

# Submission to the inquiry into the “Quality of governance at Australian higher education providers”

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## About the author

Mark Humphery-Jenner is an Associate Professor of Finance at UNSW. His research focuses on corporate governance and incentives. He has published more than 40 peer reviewed articles in business and law journals. He holds PhDs in law and in finance. He also founded Otso Capital, which is a hedge fund that invests in the US, and sits on the management committee of Sydney Angels, one of Australia’s largest angel investor groups.

## Recommendations

1. The government should not intervene in executive compensation at universities.
2. There should not be any form of pay cap or pay reduction for executives at universities.
3. Universities should be encouraged to give executives incentives tied to universities’ financial viability.

## Submission

This submission focuses on executive pay at universities. There has been significant discussion about whether Vice Chancellors are overpaid.<sup>1</sup> However, as I will illustrate, Vice Chancellors are in fact underpaid relative to the private sector and other university presidents.

We can start by comparing Australian university Vice Chancellors to overseas university presidents. The common claims that Australian VCs earn more than overseas counterparts are false. There are *at least* 240 US university presidents who earn more than AUD 1 million. And, that pay is on lower tax and a lower cost of living. The appendix at end of this document contains a full list of the US

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<sup>1</sup> Natasha Bitá, ‘University Vice-Chancellor Pay to Mirror Top Public Service Jobs’ *The Australian* (25 November 2024) <<https://www.theaustralian.com.au/education/university-vicechancellor-pay-to-mirror-top-public-service-jobs/news-story/cf00cc461396055ebbc74cd75171d5be>>.

University Presidents that earn more than AUD 1 million. This means that if we reduce Vice Chancellor pay, then those Vice Chancellors can move to higher paid alternative jobs. This would especially impact high quality Vice Chancellors, who would have those outside opportunities.

The private sector is also an appropriate benchmark if we wish to hire quality Vice Chancellors. This is because quality CEOs will consider their outside options when deciding where to work. This is clear from the fact that CEO compensation is influenced by CEO bargaining power.<sup>2</sup> Overseas universities are an irrelevant benchmark. The counterfactual is what a quality CEO could earn as a CEO. This is set by the private sector, not by UK universities.<sup>3</sup> Thus, if we underpay Vice Chancellor candidates, they will simply take other CEO positions. Therefore, we can have regard to documented private sector pay scales.

To consider CEO pay scales, we must consider organizations of a similar level of size and complexity. Intuitively, given the number of employees, customers, and revenue, several universities would fall within the top 50 companies in Australia. Therefore, we can consider the pay that the top 50 CEOs receive.<sup>4</sup> The lowest paid of the top 50 CEOs receives around AUD 5 million. This is above the highest paid vice chancellor and suggests that universities do not pay enough to attract high quality CEOs, or underpay their vice chancellors if they are high quality.

The AFR CEO pay list might in fact give us a *floor* for Vice Chancellor pay. The 50<sup>th</sup> lowest paid CEO earns \$5m. For example, if we look at Genesis minerals, but their revenue is \$111m (vs \$2.7bn for UNSW, for example) and their assets \$1bn (vs \$6.4bn for UNSW). This implies that Vice Chancellors are not paid a market rate.

If we look at CEOs of listed companies, for the subsamples associated with universities, they earn around \$1.8 million, on average (as at 2023). The below table has some summary statistics for groupings associated with Go8 size, sales, and total equity. This data is from Sirca. Data from the London Stock Exchange Group (LSEG) puts average CEO compensation at 2.8m and median compensation at 1.7m, but they only have around 375 CEOs. More than 400 CEOs receive compensation in excess of AUD 1 million. Thus, it appears that Vice Chancellor pay is *not* excessive given the private sector benchmark.

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<sup>2</sup> Wei-Ling Song and Kam-Ming Wan, 'Does CEO Compensation Reflect Managerial Ability or Managerial Power? Evidence from the Compensation of Powerful CEOs' (2019) 56 Journal of Corporate Finance 1.

<sup>3</sup> Indeed, UK universities, and higher education, are unattractive for staff. But, that is a separate discussion.

<sup>4</sup> See for example Patrick Durkin, 'Australia's 50 Highest-Paid CEOs in 2024 Revealed' *Australian Financial Review* (6 December 2024) <<https://www.afr.com/work-and-careers/workplace/australia-s-50-highest-paid-ceos-in-2024-revealed-20241202-p5kv4m>>.

