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MARKET FOR ACCOUNTING FACULTY

Sharad Asthana
University of Texas – San Antonio
Sharad.asthana@utsa.edu
210-458-5232

Steven Balsam
Temple University
Steven.balsam@temple.edu
215-204-5574

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Sharad Asthana
University of Texas – San Antonio
Sharad.asthana@utsa.edu
210-458-5232

Steven Balsam
Temple University
Steven.balsam@temple.edu
215-204-5574

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Market for Accounting Faculty

Abstract

This paper addresses compensation of a group of individuals of particular interest to the target audience – accounting faculty. We observe that salary increases with publications, with the magnitude of those increases related to journal quality, i.e., the payment for a top tier publication exceeds that of a second tier publication, etc. For example we estimate the increase in annual salary for a top tier publication to be close to $4,000, with the increase varying across ranks - from about $2,500 for a full professor, to over $9,000 for an assistant. Given that these are annual increases in base salary, under reasonable assumptions for longevity and discount rate, the present value of a top tier publication easily tops $100,000 for an assistant professor!

In addition we find salary increases with the prestige of the school at which the individual is employed, the individual's rank, and the cost of living of the city in which the employing school is located. We also find salary increases with prestige of the school from which the individual received his/her degree, although the premium dissipates over time. Not surprisingly we find a reward to mobility/penalty to loyalty. That is, we observe a statistically significant negative association between accounting faculty salary and the number of years the faculty member has been with his/her current employer.

JEL Classification Codes: I21, I23, J33, M41

Keywords: Accounting Faculty; Compensation; Pricing of Publications.

Market for Accounting Faculty

1. Introduction and Motivation

In this paper we investigate an issue near and dear to readers of this journal, salaries of accounting faculty. That is, in contrast to the extensive literature discussing, debating and explaining CEO compensation[1] or even the literature on academic compensation in other disciplines[2], we are unaware of any published research on compensation of academic accountants. Consequently, this study attempts to fill the gap in the literature. This is important because like other decision makers, accounting professors respond to incentives. Since most of us cannot receive stock options[3], and most of us have never received a bonus, our monetary incentives are provided through our base salary in some cases augmented by summer support and perhaps research budgets. While salary is generally thought of as fixed compensation, salary may be increased if our superiors (department chairs, deans, etc.) are happy with our performance. Our contribution in this paper will be in documenting what variables drive salary so accounting faculty can determine how to optimize their efforts.

Empirically we examine the determinants of salary for a broad cross-section of accounting faculty. Our data is collected primarily from the internet, where many state universities are now required to disclose salary data. Using this approach we assemble a diverse sample of 949 unique accounting faculty representing 82 schools across 18 states and two countries (the U.S. and Canada). We then analyze this sample finding support for the hypothesis that accounting academics are indeed rewarded for publishing, with the rewards

[1] See for example the summaries in Aboody and Kasznik (2009) and Pavlik et al. (1993).
[2] See for example, Gomez-Mejia and Balkin. **(**1992), Swidler and Goldreyer. (1998) and Mittal, et. al. (2008) which were published in top journals in management, finance and marketing respectively.
[3] There are for profit universities who could theoretically offer stock options to their faculty. Due to data unavailability, we do not examine those universities.

increasing with the quality of the journal. Overall we estimate a tier 1 accounting publication increases annual salary by $3,935, tier 1 non-accounting publication increases annual salary by $3,284, a tier 2 accounting publication increases annual salary by $2,195, and a tier 3 publication increases salary by $274. In additional analysis we observe that these increases vary by rank, with the increase associated with a top tier accounting publication for a full professor being $2,590, while the corresponding increase for an assistant professor is $9,236. Considering that these are annual increases in base salary, under reasonable assumptions about longevity and discount rates, the present value of a top tier publication to an assistant professor easily exceeds $100,000!

We also observe, after controlling for quantity and quality of publications, that faculty employed at and those who graduated from more prestigious schools, and those of higher rank earn more. Not surprisingly we observe that mobility is rewarded and that loyalty does not pay, as after controlling for other factors we find that salary is lower the longer the faculty member has been with his/her current institution.

This paper continues with section 2 which develops our hypotheses. Section 3 then explains how we selected our sample, while section 4 provides our empirical analysis. We provide our conclusions, and recommendations to fellow accounting faculty, in section 5.

2. Hypothesis development

Much of the "compensation literature" either suggests that employees should be paid for performance or decries the lack thereof (Bebchuk and Fried 2004). But how do we measure performance in an academic setting? The literature that most academics are familiar with is that pertaining to executive compensation, in which case performance can be measured by readily available accounting and market return measures. However the idea that individuals should be paid based upon their performance is not limited to the executive suite,

with researchers examining pay for performance and its impact in fields as varied as professional sports (Bloom 1999) and medicine (Rosenthal et al. 2005).

Academics traditionally perform along three dimensions, research, teaching and service. Unfortunately it is more difficult to observe and objectively measure teaching and service than it is to observe and measure research.[4] Swidler and Goldreyer (1998) examine 311 finance professors at public research universities with the explicit goal of estimating the value of a top journal article, which they estimate to be worth, in present value terms, "between $19,493 and $33,754". Mittal et al. (2008) examine 298 marketing faculty at 33 research-oriented public universities also documenting the reward to publishing. Only Gomez-Mejia and Balkin (1992) who survey 353 professors of management incorporate teaching into their compensation model. However they conclude "that the primary determinants of faculty pay … are the number of top-tier journal publications a faculty member has authored and changes in institutional affiliation. Teaching performance and numbers of citations, second-tier publications, and books published affect pay allocations only for faculty members who have exceptional research records."

In contrast to Gomez-Mejia and Balkin (1992) we, like Swidler and Goldreyer (1998) and Mittal et al. (2008) rely on publicly available data. Consequently our focus is on what we can observe externally, research productivity at public institutions that are required to disclose salary information.[5] Following prior research we expect that salary increases with the number of publications and that the increase varies with the quality of the publication outlet.

[4] We are able to obtain teaching ratings from RateMyProfessors.com. However because we are only able to obtain ratings on 606 of our 949 subjects we incorporate this variable in our sensitivity rather than our primary analysis.

[5] To the extent our sample is composed of public institutions our results are not generalizable to private universities.

H1: Salary increases with the number and quality of publications.

