

# Faculty Compensation, Retention & Recruitment

House Appropriations Committee  
Retreat

November 19, 2013

# Background

- Faculty compensation, specifically faculty salaries, is the top priority for higher education
- SCHEV coordinated the development of the current policy about 25+ years ago as a means to objectively allocate funds to colleges and universities
  - In the last few years the policy has been recognized by reference in Part IV of the budget and most recently in the TJ 21 legislation
- Virginia's public colleges and universities have viewed the goal in absolute dollar terms and have moved forward with broad-based faculty adjustments outside of any state-approved increases in order to achieve that number
  - The current policy is being used as justification for sizeable tuition increases now termed as “tuition resets” as a means to accomplish campus goals
    - For example, CWM intends to achieve the 60<sup>th</sup> percentile goal using tuition increases
  - Other institutions have or plan to adjust faculty salary beyond statewide authorized levels
- Institutions have always had the authority to make targeted adjustments to address retention, promotion or other special circumstances

# Outline

- Review the Current Peer Group Process
- Review of the 60<sup>th</sup> Percentile Goal
- Flaws with Current Approach
- Other Faculty Salary Metrics & Perspectives
  - AAUP
  - SREB
  - Other State Policies
- Policy Options Going Forward

# Virginia Peer Group Process

# Virginia Peer Groups

- Process initiated in 1987
  - Updated every ten years
  - Mostly statistical process on front end with a negotiation process that is both quantitative and qualitative on the back end
  - Consensus process
- Data is compiled from over 3,000 public and private colleges and universities nationwide
- “Cluster analysis” process using 17 to 19 characteristics to determine most similar institutions to each Virginia institution
  - Yields a list of 75 institutions for each Virginia institution
- List is narrowed to the top 25 institutions during meetings / negotiations with each Virginia institution
  - Virginia colleges may supplement original data with other metrics, filters or information that they bring to the table
    - Retention rates (IPEDS)
    - % Living On-Campus (US News)
    - Application Acceptance Rates (IPEDS)
    - Change thresholds on research, enrollment, grad rates, % Bach / Masters etc.
  - This is the subjective part of the process

# Peer Group Variables

- Full-time / part-time student headcount
- Research expenditures (sponsored only)
- Graduation rates
- Faculty with Terminal Degrees
- % of degrees awarded by discipline area
- % of degrees awarded by type (BA, MA etc.)
- IPEDS major source of data

# The 60<sup>th</sup> Percentile Goal

# Use of Peer Groups

- 25 peer institutions for each Virginia college and university are used to determine a faculty salary goal for each institution
- The goal is termed the “60<sup>th</sup> percentile” but it is not derived in usual way for percentiles
  - The goal is calculated by taking the peer group average plus 27% of the peer group standard deviation
- The Virginia institution’s appropriated salary average is compared to this goal and the result is then displayed as a percentile ranking

# Example: Calculation of the 60<sup>th</sup> Percentile Goal

|                                    |                  |
|------------------------------------|------------------|
| Peer Group Fac Salary Avg          | \$67,150         |
| Peer Group Std Deviation           | 9,420            |
| “60 <sup>th</sup> Percentile” Goal | \$69,694         |
| Virginia Inst Approp Salary        | \$66,410         |
| Percentile Ranking                 | 46.9%            |
| Amount Required to Reach Goal      | \$3,284<br>or 5% |

- This is an example of how the 60<sup>th</sup> percentile goal is calculated using peer group salary data
- A Virginia institution would then state that they are at 47<sup>th</sup> percentile of their faculty salary goal
- This would then precipitate the request for a 5% salary increase to meet the goal