Sample	Average	Number of CEOs
<b>Assets &gt;= \$6 billion</b>	1795660	276
<b>Net Sales &gt;= \$2.6 Billion</b>	1787202	281
<b>Total Equity &gt;= \$3 billion</b>	1789568	283
<b>Total Compensation &gt;= \$1 million</b>	3184279	421

Reducing Vice Chancellor Pay also has unintended consequences. It can cause pay compression for other executives and for faculty. At present, universities underpay relative to the private sector. Additional pay compression will lead to faculty either exerting less effort or to quality faculty leaving for the private sector. Notably, the faculty that leave will be those with outside options and with industry experience and interests. This, ironically, would leave universities with a pool of demotivated academics who have less industry expertise than is presently the case.

Universities do, however, face issues of incentives. Incentive compensation is important to either address individual executives' personal traits or to incentivize executives.<sup>5</sup> Thus, it is worth encouraging universities to set additional bonus targets tied to university outcomes, such as financial sustainability, student enrolment, revenues and ranking outcomes. Encouraging incentive compensation is a well documented way to improve corporate outcomes.

When we combine these factors, it tells us that Vice Chancellors are not overpaid. Therefore, pay restrictions should not occur. Pay restrictions should especially not be tied to the public sector as this will result in executives moving to the private sector. Furthermore, pay restrictions will drive pay compression, which results in worse staff morale due to the lack of pay progression and incentives. Therefore, no legislative change to executive pay is required, or warranted.

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<sup>5</sup> Mark Humphery-Jenner and others, 'Executive Overconfidence and Compensation Structure' (2016) 119 Journal of Financial Economics 533.

## Appendix: US Universities earning more than AUD 1 million

This data is from the Chronicle of Higher Education.<sup>6</sup> It refers to the 2022 pay year, with the data being reported in 2024.

President	AUD Total Pay (2022, Data Date: 2024)	USD Total Pay (2022, Data Date: 2024)
Lee C. Bollinger Columbia University	7863992	4954315
Morton O. Schapiro *Northwestern University	7730917	4870478
Carol L. Folt University of Southern California	5867368	3696442
Nido Qubein High Point University	5799541	3653711
Paula S. Wallace Savannah College of Art and Design	4302705	2710704
Victor J. Boschini Jr. Texas Christian University	4013730	2528650
Shirley Ann Jackson *Rensselaer Polytechnic Institute	3957548	2493255
Ronald J. Daniels Johns Hopkins University	3863665	2434109
David A. Greene Colby College	3800700	2394441
Robert A. Brown Boston University	3743271	2358261
Thomas F. Rosenbaum California Institute of Technology	3649270	2299040
Peter Salovey Yale University	3625263	2283916
Daniel Diermeier Vanderbilt University	3404354	2144743
Sylvia M. Burwell American University	3343100	2106153
John A. Fry Drexel University	3321510	2092551
Andrew Hamilton New York University	3281406	2067286
Farnam Jahanian Carnegie Mellon University	3153662	1986807
R. Gerald Turner Southern Methodist University	3125767	1969233
Julio Frenk University of Miami	3119844	1965502
Scott D. Pulsipher Western Governors University	3093708	1949036
John J. DeGioia Georgetown University	3046138	1919067
Renu Khator University of Houston	3018165	1901444
Paul Alivisatos University of Chicago	2943154	1854187
Philip Hanlon Dartmouth College	2933583	1848157
Joseph E. Aoun Northeastern University	2922659	1841275
Marc Tessier-Lavigne Stanford University	2878124	1813218
Gregory L. Fennes Emory University	2876192	1812001
Christina Paxson Brown University	2867933	1806798

<sup>6</sup> Chronicle of Higher Education, 'How Much Are Public-College Presidents Paid' (23 August 2024)  
<<https://www.chronicle.com/article/president-pay-public-colleges/>>; Chronicle of Higher Education, 'How Much Are Private-College Presidents Paid?' (15 February 2024)  
<<https://www.chronicle.com/article/president-pay-private-colleges/>>.