Graduates from a prestigious school are likely to be in higher demand – perhaps because they are expected to do more and better research – which should be reflected in initial salary. However a degree from a prestigious university will not suffice for tenure and promotions (as well as new job offers) without publishing. So over time pedigree likely fades in importance relative to research output. Our empirical question is twofold – do graduates of highly ranked doctoral programs receive higher pay, and if they do, does the premium dissipate over time? Or alternatively does it exist at all after controlling for research output.

H2a: Graduates from highly ranked doctoral programs command a salary premium.

H2b: The salary premium commanded by graduates of highly ranked doctoral programs decreases over time.

A similar question may be posed about the current employer. Faculty working at prestigious schools may be of higher quality and consequently receive a higher level of pay. This quality should be reflected in research output over time, so the empirical question is whether there is an employer effect after controlling for research output.

H3: Faculty employed at more prestigious institutions command a salary premium

3. Sample

Data on faculty salary are obtained from the following sources.

a) Public sources maintained by organizations (for example, Texas Tribune [6], Collegiate Times [7], etc.) that obtained the data from Public Universities under the

[6] http://www.texastribune.org/library/data/government-employee-salaries/
[7] http://www.collegiatetimes.com/databases/salaries

States' version of the Freedom of Information Act - Public Law 89-554, 80 Stat. 383; Amended 1996, 2002, 2007)

b) State Government or University websites;

c) Province of Ontario website (disclosed under the Public Sector Salary Disclosure Act, 1996.)[8]

If data for a faculty member is available for more than one year, the most recent observation is retained.[9] The publications of the faculty members are obtained from ProQuest, ABI/Inform, Google Scholar, and official faculty websites. Data on year of hire, year when and school from where PhD was obtained, title, and programs offered are obtained from Hasselback Accounting Faculty Directory.[10] Rank of the PhD program from where the faculty member graduated and of the current employing school are based on Carnegie Classification of Institutions.[11] Cost of living data are obtained from Bureau of Labor Statistics [12] for US cities and from Bank of Canada for Canadian cities.[13] This results in a sample of 949 faculty observations from 13 Canadian Schools in Ontario and 69 US Schools located in 18 States. Of the 949 observations for unique faculty members, 74 pertain to 2011, 287 pertain to 2010, 434 pertain to 2009, and 154 pertain to 2008. For the sake of consistency, Canadian dollars are converted to US dollars using the average conversion rate for the past 5 years (as on June 1, 2011 per Bank of Canada); and all US dollars are inflation-adjusted to 2011 US dollars (using June rates). Teaching evaluations are obtained from RateMyProfessors.com[14] and number of moves during a faculty member's career is obtained

[8] http://www.fin.gov.on.ca/en/publications/salarydisclosure/2011/univer11b.html
[9] Results are unchanged if we take the average salary for the faculty member.
[10] www.facultydirectories.com
[11] http://classifications.carnegiefoundation.org/
[12] www.bls.gov/cpi/
[13] www.bankofcanada.ca
[14] http://www.ratemyprofessors.com/

from archived Hasselback directories, official faculty websites, and affiliations disclosed in published articles. We obtain citation data from Business Source Premier, as well as information on coauthors and author order. Only peer-reviewed articles are included i.e., research summaries and practitioners forums are not considered.

4. Empirical Analysis

Research Design

The following variables, which are also summarized in table 1, are defined for the initial analysis on the determinants of faculty salary. SALARY is the total reported compensation of faculty member in US dollars, adjusted for inflation; [15] CANADA is an indicator variable with value of 1 for faculty working in Canadian Schools, and 0 otherwise;[16] TIER1ACCT is the number of peer reviewed publications in tier 1 accounting journals (see table 2 for detailed discussion of journal classification). The classification of accounting journals is based on Wu et al. (2009), Chan et al. (2009), Chow et al. (2007), Bonner et al. (2006), Lowensjohn and Samelson (2006), and Reinstein and Calderon (2006). Tier 1 accounting journals include *The Accounting Review; Journal of Accounting and Economic*; and *Journal of Accounting Research*.

(insert Tables 1 and 2 about here)

TIER1OTHER is the number of publications in tier 1 journals from areas other than accounting and are based on Peffers and Tang (2003), Otheten et al. (2005), Wu et al. (2009), and Schrader and Hennig-Thurau (2009). This category includes *Journal of Finance;*

[15] At this point we should note that noise exists in the salary data. That is, because of different reporting requirements some schools only report base salary, while others report full compensation including summer support, off load teaching etc… Unfortunately we cannot place the data on a comparable basis, which works against our finding support for our hypotheses.

[16] We also incorporate but do not report, state fixed effects. Fixed effects control for differences in compensation structure (e.g., defined benefit versus defined contribution pension plans) and reporting practices (salary versus total compensation) across states.

Journal of Financial Economics; Review of Financial Studies; Journal of Financial and Quantitative Analysis; Journal of Business; Management Information System Quarterly; Information System Research; Management Science; and *Administrative Science Quarterly*. TIER2ACCT is the number of peer reviewed publications in tier 2 accounting journals that includes, *Accounting, Organizations, and Society; Contemporary Accounting Research; Auditing: A Journal of Practice and Theory; Journal of the American Taxation Association; Accounting Horizons; Journal of Accounting, Auditing, and Finance; Journal of Accounting and Public Policy;* and *Review of Accounting Studies*. Finally, TIER3ALL is the number of peer reviewed publications in journals not included in TIER1ACCT, TIER1OTHER, and TIER2ACCT.

CURRENTSTAY is the number of years the faculty member has stayed at his/her current school and EXPERIENCE is the total number of years' experience the faculty member has since obtaining his/her PhD. SCHOOLRANK is the rank of the School where the faculty member is currently employed, based on Carnegie Classification of Institutions. Doctorate granting institutions are coded as RU/VH (very high research activity) = 3; RU/H (high research activity) = 2; DRU (doctoral research university) = 1; and all non-doctoral institutions = 0. Similarly PEDIGREE is the rank of the PhD program from where the faculty member graduated, based on Carnegie Classification of Institutions above.[17] FACULTYTITLE is the rank of the faculty member and is coded 1, 2, 3, 4, and 5 for instructors/lecturers, assistant, associate, full, and endowed chairs, respectively. PROGLEVEL are the programs available at the school employing the faculty member and is coded 3 for PhD Granting accounting programs, 2 for Masters, and 1 for Bachelors programs. Finally, COSTOFLIVING is the cost of living index in the city of employment.

