Faculty Compensation and The Crisis in Recruiting and Retaining Faculty of High Quality

(Unanimously endorsed by the Academic Senate of the California State University May 2005)

In September 2001, the Academic Senate CSU adopted a report entitled *The California State University at the Beginning of the 21st Century: Meeting the Needs of the People of California*. In a section entitled "The Crisis in Faculty Hiring," that report predicted:

> *As the CSU confronts . . . burgeoning enrollments and [a] crisis of space, it will also face a crisis in faculty hiring, due to a combination of increased enrollments, the demographics of the current faculty, disincentives to take faculty positions in California in general and in the CSU in particular, and a failure to hire ahead of the demand curve.*
>
> *The CSU hires t/tt faculty from a national pool, and therefore faces serious competition for new faculty members. The CSU faces serious constraints on its ability to recruit and retain a faculty of high quality during the coming decade because of*
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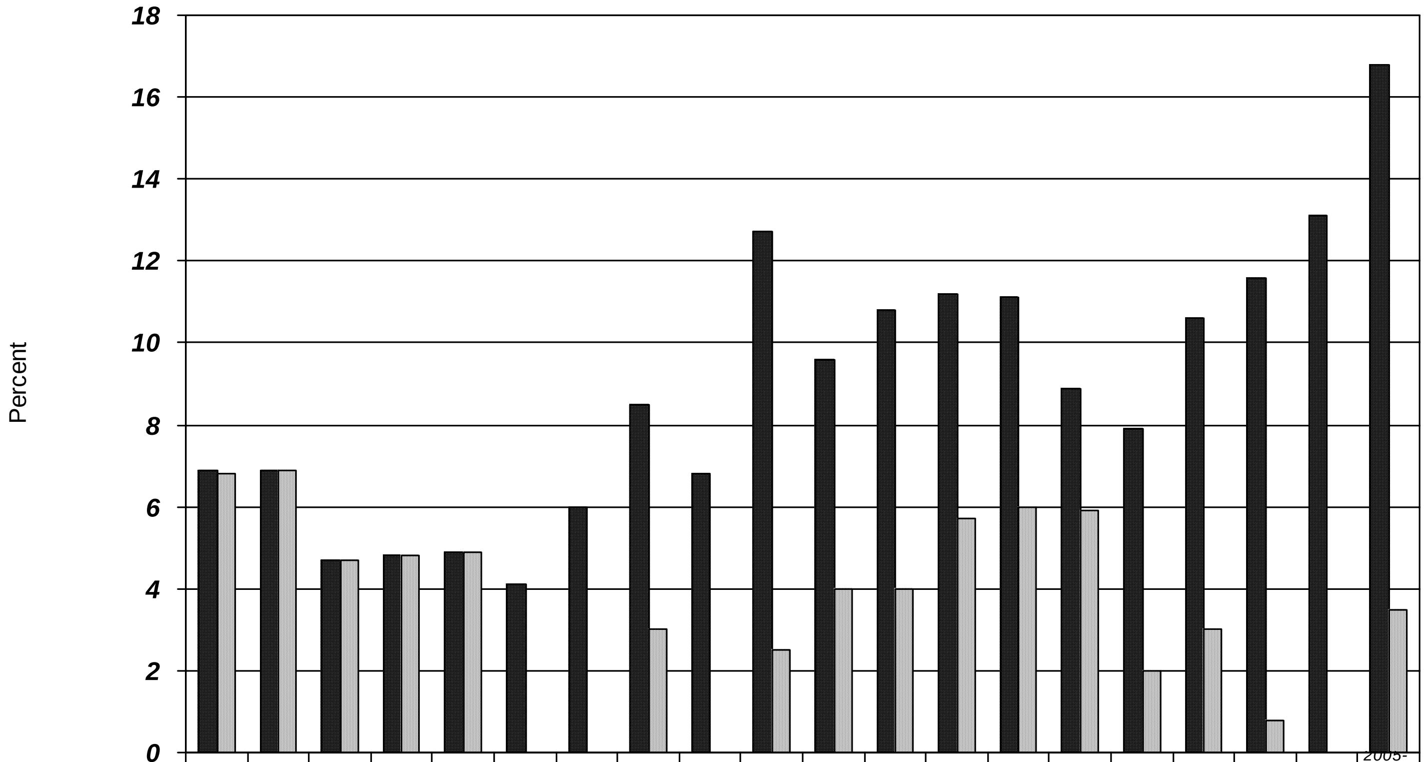
> - *the serious and continuing lag of CSU salaries behind those of comparable institutions;. . .*
> - *excessive California housing costs;. . .*

These circumstances have not improved during the nearly four years since the report was originally drafted. The current faculty continue to retire in large numbers. Enrollments continue to increase despite budget reductions. However, both of these constraints on recruiting and retaining a faculty of high quality have increased.