Wayne A.I. Frederick Howard University	2855075	1798697
Vincent E. Price Duke University	2817275	1774883
Mark L. Tykocinski *Thomas Jefferson University	2813283	1772368
Ronald L. Ellis California Baptist University	2758760	1738019
Linda Livingstone Baylor University	2734284	1722599
Michael A. Fitts Tulane University	2692063	1696000
H. Richard Haverstick Jr. *Thomas Jefferson University	2597527	1636442
Lawrence S. Bacow Harvard University	2569379	1618709
Eli Capilouto University of Kentucky	2560092	1612858
John I. Jenkins bUniversity of Notre Dame	2551303	1607321
Joseph E. Nyre Seton Hall University	2550070	1606544
Martha E. Pollack Cornell University	2547813	1605122
Dionissios "Dennis" Assanis University of Delaware	2528244	1592794
Ted Carter University of Nebraska system office	2447067	1541652
Daniele Struppa Chapman University	2391114	1506402
Paul J. LeBlanc Southern New Hampshire University	2363795	1489191
L. Rafael Reif Massachusetts Institute of Technology	2350095	1480560
Brian McCall Texas State University System	2349200	1479996
Susan R. Wente Wake Forest University	2336492	1471990
Eric W. Kaler Case Western Reserve University	2333906	1470361
Michael Ray Williams University of North Texas system	2333467	1470084
Jay Hartzell University of Texas at Austin	2308786	1454535
Michael R. Lovell Marquette University	2291602	1443709
Wendy Wintersteen Iowa State University	2281475	1437329
Andrew D. Martin Washington University in St. Louis	2231494	1405841
Neeli Bendapudi Pennsylvania State University	2230932	1405487
Richard D. McCullough Florida State University	2217435	1396984
Henry Foley New York Institute of Technology	2194110	1382289
John J. Petillo Sacred Heart University	2170290	1367283
Michael M. Crow Arizona State University	2133921	1344370
Tedd L. Mitchell Texas Tech University system	2125144	1338841
Anthony G. Collins *Clarkson University	2120681	1336029
James Edward Ryan University of Virginia	2109086	1328724
David W. Leebron *Rice University	2091816	1317844
Ana Mari Cauce University of Washington	2053727	1293848
Mark S. Wrighton George Washington University	2053548	1293735
Sian Leah Beilock Barnard College	2050813	1292012
Dwight A. McBride New School	2035629	1282446
George L. Hanbury II Nova Southeastern University	2023129	1274571
Ronald D. Liebowitz Brandeis University	2014203	1268948
Kristina M. Johnson Ohio State University	2008970	1265651
Jay A. Perman University System of Maryland	2002140	1261348
Christopher Eisgruber Princeton University	1961802	1235935
Ronald L. Vaughn University of Tampa	1954883	1231576
Anthony P. Monaco Tufts University	1935548	1219395
Santa J. Ono University of Michigan at Ann Arbor	1934584	1218788

Alan Kadish Touro University (N.Y.)	1932946	1217756
Robert C. Robbins University of Arizona	1916543	1207422
Thomas M. Evans University of the Incarnate Word	1899346	1196588
Kent Syverud Syracuse University	1897481	1195413
W. Kent Fuchs *University of Florida	1887721	1189264
Nariman Farvardin Stevens Institute of Technology	1886448	1188462
James P. Clements Clemson University	1881190	1185150
Laurie Leshin *Worcester Polytechnic Institute	1873341	1180205
Grant H. Cornwell Rollins College	1865757	1175427
Kimberly R. Cline Long Island University-C.W. Post	1852603	1167140
Christopher E. Hopey Merrimack College	1851208	1166261
Reginald Desroches *Rice University	1847219	1163748
Brian W. Casey Colgate University	1834311	1155616
Sarah C. Mangelsdorf University of Rochester	1829990	1152894
Mun Choi University of Missouri at Columbia	1818037	1145363
A. Gabriel Esteban DePaul University	1802922	1135841
Alexander N. Cartwright University of Central Florida	1801189	1134749
Judy Olian Quinnipiac University	1791668	1128751
Rhea Law University of South Florida	1754103	1105085
Jonathan Holloway Rutgers University at New Brunswick	1750232	1102646
G. Gabrielle Starr Pomona College	1724949	1086718
Marvin Krislov Pace University	1705035	1074172
Steven H. Kaplan *University of New Haven	1695483	1068154
Ali A. Houshmand Rowan University	1694792	1067719
David B. Fithian Clark University	1685835	1062076
Kevin Hallock University of Richmond	1684514	1061244
Kumble R. Subbaswamy *University of Massachusetts at Amherst	1682741	1060127
David C. Munson Rochester Institute of Technology	1677729	1056969
Susan Poser Hofstra University	1672917	1053938
Michael Cunningham *National University	1670838	1052628
James Gash Pepperdine University	1655860	1043192
Kwang-Wu Kim Columbia College Chicago	1654006	1042024
Douglas A. Girod University of Kansas	1653470	1041686
Jose Luis Cruz-Rivera Northern Arizona University	1649670	1039292
James B. Milliken University of Texas system	1631059	1027567
Timothy L. Snyder Loyola Marymount University	1630184	1027016
Raj Echambadi Illinois Institute of Technology	1612859	1016101
Valerie Smith Swarthmore College	1610302	1014490
Eric F. Spina University of Dayton	1603341	1010105
Wendell Pritchett *University of Pennsylvania	1598856	1007279
M. Elizabeth Magill *University of Pennsylvania	1584098	997982
Jerry Prevo Liberty University	1582886	997218
Brooks A. Keel Augusta University	1577490	993819
Darryll Pines University of Maryland at College Park	1574379	991859
Marisa Kelly Suffolk University	1573270	991160