[17] Faculty without Ph.D.'s are assigned a pedigree of 0.

For US cities this data is obtained from the Bureau of Labor Statistics and for Canadian cities from the Bank of Canada.

Our base model is:.

$$\begin{aligned} SALARY = {} & \alpha_0 + \Sigma_{i=1\text{-}3}\alpha_i\, YEAR_i + \Sigma_{j=4\text{-}20}\alpha_j\, STATE_j + \alpha_{21}\, CANADA \\ & + \alpha_{22}\, TIER1ACCT + \alpha_{23}\, TIER1OTHER + \alpha_{24}\, TIER2ACCT + \alpha_{25}\, TIER3ALL \\ & + \alpha_{26}\, CURRENTSTAY + \alpha_{27}\, EXPERIENCE + \alpha_{28}\, SCHOOLRANK \\ & + \alpha_{29}\, PEDIGREE + \alpha_{30}\, PEDIGREE*EXPERIENCE + \alpha_{31}\, FACULTYTITLE \\ & + \alpha_{32}\, PROGRAMLEVEL + \alpha_{33}\, COSTOFLIVING + error \end{aligned} \quad (1)$$

Where, $YEAR_i$ are indicator variables for the sample years (except 2008) to control for any year-specific effects. Similarly, $STATE_j$ are indicator variables for all the states in the sample (excluding Arizona). The state dummies control for state-specific effects, such as expenditures on higher education, compensation structure (e.g., defined benefit versus defined contribution pension plans), and compensation reporting practices (e.g., 9 month salary versus entire amount earned over 12 months). All other variables are defined above.

Based on our hypotheses, we expect $\alpha_{22} > \alpha_{24} > \alpha_{25} > 0$. In other words, publications in higher (lower) quality journals will be priced more (less) in the market for accounting faculty. Following Mittal et al. (2008) we expect top publications in accounting journals to be more valuable for accounting faculty than top publications outside accounting, i.e., $\alpha_{22} > \alpha_{23}$. If experience results in knowledge accumulation then $\alpha_{27} > 0$. However, if staying at the same school results in (salary) stagnation, $\alpha_{26} < 0$. Faculty at higher quality schools are expected to be better compensated, so we expect $\alpha_{28} > 0$ and if faculty with doctorates from better quality programs are compensated better, then $\alpha_{29} > 0$. However, if the pedigree effect wears off with time, we expect $\alpha_{30} < 0$. Since promotions typically result in statutory raises, we expect $\alpha_{31} > 0$. We also expect PhD granting institutions to pay more than institutions with only Masters programs, who in turn we expect to pay more than institutions with only Bachelors programs,

that is, $\alpha_{32} > 0$. Finally, we expect that a higher cost of living will be associated with higher compensation $\alpha_{33} > 0$.

Faculty members graduating from the same PhD program or working at the same school may have similarities / commonalities, such as, preferred research paradigms, topics chosen for research, or journals picked for publications, etc. This may result in clustering effects. Clustered samples can lead to under-estimation of standard errors and over estimation of significance levels (Cameron et al. 2011). We, therefore, estimate the t-statistics using robust standard errors corrected for school-level clustering and heteroskedasticity, consistent with Petersen (2009) and Gow et al. (2010).

Descriptive statistics

Table 3 lists the descriptive statistics by State. Ten states are represented by one school, while the state of North Carolina and the province of Ontario are represented by 13 schools each. We note a large variance in the number of observations by State, with the largest number of observations coming from Texas (217) and the smallest from Indiana (6). Similarly we observe a large variation in average salary, with the highest being California ($198,988) and the lowest being Indiana ($96,244). While not tabulated we observe that the average number of publications varies across universities, with UCLA (7.44) and UNC-Chapel Hill (11.13) having the highest average publication rates in tier 1 accounting journals, whereas 33 schools have no publications in these journals.

(insert Table 3 about here)

Panel A of Table 4 presents the descriptive statistics for the sample. The mean (median) salary in June 2011 constant dollars for an accounting faculty member is $141,685

($138,404). The average faculty member has a little over 1 top tier publication, about 1.5 tier 2 publications, and about 6.5 tier 3 publications, or a total of about 9 publications, over an 18 year career (mean of experience is 18.34). The average faculty member has been at his or her current position for almost 15 years, and is employed by a school located in an area with slightly below average cost of living – mean 98.86 (median 93).

Panel B of table 4 provides a comparison of sample characteristics for US versus Canadian firms. In what many would take as a surprise, Canadian faculty members make statistically and economically significantly higher amounts than their US counterparts, $168,245 versus $137,804. This difference may be caused, in part or in whole, by a data reporting difference between Canadian and at least some US universities. That is, Canadian schools report full compensation which includes summer support (if any), additional teaching, etc., while at least some US schools only report nine-month base salary. In contrast, Canadian faculty publish fewer articles on average than their US counterparts across most levels of quality (all with the exception of tier 3).

Panel C further partitions the US sample by type of school, i.e., Carnegie research versus non-research institution. As expected faculty in research institutions earn significantly more than faculty in non-research institutions, $149,372 versus $118,272. They also publish more in TIER1ACCT, TIER1OTHER, and TIER2ACCT, but less in TIER3ALL. Panel D partitions the US sample by faculty rank, where we see the average salary increases from $91,119 for an instructor to $212,655 for an endowed professor. Analogously publications also increase dramatically as we move from instructor to endowed professor – for example total publications increases on average from about 2 to 20! Full professors and endowed chairs are also more experienced and have spent more time at their current institution than

faculty at lower ranks. Instructors are more likely to be employed by higher ranked institutions (SCHOOLRANK). This may be because research institutions employ non-tenure track teaching faculty to compensate for lower teaching loads of research active faculty.

