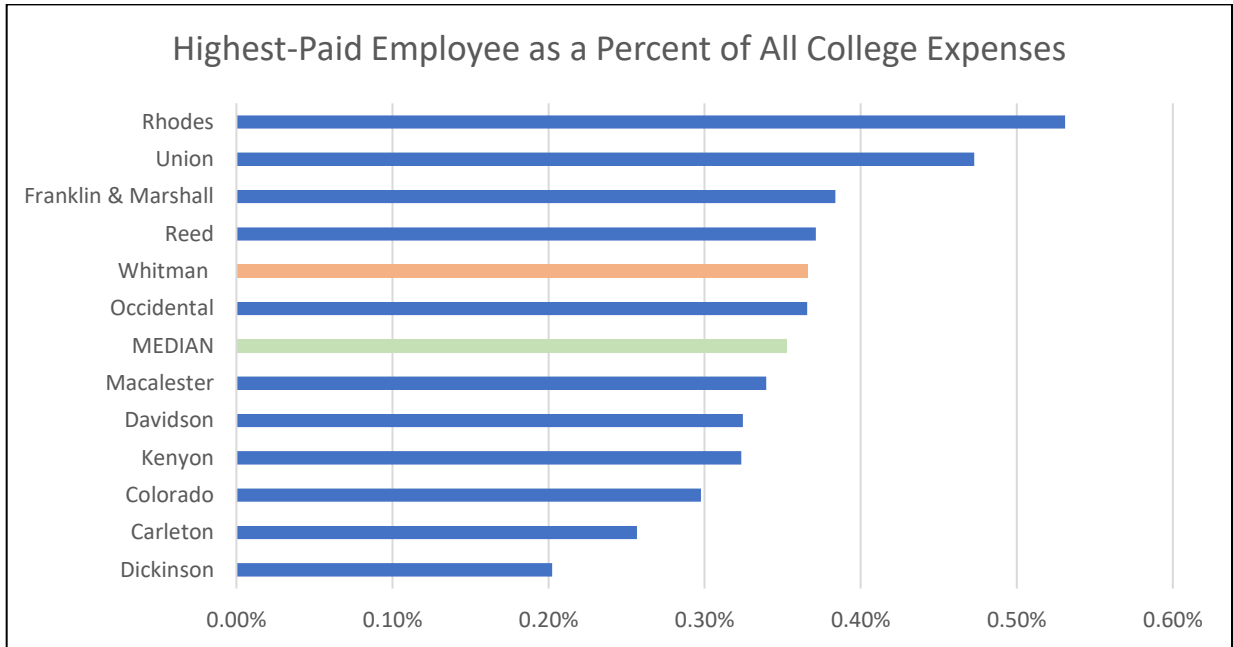
Method: We located IRS Form 990s from 2017 for Whitman and eleven of its peer schools (the IRS has not received a 990 from Colby College since 2016). 990s are designed to provide the public with a yearly snapshot of nonprofits' financial situation and increase accountability around questions of self-dealing and conflicts of interest. We focused on three parts of the document: (1) Line 18 (Total college expenses); (2) Line 15 (Salaries, other compensation, employee benefits); and (3) Part VII (Compensation of officers, directors, trustees, key employees, highest compensated employees, and independent contractors). Colleges list up to twenty top compensated and key employees in Part VII, following certain rules for who counts as a key employee. All of our peer schools listed at least ten employees in this section, so we used the ten highest-paid employees for our comparisons.