Gregory Washington George Mason University	1571751	990203
Kim Schatzel *University of Louisville	1569176	988581
Taylor Randall University of Utah	1547379	974849
Fred P. Pestello Saint Louis University	1543052	972123
Hiram Chodosh Claremont McKenna College	1542548	971805
James T. Harris III University of San Diego	1534056	966455
Todd Saliman University of Colorado system	1533357	966015
L. Greg Jones Belmont University	1530929	964485
Kirk H. Schulz Washington State University	1529603	963650
Christine Riordan Adelphi University	1528387	962884
Timothy L. Hall Mercy University	1513679	953618
Jeremy A. Haefner University of Denver	1494506	941539
Katherine A. Rowe College of William & Mary	1493276	940764
William Gilligan Emerson College	1485935	936139
Malworsth Brian Blake Georgia State University	1483827	934811
Eduardo Penalver Seattle University	1477756	930986
Michael S. Roth Wesleyan University (Conn.)	1476981	930498
Michael Rao Virginia Commonwealth University	1475129	929331
Martin T. Meehan University of Massachusetts system	1473094	928049
Amy Gutmann *University of Pennsylvania	1472049	927391
Lawrence Schovanec Texas Tech University	1464432	922592
Timothy Killeen University of Illinois system	1464041	922346
Patrick F. Leahy Monmouth University	1451276	914304
E. LaBrent Chrite Bentley University	1448654	912652
Michael Amiridis University of South Carolina at Columbia	1445986	910971
Larry Robinson Florida A&M University	1440757	907677
P. Barry Butler Embry-Riddle Aeronautical University at Daytona Beach (Fla.)	1439124	906648
Robert J. Jones University of Illinois at Urbana-Champaign	1437513	905633
M. Roy Wilson *Wayne State University	1431359	901756
Benjamin Sasse *University of Florida	1429573	900631
Joseph J. Helble Lehigh University	1424683	897550
John C. Bravman Bucknell University	1418278	893515
Mark A. Thompson Wentworth Institute of Technology	1406679	886208
Ari D. Berman Yeshiva University	1403997	884518
Donde Plowman University of Tennessee at Knoxville	1392413	877220
Timothy D. Sands Virginia Tech	1380013	869408
Teik C. Lim New Jersey Institute of Technology	1375238	866400
Elizabeth Davis Furman University	1373844	865522
Jo Ann Rooney *Loyola University Chicago	1359410	856428
Glenn F. Boyce University of Mississippi	1357524	855240
Paula A. Johnson Wellesley College	1351184	851246
Anthony A. Frank Colorado State University system office	1336940	842272
Harry J. Elam Jr. Occidental College	1327529	836343
William F. Tate IV Louisiana State University at Baton Rouge	1326148	835473
Sonya Stephens *Mount Holyoke College	1325610	835134