Regression Analysis

Table 5 provides our primary regression results, with panel A presenting the results using scalars (model 1), and panel B reporting an equivalent model using log transformation of the variables. Both models are highly significant ($p<0.0001$) with R^2 of 75 and 74 percent respectively, and demonstrate little evidence of multicollinearity (highest VIF in either model is slightly greater than 2). Further we note the results in the two panels are virtually identical, so we only discuss those in panel A whose coefficients translate into easily observable dollar amounts, i.e., an additional publication in a TIER1ACCT journal increases annual salary by $3,935. Examining the variables of interest we see positive and significant coefficients on all the publication variables, i.e., TIER1ACCT, TIER1OTHER, TIER2ACCT, and TIER3ALL. We also note that the magnitude of the coefficient decreases with the quality of the publication, and that the coefficient on TIER1ACCT is significantly greater ($p<0.05$) than that on TIER2ACCT, which is turn is significantly greater ($p<0.01$) than that on TIER3ALL. So we find strong support for our first hypothesis. [18] Turning to hypotheses 2A and B, we find a positive coefficient on PEDIGREE, consistent with graduates of highly prestigious doctoral programs receiving a salary premium, although we find that premium decreases with time, i.e., the coefficient on the interaction between PEDIGREE and EXPERIENCE, is negative and significant. These findings support hypotheses 2A and B. Our final hypothesis predicts that faculty employed at more

[18] In contrast to Mittal et al. (2008) we do not find a statistically significant premium for publishing inside versus outside the discipline, i.e., the coefficient on TIER1ACCT is not statistically different from that on TIER1OTHER.

prestigious institutions earn more. Employer prestige is measured using two variables here SCHOOLRANK and PROGLEVEL, where the former is based on the institutions' Carnegie classification and the latter is based upon the degrees offered by the institution. The correlation between the two variables is 87%. We include both as independent variables since they provide incremental information about salary. Since, their VIFs are not significant, multicollinearity is not an issue. We find the coefficients on both are positive and highly significant, supporting our third hypothesis that faculty salary increases with the prestige of the institution.

Turning to our other variables, we observe that compensation, as might be expected, increases with faculty rank, i.e., the coefficient on FACULTYTITLE is positive and statistically significant as well as economically significant – an increase in rank is associated with a $18,737 increase in compensation. We also observe that compensation increases with EXPERIENCE, at a rate of $571 per year since receiving highest level degree – inconsistent with the long held assertions of salary compression in academia (Gomez-Mejia and Balkin. 1987). However we do find evidence of a penalty to loyalty, as salary decreases (coefficient on CURRENTSTAY is negative and significant) by $605 per year that faculty member has been at his/her current institution. Finally we observe, as would be expected, institutions in higher cost of living areas pay more, i.e., the coefficient on COSTOFLIVING is positive and significant.

We next run regressions by partitions. Table 6, replicates the analysis in table 5, after segmenting the sample into US versus Canadian institutions. For the most part, the signs and significance of the variables are comparable, so the focus of our discussion will be on the differences. For example, the payoffs to both TIER1ACCT and TIER2ACCT are higher for

Canadian faculty. Similarly, the coefficients on EXPERIENCE and SCHOOLRANK are higher for Canadian faculty. In contrast the coefficients on FACULTYTITLE, PROGRAMLEVEL and COSTOFLIVING are higher for US faculty.

Table 7 then further partitions the US sample in research and non-research institutions, with two differences in the equation. We do not include SCHOOLRANK in the non-research institution regression because all non-research universities fall into the same Carnegie classification, and we do not include PROGRAMLEVEL in the research institution regression because all research universities have doctoral programs. Still of the variables common to the models, most have comparable effects across both types of institutions. Among the more important differences we find that non-research institutions reward lower quality publications, i.e., TIER3ALL, while research institutions do not. That the latter do not reward lower quality publications is not at first glance that surprising to those of us in the business. However, the descriptive statistics provided earlier show that even at research institutions the majority of publications are in what we categorize as lower quality journals, i.e., TIER3ALL. The question is why would they publish there? The answer may be that even though we cannot observe an incremental effect of lower quality publications on compensation, those lower level publications still help with promotion and tenure. And as noted in table 7, the coefficient on FACULTY TITLE in research institutions ($29,766) is significantly greater than that in non-research institutions ($22,634).

The prior analyses are likely misspecified in that publications affect FACULTYRANK, which is also an independent variable in the model. Table 8 controls for this by partitioning our US sample into four categories for assistant, associate, full and endowed professors. In the column for endowed chairs we omit the PEDIGREE and

PEDIGREE*EXPERIENCE variables as all 44 of the individuals graduated from institutions classified by Carnegie as RU/VH (very high research activity).

Focusing on the coefficients of interest we see that publications in top tier accounting journals (TIER1ACCT) increase compensation at all levels, with the payoff greatest for assistant professors (the difference is statistically significant). A likely explanation for this finding is the diminishing marginal return to publishing. To test this possibility in untabulated results we rerun the regression incorporating the square of TIER1ACCT, TIER2ACCT, etc. While we continue to find a positive coefficient on TIER1ACCT, we find a negative coefficient on its square – consistent with diminishing marginal returns. We see a similar pattern for TIER2ACCT and TIER3ALL with one exception, endowed chairs are only rewarded for top tier accounting publications. That is the coefficients on TIER1OTHER, TIER2ACCT, and TIER3ALL while all positive, are insignificantly different from zero for endowed chairs. Surprisingly we only find a marginal payoff to publishing in other top journals (TIER1OTHER) , and only then for assistant professors. This is likely due to a lack of power, as the number of TIER1OTHER publications is a small fraction of publications in any of the partitions. For example, panel D of table 4 shows the average endowed professor has 5.66 publications in TIER1ACCT journals but only 0.57 publications in TIER1OTHER journals.

We also observe that PEDIGREE is associated with statistically significant increases in compensation for assistant, associate, and full professors, and as above with the pooled data set, the coefficient on the interaction between PEDIGREE and EXPERIENCE is negative and significant. Finally turning to our proxies for the prestige of the employing institution we see that PROGRAMLEVEL is positively associated with compensation at all

four levels, while SCHOOLRANK is positively associated with compensation for associate and full professors.

Overall, tables 5 through 8 provide strong support for our hypotheses that compensation depends on the quantity and quality of publications (H1); the university from which the individual graduated and time since graduation (H2a and H2b); and the prestige of the current employer (H3).

Additional Analysis

In table 9 we provide a brief description of some of the additional analyses we have performed. In some cases, the additional analyses represent a refinement of our test variables, e.g., column A where we look at the coefficients on the individual journals that comprise TIER1ACCT; where in other cases they represent further analysis on a subset of our sample, e.g., column C where we look at teaching evaluations.