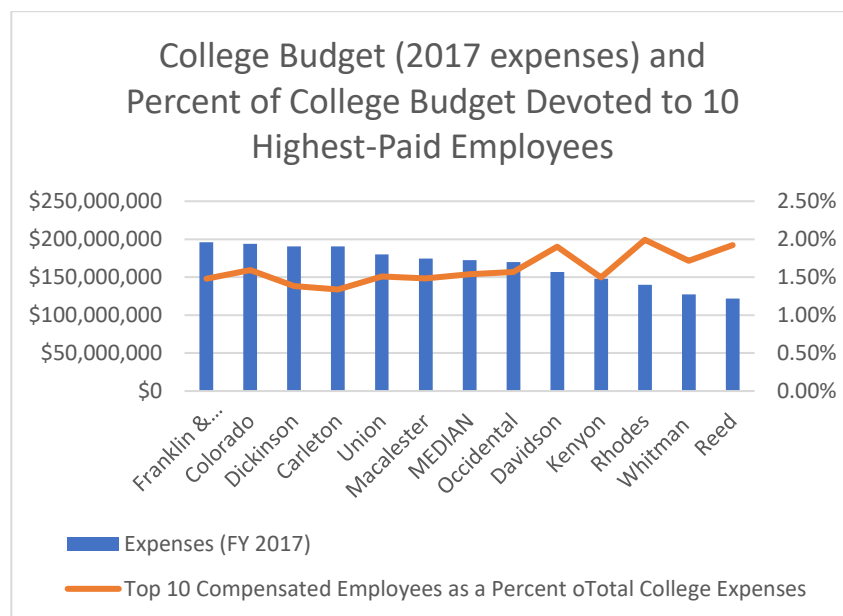
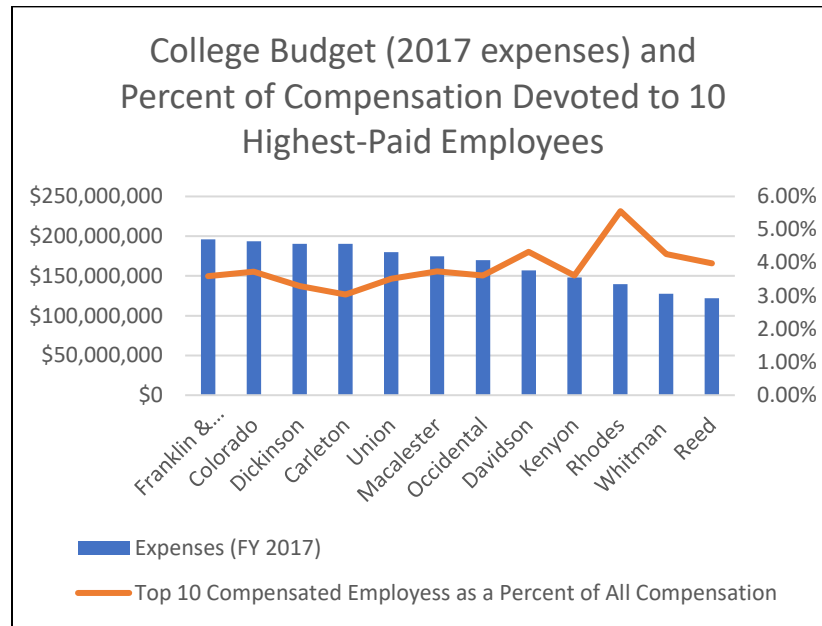
Caveats: (1) The 990 provides an annual snapshot. Any given year's listing of highest-paid employees can disguise one-time anomalies (e.g. unusual severance packages or bonuses, temporary vacancies in key positions, etc.). It would be great to extend this study to look for patterns across multiple years. (2) We only report on income compensation, although the 990s also provide data on "other" compensation (e.g. benefits and perks). Whitman ranked *higher* when comparing all compensation (income + other), possibly reflecting generous benefits provided by the college—which is a good thing! (3) The highest-paid employee category is largely, but not exclusively composed of administrators. In almost all cases the lists included at least one faculty member. In several cases it included an athletic coach.

*The graphs on the next pages break the data down in different ways. The overall picture is the same in each: Whitman devotes more resources proportionally to compensating top-employees than many of our peer schools. The final graphs come with a possible explanation for this phenomenon and questions about what this all means as we face budget shortfalls.*









How do we explain Whitman’s relatively higher use of resources to compensate top-tier employees? Does Whitman “over” emphasize administrative compensation? These graphs suggest one possible explanation: there seems to be a connection between overall budget size and the percentage of resources devoted to highest-paid employees.\* Colleges with smaller overall budgets (like Rhodes, Whitman, and Reed) have to compete with richer schools for the same pool of administrators and other key employees. Logically, colleges with smaller budgets would have to devote a larger percentage of their resources to attract and retain those employees than schools with larger budgets. Seen from this perspective, Whitman is not “over” emphasizing administrative compensation; it is simply operating in a market with an unlevel playing field. But, whether it’s *right* for Whitman to let market values drive its top-tier compensation is another question—particularly in a moment defined by budget cuts and layoffs.

\* Budget expenses and compensation of the top 10 expressed as percent of total expenses are correlated at approximately  $-0.75$  ( $p = .005$ , two-tailed), which is a "very large" negative correlation that is statistically significant at  $\alpha = .05$ . The higher the budget, the lower the percentage. Budget expenses and compensation of the top 10 expressed as percent of the total compensation are correlated at approximately  $-0.62$  ( $p = .03$ , two-tailed), which is "large" negative correlation that is also statistically significant at  $\alpha = .05$ . The higher the budget, the lower the percentage.