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**Faculty Compensation Review --- Faculty-Identified Benchmark
Carsten A. Holz
Professor, SOSC**

1. Benchmark: Hong Kong real estate market

A widely acknowledged rule of thumb for house purchases is that the house price should not exceed five times gross income.

I suggest a 800-900 (actual) square feet apartment in a decent location as benchmark house for a professor.

The last apartment that I rented in Hong Kong was a 500-550 (actual) square foot apartment in an old building on Caine Road (Corona Tower). That apartment, back in 2007/08, was not for sale and my estimate at the time was that it would cost around HKD 15mio. Checking midland.com.hk in early November 2011, no transaction is reported for Corona Tower.

Alternatively, some years ago I considered Braemar Hill Mansion (North Point Midlevels) for a potential home purchase. The midland.com.hk website reports four transactions for a nominal 1260 sqft apartment—I recall that these apartments are small, probably no more than an actual 800 sqft. The four apartments (none of which has ocean view) were sold between 22 Aug. 2011 and 28 Sept. 2011 for HKD 20mio, 20mio, 18.3mio, and 17.3mio. The Midland website reports one more transaction for Braemar Hill Mansion: an apartment with ocean view, with a nominal 1640 sqft, sold for HKD 42mio on 10 Sept. 2011.

Using the 5x rule of thumb, in order to afford an actual 800 sqft apartment in a decent location, my annual salary needs to be HKD 4mio (4mio gross income \times 5 = 20mio apt. price). If I use the university's own housing benchmark of approximately 1500 actual sqft (staff quarters), in a location near campus, the result will be similar.

Without considering real estate prices, I am reduced to migrant worker status. Where am I supposed to go after retirement? I have no countryside to go back to.

I earlier opted for the home financing allowance to rent off-campus. The home financing allowance, in its totality, is worth about 10% of the house price. That suggests a reduction in the 4mio benchmark annual salary by 10% to 3.6mio.

2. Alternative benchmark

xxx [= omissions. Here and below: I am not comfortable to widely share information on the person that I compared myself to. CH, 13 June 2014] at xxx. (I have not explored other people.)

Benchmark conditions:

- (1) Absence of any rules on annual/short/professional leave.
xxx is free to be absent from the university whenever he is not teaching. He does not have to be present in xxx when he is not teaching.
- (2) As U.S. citizen, living in the U.S., xxx has access to consulting opportunities that I do not have access to. xxx [this is likely significant]
- (3) xxx teaches two xxx courses per year
- (4) xxx teaches only graduate level courses.
- (5) xxx.
- (6) Tenure. This contrasts with HKUST (“substantiation”), where the management can fire me at four months’ notice, with no need to give any reason.
- (7) His published salary in 2008, the most recent year for which the data are available at <http://www.collegiatetimes.com/databases/salaries> is USD xxx. I subsequently also checked www.sacbee.com/statepay/ and found USD xxx for 2009 and USD xxx for 2010.
- (8) Access to, compared to Hong Kong, rather cheap housing. Checking real estate websites for xxx suggests that a xxx home sells for USD xxx or less. (Which also happens to be approximately five times his salary.)
- (9) No mandatory retirement age.

If I am being benchmarked against xxx, I expect that the complete set of benchmark conditions will be met by HKUST:

- (1) Scrapping of all annual/short/professional leave rules.
- (2) I acknowledge that HKUST is not responsible for finding consulting opportunities for me in Hong Kong. If I focus instead on research, I expect corresponding increases in remuneration over time.
- (3) Two xxx courses per year.
- (4) Teach only graduate level courses.
- (5) xxx.
- (6) Tenure, not substantiation.
- (7) Comparable salary.
- (8) A salary premium that brings the price of a decent apartment in Hong Kong down from HKD 20mio to HKD xxx.
- (9) No mandatory retirement age.