Columns A through F show only the additional variables of interest while all other variables are omitted from the table for brevity. In column A we observe the relative coefficients for publications in *The Accounting Review, Journal of Accounting Research,* and *Journal of Accounting Economics.* As can be seen, the coefficients on each are positive and significant. While there are differences between the coefficients, only the difference between TAR and JAR is statistically significant. Column B further investigates the loyalty issue (recall the negative and significant coefficient on CURRENTSTAY) for a subset of 203 faculty members for whom we have traced their careers since graduation.[19] For these individuals we see that compensation increases with the number of moves, although the

[19] We only searched for additional data on faculty that had moved (CURRENTSTAY < EXPERIENCE). Of the 455 such faculty we are able to find data for only 203.

negative coefficient on the squared variable is consistent with a diminishing payoff to moving.

Column C examines the impact of teaching performance using 606 faculty members for whom ratings were available on RateMyProfessor.com. One of the biases in the data, and one of the reasons we lose more than a third of our sample, is that postings to RateMyProfessor.com are voluntary. Consequently, only a small percentage of students ever post to RateMyProfessor.com and those that do, we expect, are disproportionately at the tail of the distribution, either very happy or very unhappy with the faculty. Another issue with RateMyProfessor.com ratings is that they are associated with the perceived attractiveness and easiness of the instructor (see Felton et al. 2004, Felton et al. 2008). So we acknowledge the data is biased. However it is the only publicly available source of teaching ratings and the ratings are consistently measured across universities. In this sensitivity analysis we observe a positive association between TEACHEVAL and compensation, after inclusion of all the variables in model 1.

Our analysis in columns D, E, and F digs deeper into the quality of the publications as well as the authors' contribution to those publications for a random subsample of 250 individuals for which we have collected the data. After controlling for the number of publications, and the quality of the journals those articles are in, column D finds an incremental effect to number of citations which is consistent with Hamermesh et al. (1982). In particular the coefficient on CITATIONS indicates that each additional citation is associated with a $105 increase in annual compensation. In column E we find that compensation increases the greater the percentage of the time the individual is the first author on the paper. This is somewhat anomalous, as while in some disciplines authors are listed in

order of contribution, in the vast majority of accounting papers authors are listed alphabetically. Thus authors with last names starting with A are likely to be first author most of the time. To test if institutions are being irrational (in our opinion), we replace FIRSTAUTHOR with indicator variables for A, B, etc. (first letter of last name) and do not find a result. In column F we attempt to control for contribution by looking at the number of times the author is elevated in the byline, i.e., his/her name appears earlier than it would alphabetically; and the number of times the author is demoted in the byline, i.e., his/her name appears later than it would alphabetically. As noted, that happens relatively infrequently. Here we find as we would expect, an increased reward when someone's name appears earlier than expected, although we find no penalties applied when the person appears later than expected.

In our last table, table 10, we estimate the present value of the annuity (increase in salary) associated with the publication of a top tier accounting journal by faculty rank. In it, we show the present value of the annuity, assuming longevity of ten, twenty or thirty years, and discount rates of three, four and five percent. As shown in table 8 the annual increase in salary associated with a top tier publication is significantly higher for an assistant than a full professor. Assuming that assistant professors are younger than full professors, the difference in longevity will only accentuate this difference. For example, using the most conservative discount rate five percent, and assuming a longevity of ten (thirty) additional years for a full (assistant) professor, the present value of a top tier publication is $141,987 for an assistant professor but only $20,001 for a full professor.

5. Conclusion

In this paper we have examined the compensation of a very important group of individuals, accounting faculty. In it, we show that compensation is positively related to the quantity and quality of research output, as well as the reputation of the school from which the individual graduated and at which she/he is employed. Beyond that we show that compensation is positively related to faculty rank, experience and mobility, or in the case of the latter, inversely related to lack of mobility. That is, faculty compensation is inversely related to the length of time spent at his/her current institution. This penalty, if you would call it, to loyalty, may be a function of the faculty member's unwillingness to relocate or may proxy for an omitted variable that is correlated with the faculty member's market value.

In sensitivity analyses we further investigated these issues providing additional evidence that compensation is positively related to the quality of the faculty member's publications, e.g., citations, order of authorship; and perhaps more importantly, provided evidence that teaching quality (or at least popularity) is positively associated with compensation as well.

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TABLE 1
VARIABLE DEFINITIONS
(in alphabetical order)

Variable	Definition
ABOVEALPHA	Number of articles in which faculty member is listed above alphabetical sequence of coauthors
BELOWALPHA	Number of articles in which faculty member is listed below alphabetical sequence of coauthors
CITATIONS	Total number of citations
COSTOFLIVING	Cost of living index in the city of employment (obtained from government sources)
CURRENTSTAY	Number of years faculty member has stayed on current job
CANADA	Indicator variable with value of 1 for faculty working in Canadian Schools; and 0 otherwise
EXPERIENCE	Number of years' since obtaining highest degree
FACULTYTITLE	Coded 1, 2, 3, 4, and 5 for non-tenure track, assistant, associate, full, endowed chairs, respectively
FIRSTAUTHOR	Number of articles with faculty member listed as first author
LOG(CURRENTSTAY)	Natural logarithm of (1+CURRENTSTAY)
LOG(EXPERIENCE)	Natural logarithm of (1+EXPERIENCE)
LOG(SALARY)	Natural logarithm of (1+SALARY)
LOG(TIER1OTHER)	Natural logarithm of (1+TIER1OTHER)
LOG(TIER1ACCT)	Natural logarithm of (1+TIER1ACCT)
LOG(TIER2ACCT)	Natural logarithm of (1+TIER2ACCT)
LOG(TIER3ALL)	Natural logarithm of (1+TIER3ALL)
NMOVES	Number of times the faculty member has switched institutions during the career
JAE	Number of articles in the Journal of Accounting and Economics
JAR	Number of articles in the Journal of Accounting Research
TAR	Number of articles in The Accounting Review
PEDIGREE	Rank of the PhD program from where the faculty member graduated, based on Carnegie Classification of Institutions. Institutions are coded as RU/VH (very high research activity) = 3; RU/H (high research activity) = 2; DRU (doctoral research university) = 1. For faculty without PhD the variable is coded = 0
PROGLEVEL	PhD Granting accounting programs are coded = 3; Masters = 2; and Bachelors = 1
SALARY	Total base annual salary of faculty member in US dollars, adjusted for inflation

TABLE 1 (Continued)