Mark R. Nemec Fairfield University	1318259	830503
Vincent D. Rougeau College of the Holy Cross	1315276	828624
Minnie L. Runey Johnson & Wales University (R.I.)	1300559	819352
Radenka Maric University of Connecticut	1288997	812068
Brian O. Hemphill Old Dominion University	1287692	811246
Satish K. Tripathi University at Buffalo	1281548	807375
E. Gordon Gee West Virginia University	1278570	805499
Teresa K. Woodruff Michigan State University	1272249	801517
James M. Danko Butler University	1269730	799930
Kayse Shrum Oklahoma State University at Stillwater	1266279	797756
Angel Cabrera Georgia Institute of Technology	1259644	793576
Kevin Weinman Marist College	1250897	788065
David Wippman Hamilton College (N.Y.)	1249398	787121
Thayne M. McCulloh Gonzaga University	1247044	785638
Nicole F. Hurd Lafayette College	1239019	780582
Guy H. Bailey University of Texas-Rio Grande Valley	1239011	780577
Christopher B. Roberts Auburn University	1237487	779617
David R. Harris Union College (N.Y.)	1235514	778374
Christopher Callahan University of the Pacific	1232308	776354
Carolyn A. (Biddy) Martin *Amherst College	1223602	770869
Michael Allen Barry University	1219525	768301
Jennifer Mnookin University of Wisconsin at Madison	1217029	766728
Maurie McInnis Stony Brook University	1197943	754704
Winston Soboyejo *Worcester Polytechnic Institute	1197789	754607
Thomas Bailey Teachers College, Columbia University	1196643	753885
Brennan O'Donnell *Manhattan University	1196075	753527
James D. Herbert University of New England	1190489	750008
Alison R. Byerly Carleton College	1185325	746755
Ross J. Gittell Bryant University	1181297	744217
Elizabeth Howe Bradley Vassar College	1179925	743353
George T. French Jr. Clark Atlanta University	1176465	741173
Anne F. Harris Grinnell College	1174838	740148
Bill Hardgrave University of Memphis	1168090	735897
Richard H. Hart Loma Linda University	1167073	735256
Joanne Berger-Sweeney Trinity College (Conn.)	1166510	734901
W. Randolph Woodson eNorth Carolina State University	1163532	733025
Clayton Rose Bowdoin College	1162973	732673
Brad Carson University of Tulsa	1159130	730252
Kathleen McCartney Smith College	1158232	729686
Marcelo Suárez-Orozco University of Massachusetts at Boston	1157919	729489
Ioannis N. Miaoulis Roger Williams University	1157230	729055
Barbara Jan Wilson University of Iowa	1152081	725811
William C. Dudley Washington and Lee University	1152057	725796
Adam S. Weinberg Denison University	1151414	725391
Kimberly E. Cassidy Bryn Mawr College	1147890	723171



Kenneth G. Gormley Duquesne University	1145310	721545
Jolene Koester *California State University system	1136883	716236
Garnett S. Stokes University of New Mexico	1132979	713777
Amy Parsons *Colorado State University at Fort Collins	1131056	712565
Tania Tetlow *Fordham University	1129905	711840
Erica Muhl Berklee College of Music	1123284	707669
Kelly Damphousse Texas State University	1123262	707655
James Warren Dean Jr. University of New Hampshire	1121886	706788
Margaret Katherine Banks *Texas A&M University at College Station	1121314	706428
Moez Limayem University of North Florida	1115697	702889
Julian Schuster Webster University	1110027	699317
Christopher A. Capuano Fairleigh Dickinson University	1098675	692165
Laurie L. Patton Middlebury College	1095410	690108
Neal J. Smatresk University of North Texas	1089833	686595
Thomas Taylor Eighmy University of Texas at San Antonio	1089721	686524
Kevin M. Guskiewicz University of North Carolina at Chapel Hill	1085798	684053
Rodney K. Rogers Bowling Green State University, Main Campus	1082157	681759
Candice McQueen Lipscomb University	1080314	680598
Jayathi Y. Murthy Oregon State University	1075803	677756
Paul C. Johnson Colorado School of Mines	1073570	676349
Maud Mandel Williams College	1072925	675943
Colleen M. Hanycz Xavier University (Ohio)	1071721	675184
Roberta J. Cordano Gallaudet University	1070430	674371
William D. Underwood Mercer University	1066041	671606
Gregory S. Woodward University of Hartford	1061159	668530
Joseph Harroz Jr. University of Oklahoma at Norman	1059562	667524
Lisa A. Kloppenberg *Santa Clara University	1059359	667396
Mark Fuller University of Massachusetts at Dartmouth	1057751	666383
Lori S. Gonzalez *Ohio University	1057143	666000
Terrence M. Sawyer Loyola University Maryland	1054783	664513
Sean M. Decatur Kenyon College	1050146	661592
Marc C. Conner Skidmore College	1046725	659437
Song Richardson Colorado College	1039097	654631
Jennifer Cowley University of Texas at Arlington	1035473	652348
Suzanne M. Rivera Macalester College	1033875	651341