If these benchmark conditions are not met, then I expect corresponding financial compensation. Thus, for example, I suggest a 50% salary premium if HKUST does not scrap the annual/ short/ professional leave rules. I suggest an additional 50% salary premium if HKUST continues to not grant tenure. I suggest an additional 50% salary premium if HKUST does not scrap the mandatory retirement age rule.

I enclose / attach xxx CV, xxx.

Comparing my research record to that of xxx: xxx [much omission]

3. Second alternative benchmark

SOSC at HKUST has always had a China focus. That means, for example, that China researchers are being given priority in hiring. China researchers are the most desired target employment group in SOSC at HKUST.

There is no comparable situation anywhere in the U.S. There is no China field for economists in the U.S. Consequently, I conclude that the benchmark cannot be China economists in the U.S., where China studies is not valued, but whichever field is valued and promoted in the U.S. to the extent that the China field is valued and promoted in SOSC at HKUST. The currently fashionable fields in U.S. economics are probably health economics, international economics, and macroeconomics.

I decide to choose one complete U.S. economics department from a university that's approximately the same "rank" as HKUST. I choose UCLA. (I have not explored other universities.) Looking at the salaries in economics at UCLA, I realize I don't need to break them down by field (and have not looked at them by field), as the level of salary is clear across the department.

I choose an economics department for two reasons. (i) It is the discipline in which I received my PhD. (ii) It is the discipline that HKUST's UASC uses as benchmark when evaluating me in academic reviews; I have a written statement from the UASC to that effect.

Below is a list of all full professors in economics at UCLA with their salaries in 2008, according to www.collegiatetimes.com. I then found that the data at www.sacbee.com/statepay/ go through 2010, and added 2010 data from this source.

Full professors at UCLA	Salary in USD in 2008	Salary in USD in 2010
Atkeson, Andrew	353,088	365,601
Buchinsky, Moshe	332,994	323,671
Costa, Dora L.	339,798	286,846
Darby, Michael R.	222,174	251,311
Edwards, Sebastian	331,146	362,735
Farmer, Roger E.A.	246,700	290,570
Groseclose, Timothy	258,659	289,723
Hahn, Jinyong	355,693	323,671
Hansen, Gary D.	275,055	235,500
Harberger, Arnold C.	220,899	207,646
Hopenhayn, Hugo	311,408	375,081
Kahn, Matthew	210,666	269,621
Leamer, Edward	347,133	419,065
Matzkin, Rose Liliana	482,666	406,583
McGarry, Kathleen	not available	458,860
Ohanian, Lee E.	346,195	364,292
Riley, John G.	217,400	204,356
Tornell, Aaron	194,799	188,641
Zame, William R.	342,277	346,667

The number of CVs is too large to attach them. The UCLA Economics website, which links to their CVs, is: <http://www.econ.ucla.edu/faculty/>

Apart from the salary, I expect all other benchmark conditions to also be matched.

- (1) Scrapping of all annual/short/professional leave rules.
- (2) I acknowledge that HKUST is not responsible for finding consulting opportunities for me in Hong Kong. If I focus instead on research, I expect corresponding increases in remuneration over time.
- (3) A teaching load that matches the de facto teaching load in economics at UCLA.
- (4) Teaching only, or predominantly, graduate level courses, in my field. (In my experience at USC, regular faculty teach almost exclusively graduate level courses in their field.)
- (5) Engagement in administration as is the rule in economics at UCLA.
- (6) Tenure, not substantiation.
- (7) Comparable salary.
- (8) A salary premium that brings the price of a decent apartment in Hong Kong down from HKD 20mio to HKD 8mio (USD 1mio).
- (9) No mandatory retirement age.

If these benchmark conditions are not met by HKUST, then I expect corresponding financial compensation.

--- Whichever of the three benchmarks is being used, the result inevitably is an annual salary in the HKD 3-4mio range, as well as, in the case of the second and third benchmark, fundamental changes to HKUST's modus operandi. I acknowledge that tax rates are lower in Hong Kong than in the U.S., which would imply probably a 10% reduction in the HKD 3-4mio annual salary.