SCHOOLRANK	Rank of the School where the faculty member is currently employed, based on Carnegie Classification of Institutions. Doctorate granting institutions are coded as RU/VH (very high research activity) = 3; RU/H (high research activity) = 2; DRU (doctoral research university) = 1; and all non-doctoral institutions = 0
TEACHEVAL	Teaching evaluations obtained from *Ratemyprof.com*
TIER1ACCT	Number of peer reviewed publications in tier 1 accounting journals (see table 2 for details)
TIER1OTHER	Publications in tier 1 journals from areas other than accounting (see table 2 for details)
TIER2ACCT	Number of peer reviewed publications in tier 2 accounting journals (see table 2 for details)
TIER3ALL	Number of peer reviewed publications in journals not included in TIER1ACCT, TIER1OTHER, and TIER2ACCT (see table 2 for details)

TABLE 2
JOURNAL CLASSIFICATION

Category	Journal Title	Frequency of Publication	Total Publications	Journal Rank (Source†)						Mean Rank
				(1)	(2)	(3)	(4)	(5)	(6)	
Tier 1	TAR	59.43%	564	2	1	3	1	1	1	1.50
	JAR	47.31%	449	1	2	2	1	5	2	2.17
	JAE	17.39%	165	3	4	1	4	9	3	4.00
Tier 2	AOS	14.75%	140	6	3	4	3	2	7	4.17
	CAR	29.40%	279	4	7	6	5	10	4	6.00
	AJPT	13.70%	130	7	8	7	-	8	6	7.20
	JATA	17.60%	167	8	22	-	-	3	5	9.50
	AH	26.45%	251	13	9	-	-	14	13	12.25
	JAAF	23.18%	220	10	18	-	-	-	10	12.67
	JAPP	18.65%	177	9	27	8	-	15	12	14.20
	RAST	11.06%	105	12	20	-	-	-	16	16.00

Frequency of publication is defined as the total publications by all faculty in the journal deflated by the total number of faculty (=949). To be included in the above list, the journal should be ranked in one of the six published journal ranking studies (see below); and have a minimum publication frequency, which we define as 95 articles – on average one for every ten faculty in our sample. Consequently, some journals ranked highly in one of the above Journal rankings (for example, #5 and #11 from column 1) are not included in the table since they did not have the minimum frequency of publication.

† The sources listed are as follows: (1) Wu et al. (2009); (2) Chan et al. (2009); (3) Chow et al. (2007); (4) Bonner et al. (2006); (5) Lowensjohn and Samelson (2006); (6) Reinstein and Calderon (2006)

In addition, TIER1OTHER are publications in tier 1 ranked journals from other disciplines. These include Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Journal of Business (Otheten et al. 2005); Management Information System Quarterly, Information System Research (Peffers and Tang 2003); Management Science (Wu et al. 2009); and Administrative Science Quarterly (Schrader and Hennig-Thurau 2009)

All other journals are classified as Tier 3.

TABLE 3
DESCRIPTIVE STATISTICS BY STATE

No	Country	State	Number of Schools	No. of Faculty	Average Salary
1	CANADA	ONTARIO	13	121	$168,244.98
2	USA	AZ	1	27	$143,693.26
3	USA	CA	6	43	$198,988.27
4	USA	FL	1	15	$147,975.15
5	USA	GA	11	64	$117,857.81
6	USA	IA	1	15	$120,346.84
7	USA	IL	1	55	$143,995.63
8	USA	IN	1	6	$96,243.72
9	USA	MI	3	57	$165,141.64
10	USA	MO	1	13	$160,934.79
11	USA	NC	13	48	$155,518.11
12	USA	NJ	1	30	$151,815.37
13	USA	NY	1	10	$152,912.83
14	USA	OH	2	33	$155,567.20
15	USA	PA	1	19	$149,797.63
16	USA	SC	5	19	$144,365.48
17	USA	TX	8	217	$123,277.10
18	USA	VA	11	141	$118,484.86
19	USA	WI	1	16	$147,886.62

See Table 1 for variable definitions.

TABLE 4
SAMPLE CHARACTERISTICS

Panel A: Sample Distribution (n = 949)

Variables	Mean	Median	Std.Devn.	Quartile 1	Quartile 3
SALARY	$141,684.92	$138,404.10	$58,632.00	$106,188.97	$174,939.93
TIER1ACCT	1.24	0	3.15	0	1
TIER1OTHER	0.18	0	0.86	0	0
TIER2ACCT	1.55	0	3.02	0	2
TIER3ALL	6.57	3	9.83	0	9
CURRENTSTAY	14.87	12	13.16	5	23
EXPERIENCE	18.34	18	14.17	7	28
SCHOOLRANK	1.60	2	1.40	0	3
PEDIGREE	2.29	3	1.11	2	3
FACULTYTITLE	2.76	3	1.21	2	4
PROGRAM LEVEL	2.43	3	0.75	2	3
COSTOFLIVING	98.86	93	17.24	87	103

Panel B: Cross-Country Comparison (n = 949)

Variables	US Schools	Canadian Schools	t-Statistics
Observations	828	121	
SALARY	$137,804	$168,245	***-5.58
TIER1ACCT	1.35	0.52	***4.75
TIER1OTHER	0.19	0.10	*1.79
TIER2ACCT	1.60	1.20	†1.57
TIER3ALL	6.24	8.82	***-2.70
CURRENTSTAY	14.38	18.17	***-3.85
EXPERIENCE	18.00	20.64	**-2.49
SCHOOLRANK	1.77	0.45	***16.45
PEDIGREE	2.37	1.77	***6.58
FACULTYTITLE	2.72	3.03	***-3.18
PROGRAM LEVEL	2.48	2.05	***5.99
COSTOFLIVING	97.40	108.80	***-6.99

TABLE 4 (Continued)

Panel C: Comparison across Quality of US Schools Employing the Faculty (n = 828)

Variables	Carnegie Classification of Employer		t-Statistics
	Non-Research University	Research University	
Observations	308	520	
SALARY	$118,272	$149,372	***-8.73
TIER1ACCT	0.29	1.98	***-9.27
TIER1OTHER	0.05	0.27	***-3.98
TIER2ACCT	0.63	2.17	***-8.68
TIER3ALL	7.06	5.75	*1.92
CURRENTSTAY	13.42	14.95	*-1.71
EXPERIENCE	16.85	18.69	*-1.87
SCHOOLRANK	0	2.82	***-166.90
PEDIGREE	2.21	2.46	***-3.11
FACULTYTITLE	2.96	2.58	***4.43
COSTOFLIVING	99.53	96.14	***2.86