# Since 1987, how many times has the goal been met?

- The goal has truly been met once in the 25+ year use of the 60<sup>th</sup> percentile goal in 1990, its first year of use
  - In 1990, every institution was at or above the 60<sup>th</sup> percentile
- The following year, despite average salary increases of 3 percent, Virginia institutions fell from the 60<sup>th</sup> percentile to the mid-40s
  - Most institutions fell below 50 percentile with some extraordinary drops by Longwood (71<sup>st</sup> to 41<sup>st</sup>), VSU (80<sup>th</sup> to 32<sup>nd</sup>), & Richard Bland (83<sup>rd</sup> to 58<sup>th</sup>)
- Over the next several years, Virginia's percentile ranking continued to drop to below 30<sup>th</sup> percentile even with successive annual salary increases of 2% to 5%
  - Perhaps this volatility during a period of increasing salaries should have sounded an alarm
- Some consider 2000 as meeting the 60<sup>th</sup> percentile goal as well
  - From the mid-90's to 2000, following several years of increases of about 6% Virginia did achieve an average 60<sup>th</sup> percentile ranking
  - However, half of our senior institutions were still below the 60<sup>th</sup> percentile of their peer group (UVA, VCU, VT, CWM, UMW, VMI, UVA-Wise)

# Flaws with Current 60<sup>th</sup> Percentile Approach

# Flaws with the Current 60<sup>th</sup> Percentile Approach

- The current process has moved beyond simply a means to objectively allocate funds
- Institutions are using the salary goal derived from the process in absolute terms and as justification for significant tuition increases
- However, the salary goal derived from the process is impacted by several flaws that make its use problematic

# Faculty Rank Distribution

**Percentage of Full & Associate Professors at Public 4-Years**

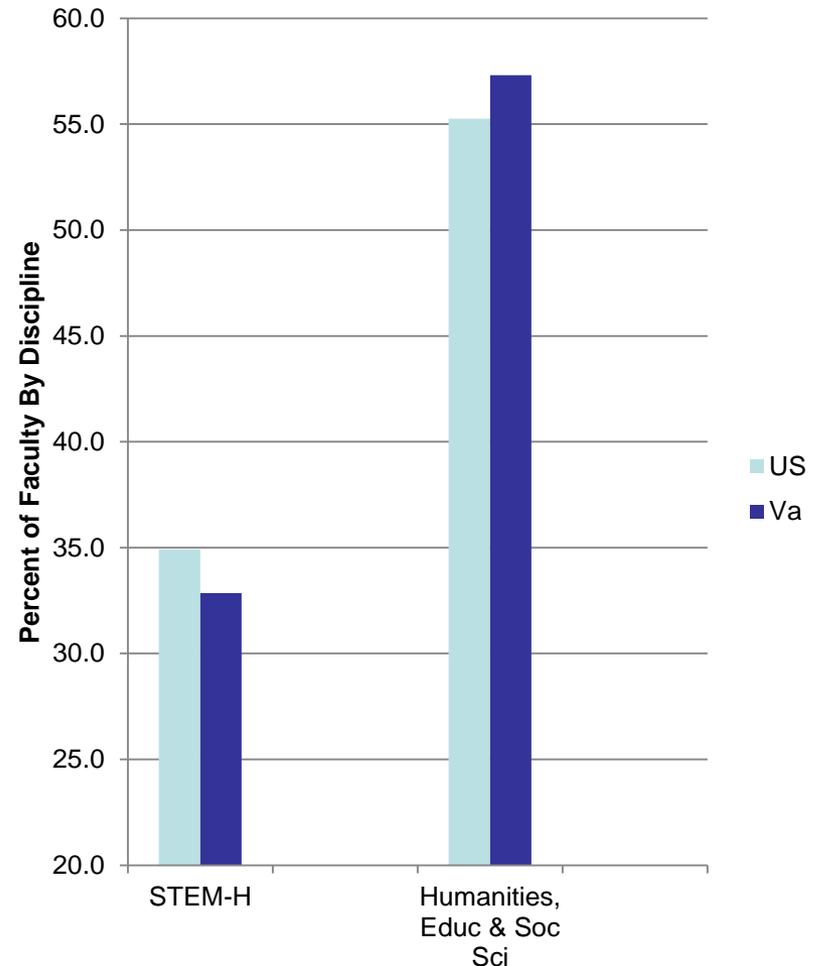


Source: SREB Data Exchange & IPEDS

- Generally, full & associate professors are higher paid faculty
  - In SREB states Full Prof make about 65% more than Ass't Prof
    - Assoc Prof make 18% more
  - National data from the AAUP indicates that Full Prof can make as much as 75% more than Ass't Prof at a Doctoral inst
- The five states noted in the chart to the left have institutions that comprise about 25% of the overall peer groups
  - They also have a disproportionate mix of full & associate professors relative to Virginia
- This may skew salary goal calculations