Panel D: Sample Characteristics by Faculty Rank of US Schools (n = 828)

Variables	Faculty Rank				
	Instructor	Assistant	Associate	Full	Endowed
Observations	189	167	201	227	44
SALARY	$91,118.77	$143,350.98	$130,631.12	$164,434.34	$212,655.01
TIER1ACCT	0.25	0.54	0.95	2.37	5.66
TIER1OTHER	0.04	0.16	0.09	0.34	0.57
TIER2ACCT	0.22	0.63	1.62	2.91	4.34
TIER3ALL	1.54	2.22	6.69	11.98	10.02
CURRENTSTAY	8.90	6.46	15.94	22.14	20.86
EXPERIENCE	11.18	8.65	19.23	27.64	27.45
SCHOOLRANK	2.19	1.82	1.47	1.61	2.00
PEDIGREE	1.48	2.60	2.57	2.64	3.00
PROGRAM LEVEL	2.68	2.50	2.31	2.43	2.61
COSTOFLIVING	99.24	96.78	96.05	96.56	102.36

See Table 1 for variable definitions.
*** implies significance at 1% level (two-sided)
** implies significance at 5% level (two-sided)
* implies significance at 10% level (two-sided)
† implies significance at 10% level (one-sided)

TABLE 5
DETERMINANTS OF FACULTY SALARY

Panel A: Regression Results

	Dependent Variable = SALARY		
Variables	Estimate	Standard t-Stats	Cluster Adj t-Stats
CANADA	***$31,499.00	3.39	3.57
TIER1ACCT	***$3,935.00	9.14	8.42
TIER1OTHER	***$3,283.65	2.91	4.00
TIER2ACCT	***$2,195.12	5.49	5.98
TIER3ALL	**$274.30	2.49	2.32
CURRENTSTAY	***-$604.93	-4.53	-4.11
EXPERIENCE	***$571.39	2.92	2.88
SCHOOLRANK	***$8,711.93	4.97	4.28
PEDIGREE	***$18,861.00	15.85	11.67
PEDIGREE*EXPERIENCE	***-$540.66	-7.38	-6.83
FACULTYTITLE	***$18,737.00	17.04	14.55
PROGRAMLEVEL	**$5,977.22	2.08	1.76
COSTOFLIVING	***$412.81	4.45	3.94
Observations	949		
Adjusted R-Square	0.7535		
F Value	76.53		
Probability > F	< 0.0001		
Highest VIF	2.1904		

TABLE 5 (Continued)

Panel B: Regression Results With Logs

	Dependent Variable = LOG(SALARY)		
Variables	Estimate	t-Stats	Cluster Adj t-Stats
CANADA	**0.1492	2.32	2.40
LOG(TIER1ACCT)	***0.0873	6.99	7.05
LOG(TIER1OTHER)	***0.0708	3.36	3.91
LOG(TIER2ACCT)	***0.0611	5.39	5.46
LOG(TIER3ALL)	***0.0273	3.60	3.31
LOG(CURRENTSTAY)	**-0.0301	-2.24	-2.16
LOG(EXPERIENCE)	***0.1993	6.42	6.21
SCHOOLRANK	*0.0227	1.77	1.65
PEDIGREE	***0.4466	14.23	13.80
PEDIGREE*LOG(EXPERIENCE)	***-0.1305	-11.84	-11.37
FACULTYTITLE	***0.1496	18.04	15.10
PROGRAMLEVEL	***0.0610	2.94	2.64
LOG(COSTOFLIVING)	***0.2871	4.17	3.75
Observations	949		
Adjusted R-Square	0.7437		
F Value	63.56		
Probability > F	< 0.0001		
Highest VIF	2.3435		

See Table 1 for variable definitions. Year and State fixed-effects are included in all regressions, but not reported for the sake of brevity. Cluster adjustments are made across employing schools and schools granting doctorates to the faculty.

*** implies significance at 1% level (two-sided)
** implies significance at 5% level (two-sided)
* implies significance at 10% level (two-sided)

TABLE 6
CROSS-COUNTRY COMPARISON

Variables	Dependent Variable = SALARY				
	US Schools		Canadian Schools		t Statistics for H_0(Equal Coeffs)
	Estimate	t Stats	Estimate	t Stats	
TIER1ACCT	***$3,771.43	8.91	**$6,233.18	2.57	†-1.49
TIER1OTHER	***$3,123.75	2.95	$1,685.46	0.22	0.28
TIER2ACCT	***$1,606.09	4.05	***$3,664.69	2.80	**-2.14
TIER3ALL	***$309.62	2.75	$205.19	0.75	0.48
CURRENTSTAY	***-$684.29	-5.14	-$572.68	-1.21	-0.33
EXPERIENCE	$92.12	0.46	***$1,769.13	2.59	***-3.36
SCHOOLRANK	***$4,070.63	2.24	***$27,452.00	3.97	***-4.72
PEDIGREE	***$17,397.00	15.09	*$11,405.00	1.66	†1.28
PEDIGREE*EXPERIENCE	***-$439.86	-6.00	-$471.88	-1.43	0.14
FACULTYTITLE	***$21,964.00	19.52	$4,976.98	1.51	***6.81
PROGRAM LEVEL	***$18,531.00	5.51	***-$20,112.00	-3.30	***7.06
COSTOFLIVING	***$759.88	6.47	-$134.57	-0.78	***5.17
Observations	828		121		
Adjusted R-Square	0.7944		0.4236		
F Value	85.88		7.98		
Probability > F	< 0.0001		< 0.0001		
Highest VIF	2.2864		1.6798		

See Table 1 for variable definitions. Year and State fixed-effects are included in all regressions, but not reported for the sake of brevity. Cluster adjustments are made across employing schools and schools granting doctorates to the faculty

*** implies significance at 1% level (two-sided)
** implies significance at 5% level (two-sided)
* implies significance at 10% level (two-sided)
† implies significance at 10% level (one-sided)

TABLE 7
COMPARATIVE REGRESSIONS ACROSS QUALITY OF EMPLOYING SCHOOL IN USA
(Dependent Variable = SALARY)