# Discipline Mix

- Staff utilized aggregated data from SREB & Chronicle of Higher Education
  - No institution-specific data was available
  - Not every institution participates in the various surveys
- Chart at right shows Virginia public institutions compared to the nation in terms of faculty discipline mix
- As the chart shows, Virginia has a higher percentage of faculty in the social sciences & humanities than the US but a lower percentage in terms of STEM-H disciplines
  - STEM-H faculty typically have higher salary levels
    - Nationally, STEM-H faculty earn almost 9% more
    - In SREB states, STEM-H earn 18% more
    - In, northeastern states STEM-H earn 23% more
- This may skew salary goals derived from selected peer schools



# Cost of Living Index

- In 2011, Virginia recognized the cost of living index (COLI) as a factor in looking at GMU's peer group
- However, Virginia did not look at impact of COLI on peer group for other institutions
- With the exception of GMU & Mary Washington, the COLI of the peer group for all other Virginia institutions is greater than the Virginia locality
- This could result in peer salary goals being artificially higher than what is necessary to be competitive

# Examples of COLI Impact

## *University of Virginia*

- UVA operates in an area with a COLI of 104.0% compared to an average COLI of 108.0% for its peer institutions
  - Based on the Council for Community & Economic Research COLI data (ACCRA)
- Using AAUP salary data for all faculty ranks, we find UVA ranked 13<sup>th</sup> with its 25 peer institutions
- However, if we norm all salaries in terms of Charlottesville COLI, UVA improves to 11<sup>th</sup>
- Some specific before and after comparisons are shown in the table below:

|                | COLI   | AAUP Salary | Charlottesville<br>Equivalent AAUP<br>Salary |
|----------------|--------|-------------|----------------------------------------------|
| UVA            | 104.0% | \$109,400   | \$109,400                                    |
| UVA Peers      |        |             |                                              |
| UCLA           | 131.0% | \$135,700   | \$107,700                                    |
| Cal-Berkeley   | 153.0% | \$130,600   | \$88,800                                     |
| Rutgers        | 114.0% | \$112,800   | \$102,900                                    |
| Univ of So Cal | 131.0% | \$117,600   | \$93,400                                     |

# Examples of COLI Impact

## *College of William & Mary*

- CWM operates in an area with a COLI of 112.0% compared to an average COLI of 123.0% for its peer institutions
  - Based on the Council for Community & Economic Research COLI data (ACCRA)
- Using AAUP salary data for all faculty ranks, we find CWM ranked 22<sup>th</sup> with its 25 peer institutions
- However, if we norm all salaries in terms of Williamsburg COLI, CWM improves to 17<sup>th</sup>
- Some specific before and after comparisons are shown in the table below:

|                   | COLI   | AAUP Salary | Williamsburg Equivalent AAUP Salary |
|-------------------|--------|-------------|-------------------------------------|
| CWM               | 112.0% | \$92,000    | \$92,000                            |
| CWM Peers         |        |             |                                     |
| Cal-Irvine        | 181.0% | \$113,400   | \$70,200                            |
| Cal-Santa Barbara | 147.0% | \$113,800   | \$86,700                            |
| U Conn            | 139.0% | \$101,400   | \$81,700                            |
| Boston Univ       | 137.0% | \$110,100   | \$90,000                            |
| Georgetown        | 148.0% | \$120,200   | \$91,000                            |

# Examples of COLI Impact

## *Radford University*

- Radford operates in an area with a COLI of 88.0% compared to an average COLI of 108.0% for it's peer institutions
  - Based on the Council for Community & Economic Research COLI data (ACCRA)
- Using AAUP salary data for all faculty ranks, we find Radford ranked 17<sup>th</sup> with the 22 peer institutions for which we had data
- However, if we norm all salaries in terms of Radford COLI, Radford improves to 6<sup>th</sup>
- Some specific before and after comparisons are shown in the table below:

|                   | COLI   | AAUP Salary | Radford Equivalent<br>AAUP Salary |
|-------------------|--------|-------------|-----------------------------------|
| Radford           | 88.0%  | \$68,100    | \$68,100                          |
| Radford Peers     |        |             |                                   |
| Seattle U         | 115.0% | \$79,200    | \$60,600                          |
| Bloomsburg U (Pa) | 101.0% | \$75,400    | \$65,700                          |
| Wm Patterson (NJ) | 173.0% | \$98,800    | \$50,300                          |
| Hofstra           | 143.0% | \$111,800   | \$68,800                          |
| Cal St - Chico    | 124.0% | \$76,700    | \$54,400                          |