Variables	Non-Research University		Research University		H_0(Equal Coeffs)
	Estimates	t Stats	Estimates	t Stats	t Statistics
TIER1ACCT	**$3,971.29	2.13	***$3,184.46	6.63	0.38
TIER1OTHER	†$3,160.73	1.45	***$3,902.90	3.15	-0.28
TIER2ACCT	*$1,968.80	1.84	***$1,264.82	2.74	0.57
TIER3ALL	***$620.20	4.81	$135.36	0.71	**2.11
CURRENTSTAY	*-$346.16	-1.94	***-$682.44	-3.64	†1.28
EXPERIENCE	$61.55	0.22	$258.02	0.95	-0.49
SCHOOLRANK			-$2,552.28	-0.53	
PEDIGREE	***$9,486.55	5.59	***$22,634.00	15.08	***-5.65
PEDIGREE*EXPERIENCE	*-$179.67	-1.66	***-$670.68	-6.99	***3.31
FACULTYTITLE	***$12,438.00	8.56	***$29,766.00	18.93	***-7.97
PROGRAM LEVEL	***$15,907.00	4.48			
COSTOFLIVING	***$990.94	6.35	***$1,329.77	4.43	-1.02
Observations	308		520		
Adjusted R-Square	0.5978		0.8389		
F Value	18.90		82.14		
Probability > F	< 0.0001		< 0.0001		
Highest VIF	1.5808		2.5819		

See Table 1 for variable definitions. Year and State fixed-effects are included in all regressions, but not reported for the sake of brevity. Cluster adjustments are made across employing schools and schools granting doctorates to the faculty

*** implies significance at 1% level (two-sided);
** implies significance at 5% level (two-sided);
* implies significance at 10% level (two-sided);
† implies significance at 10% level (one-sided)

TABLE 8
COMPARATIVE REGRESSIONS ACROSS DIFFERENT FACULTY RANKS IN USA
(Dependent Variable = SALARY)

Panel A: Regression Analysis

Variable	Assistant (Column A)	Associate (Column B)	Full (Column C)	Endowed (Column D)
TIER1ACCT	***$9,236.46	***$3,335.28	***$2,590.18	**$3,419.75
TIER1OTHER	†$2,841.26	$2,131.56	$945.43	$6,769.50
TIER2ACCT	***$7,706.12	***$2,642.31	†$950.23	$1,758.18
TIER3ALL	***$1,619.62	***$861.51	**$349.88	$857.18
CURRENTSTAY	-$362.04	***-$647.94	***-$1,156.42	$1,343.30
EXPERIENCE	$949.24	$415.34	†$677.78	-**$2,239.38
SCHOOLRANK	-$31.90	**$6,574.43	***$14,985.00	$3,455.42
PEDIGREE	**$6,417.12	***$11,513.00	***$15,637.00	-
PEDIGREE*EXPERIENCE	***-$901.67	***-$436.41	†-$294.63	-
PROGRAMLEVEL	***$19,161.00	**$12,513.00	†$10,159.00	*$53,105.00
COSTOFLIVING	***$1,376.80	***$893.32	*$488.45	$331.40
Observations	167	201	227	44
Adjusted R-Square	0.7484	0.7042	0.7516	0.7467
F Value	16.57	15.29	21.14	6.07
Probability > F	< 0.0001	< 0.0001	< 0.0001	< 0.0001
Highest VIF	1.6551	1.9761	2.8442	4.5534

See Table 1 for variable definitions. Year and State fixed-effects are included in all regressions, but not reported for the sake of brevity. Cluster adjustments are made across employing schools and schools granting doctorates to the faculty

*** implies significance at 1% level (two-sided);
** implies significance at 5% level (two-sided);
* implies significance at 10% level (two-sided);
† implies significance at 10% level (one-sided)

TABLE 9
ADDITIONAL ANALYSIS

	Dependent Variable = SALARY					
Variables	A[a]	B	C	D	E	F
TAR	***$5,001.83					
JAE	*$3,030.04					
JAR	**$1,656.99					
NMOVES		***$9,582.60				
$NMOVES^2$		*-$516.10				
TEACHEVAL			**$2,573.76			
CITATIONS				***$104.93		
FIRSTAUTHOR					**$942.45	
ABOVEALPHA						***$6,773.84
BELOWALPHA						-$1,042.21
Observations	949	203	606	250	250	250
Adj R-Square	0.7437	0.7716	0.6597	0.8012	0.7932	0.8059
Prob > F	< 0.0001	< 0.0001	< 0.0001	< 0.0001	<0.0001	<0.0001
Highest VIF	2.4159	3.4423	1.1085	7.5631	3.1552	1.5881

Note a: Coefficient of TAR = coefficient of JAE (F=1.05; p=0.30)
Coefficient of TAR > coefficient of JAR (F=5.08; p=0.02)
Coefficient of JAE = coefficient of JAR (F=0.54; p=0.46)

See Table 1 for variable definitions. Year and State fixed-effects are included in all regressions, but not reported. Only the variables of interest are reported for the sake of brevity. Cluster adjustments are made across employing schools and schools granting doctorates to the faculty.

*** implies significance at 1% level (two-sided);
** implies significance at 5% level (two-sided);
* implies significance at 10% level (two-sided);

TABLE 10

LIFE-TIME RETURNS ON TOP TIER ACCOUNTING PUBLICATIONS

Present Values of Annuities for Top Tier Accounting Publications-By Faculty Rank

Faculty Rank	Avg. Salary Increment Per Tier 1 Accounting Publication (Table 8)	Ten Years Horizon			Twenty Years Horizon			Thirty Years Horizon		
		Discount Rates								
		3%	4%	5%	3%	4%	5%	3%	4%	5%
Assistant	$9,236.46	$78,788.88	$74,915.96	$71,321.50	$137,415.20	$125,526.51	$115,106.71	$181,038.69	$159,717.17	$141,987.03
Associate	$3,335.28	$28,450.61	$27,052.11	$25,754.15	$49,620.54	$45,327.54	$41,564.96	$65,372.96	$57,673.77	$51,271.43
Full	$2,590.18	$22,094.76	$21,008.68	$20,000.68	$38,535.34	$35,201.39	$32,279.37	$50,768.67	$44,789.48	$39,817.42
Endowed	$3,419.75	$29,171.16	$27,737.24	$26,406.40	$50,877.24	$46,475.52	$42,617.64	$67,028.61	$59,134.43	$52,569.94