# Use of Private Institutions in Peer Group

- Based on AAUP data, on average, faculty salaries at Virginia's private peer institutions faculty salaries exceed the public peers by about 7%
  - Based on data from the Chronicle of Higher Education the combined state appropriation & tuition revenue per full-time student at public 4-year institutions was about \$15,100
  - By comparison, private institutions tuition revenue per full-time student was over \$18,200 or about 20 percent greater than public institutions
- Overall, private institutions comprise about 43% of the peer group listings but drive over 46% of the peer group goal
- Finally, private institutions often utilize endowment and other funds
  - Virginia institution salary data is limited to E & G funding

# Impact of Collective Bargaining in Peer Groups

- About 1/3 of the peer institutions operate under some form of collective bargaining agreement
  - More than half of all public peers operate under collective bargaining
- Agreements often spell out salaries, pay increases, benefits, workload, etc. over a period of time
- These institutions are generally located in the northeast US, west coast and midwest which are also higher cost areas relative to Virginia

Other Faculty Salary Metrics  
and Perspectives Reveal a  
More Competitive Virginia  
Higher Education System Than  
The Peer Group Process Shows

# Faculty Salary History

- While much has been made about the lack of increases in recent years limiting Virginia's competitive position a longer view reveals a different perspective
- Virginia authorized faculty salary average grew by an average annual amount of 2.6% from 1995-96 to 2012-13
- This compares favorable to national AAUP data that shows average faculty salary growing by 2.7% annually over the same period

# Southern Regional Education Board (SREB)

- SREB comprised of 16 states from Delaware to Florida across to Oklahoma and Texas
- Virginia has consistently ranked in the top 3 among all SREB states often ranking #1 prior to 2000
  - Delaware has ranked #1 since joining the SREB in 2000
- In 2012, Virginia reported an average faculty salary of \$82,808 compared to an SREB average of \$75,119
  - Delaware: \$97,529
  - Maryland: \$81,223
  - Florida: \$79,760
  - North Carolina: \$79,226
  - Texas: \$77,717
- Is a regional perspective a more relevant indicator of market competitiveness than current peer groups?

# Average Full-time Faculty Salary By Rank & Institution Type

- Across all faculty ranks Virginia doctoral institutions are competitive when compared to other public doctorals
- Virginia masters institutions lag behind public counterparts
- All public institutions lag when compared to private and religious-affiliated institutions
- However, comparisons to private and religious-affiliated institutions may not be meaningful due to resource differences
  - Based on data from the Chronicle of Higher Education the combined state appropriation & tuition revenue per full-time student at public 4-year institutions was about \$15,100
  - By comparison, private institutions tuition revenue per full-time student was over \$18,200

| Public Doctoral | Full Prof | Assoc Prof | Asst Prof | All Ranks | Public Masters | Full Prof | Assoc Prof | Asst Prof | All Ranks |
|-----------------|-----------|------------|-----------|-----------|----------------|-----------|------------|-----------|-----------|
| Virginia        | 125,415   | 84,882     | 69,859    | 88,790    | Virginia       | 83,332    | 65,693     | 59,170    | 65,798    |
| Publics         | 123,393   | 84,275     | 73,212    | 89,657    | Publics        | 88,988    | 71,343     | 61,041    | 69,149    |
| Privates        | 167,118   | 104,016    | 90,622    | 120,701   | Privates       | 104,186   | 78,125     | 66,050    | 79,438    |
| Religious       | 139,194   | 94,199     | 79,489    | 100,093   | Religious      | 94,031    | 73,114     | 61,487    | 72,529    |

# Other State Policies

- Virginia's use of institution-specific peer groups is somewhat unique
  - Somewhat reflects our decentralized governance structure
- Staff discovered two other instances of a similar approach
  - North Carolina
  - California

# North Carolina

- 2007 Study conducted by the Pope Center for Higher Education Policy for comparison purposes as opposed to policy setting
- Pope Center compared actual compensation from AAUP, adjusted for cost of living, to peer institutions
  - Comparisons of mean & median were made using faculty rank
  - Percentile comparisons were made using the typical calculation for that metric
  - Cost of living utilized the same ACCRA data noted earlier and noted that “nominal dollars go much further in Jonesboro, Arkansas than in Los Angeles...”
- Pope Center utilized Carnegie Classification System as updated in 2005
  - Carnegie groups similar higher education institutions
- The study also shows a comparison made by the National Center for Higher Education Management Systems (NCHEMS) which limited comparisons to 14-16 schools identified by NCHEMS
  - Pope Center study found that using Carnegie provides a “fuller picture of the competitive environment” than the NCHEMS approach
- Study conclusions:
  - Policy debate should be on how UNC schools can best educate students
  - Setting up a percentile goal should be paired with greater accountability
    - “Raising salaries across-the-board for tenured professors who teach only one class of undergraduates, letting teaching assistants shoulder the workload, ...would be irresponsible.”

# California

- California has two systems
  - University of California (UC)
  - California State University (CSU)
- Annual study to compare faculty salaries with comparable institutions
  - Determine California's relative position in the market
- Comparisons were made by faculty ranks and then combined into an overall faculty figure resulting in a projected parity gap calculation
  - Comparisons made to both public & private institutions
  - UC schools were compared to eight public & private institutions which included UVA
  - CSU schools were compared to 20 public & private schools selected from four national regions including GMU
- Study conclusions:
  - Faculty salaries should be adequate to attract and retain faculty
  - Salaries are only one factor in recruitment & retention of faculty
  - California tries to be between public and privates
  - Other factors include retirement, health care, housing costs, quality of life where schools are located, and school prestige

# Virginia Experience

## *Survey of Institutions*

- Faculty turnover rates vary across institutions over the last 8 to 10 years
  - Ranges from 2% to mid-teens
  - Some of the higher years were during good economic times nationally
- Reasons for leaving vary for institutions able to provide the data
  - Generally, retirement and contract termination single biggest reasons
- Depending on the institution and discipline, peer institutions are not always the biggest predator
  - Research institutions will recruit from comprehensives
  - Business, industry & federal government
  - International competition
- Salary not sole reason
  - Promotion opportunity
  - Family considerations
  - Research

# Faculty Salary Policy Options

# Faculty Salary Policy Questions

- Is it fair to say the current faculty salary policy is flawed?
  - Only achieved once in 25 years
- Is it reasonable to use the policy to determine an absolute salary goal?
  - Policy utilizes a narrow group of peers without consideration for differences in faculty rank or discipline or cost-of-living impacts
  - No evidence of any other state using data to determine an absolute dollar amount
- Should the state move to a policy that incorporates faculty rank, discipline, and COLI using the broader Carnegie Classification?
- Should the policy determine a salary goal or simply determine market competitiveness?
- Should every institution be evaluated on a national basis or is it reasonable to look at regional data such as SREB as a comparison?

# Staff Recommendations

- Eliminate current peer group process & 60<sup>th</sup> percentile
  - Mean & median are more clearly understood metrics
  - Percentile use linked to more accountability & transparency
    - Any use of percentiles should be done within a larger population & utilize typical derivation
- Policy should create a benchmark for market comparison as opposed to rate setting
- Utilize broader Carnegie grouping
  - Make comparisons to public & private separately
- Use both AAUP & SREB data by rank for comparison purposes
  - Regional comparison (SREB) may be more relevant for certain institutions
  - Look at weighting results to take into account rank distribution
- Consider use of academic discipline
  - Virginia has previously provided salary adjustments for specific fields such as Nursing
  - There are data issues
    - Some institutions do not participate in surveys
      - Should they be excluded from other comparisons?
    - Multiple surveys
    - Cost of data access is significant
- Cost of living should be a factor
  - Chasing salaries from NY, California, Pa, Mass in absolute terms is not realistic

# Questions