Faculty Compensation Patterns Over Twenty Years

For more than a decade, the legislatively mandated studies conducted by the California Postsecondary Education Commission (CPEC) have shown that compensation for faculty at California's world-renowned postsecondary public universities has failed to keep pace with that at comparison institutions. In fact, average faculty salaries have declined in actual purchasing power. This drop is attributable to the faltering economy of the state and the inability of the legislature to provide funding at the levels necessary to maintain and expand public postsecondary education in California and to serve the state's need for a superior workforce. Graph 1 makes clear the difference between the CPEC-recommended parity figure, designed to keep CSU faculty salaries at parity with those at comparison institutions, and the amount by which CSU faculty salaries actually increased. The results are well known and well documented: declining faculty morale; increasing difficulty by faculty in meeting the cost of living, especially in urban areas; reduced success in hiring new faculty and retaining junior faculty; specific workload increases for senior faculty and an increasing workload for all faculty, especially permanent faculty.

Graph 1. CPEC Parity Figures and Actual CSU Salary Increases, 1986-87 through Projections for 2005-06

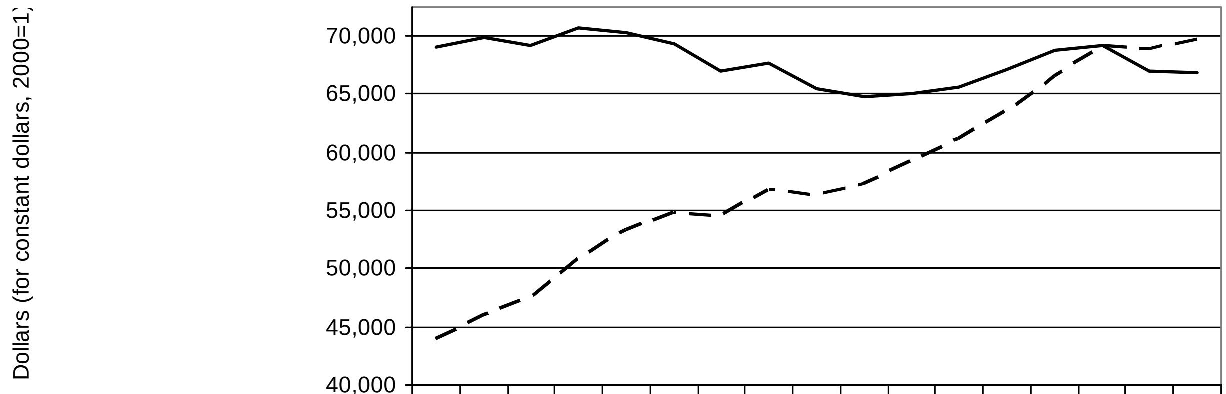


	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-1	2001-02	2002-03	2003-04	2004-05	2005-06 (projected)
■ CSU Parity Figure	6.9	6.9	4.7	4.8	4.9	4.1	6	8.5	6.8	12.7	9.6	10.8	11.2	11.1	8.9	7.9	10.6	11.6	13.1	16.8
□ Actual Increase	6.8	6.9	4.7	4.8	4.9	0	0	3	0	2.5	4	4	5.7	6	5.9	2	3	0.8	0	3.5

In our 2001 report, we noted that the purchasing power of CSU faculty was actually less than it had been ten years before. After a brief improvement in the late 1990s, that situation has worsened, as Graph 2 makes clear. Graph 2 is based on CSU data, which are complete only through the 2002-2003 academic year. Given the lack of any significant compensation increases in the intervening years, however, the current situation is unquestionably worse than it was in 2002. We can use CPEC data, for example, to compare the average faculty salary in 1999-2000 with that in 2004-05. According to CPEC data, the average CSU faculty salary in 1999-2000 was $66,281. To maintain the same purchasing power in 2004-05, the average faculty salary should have increased to $75,113. In fact, however, CPEC data show that the average faculty salary in 2004-05 was $69,327.[1]

[1] California Postsecondary Education Commission, *Faculty Salaries at California's Public Universities, 2005-06,* http://www.cpec.ca.gov/completereports/2005reports/05-04.pdf

Graph 2. Average Salary of Full-time Faculty, in Current and Constant Dollars, 1986-2002



	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Average Salary, Constant Dollars	69,10	69,91	69,20	70,64	70,35	69,37	66,97	67,66	65,45	64,79	65,06	65,64	67,16	6875	6913	6698	6682
Average Salary, Current Dollars	43,98	46,12	47,54	50,87	53,39	54,87	54,56	56,78	56,33	57,34	59,28	61,18	63,58	6651	6913	6889	6981

Faculty Compensation and the Challenge of Hiring Faculty of High Quality

Present compensation, thus, can be a major disincentive to a successful hire. In 2003, the Faculty Flow Committee (made up of individuals from the Academic Senate, the California Faculty Association, the campus provosts/academic vice-presidents, the CSU administration, and two consultants, one of whom was a member of the CSU administration, the other a faculty member) noted in its major findings that

> *Salary was listed as a reason by only 12% of faculty who accepted CSU offers but over 20% of the faculty who rejected CSU offers. For 37% of respondents who accepted a position with the CSU, the CSU offer was higher than other offers received.* ***For 55% of respondents who rejected an offer from the CSU, the CSU offer was lower than other offers received****.* [emphasis added]

The report recommended that the CSU should “Work to increase CSU faculty salaries to a level at which they are comparable with those offered faculty in peer institutions.”[2]

It is widely recognized that many CSU faculty members are approaching retirement (see Graph 3), and that the number of temporary faculty providing instruction in the CSU hovers around the 50% mark.[3] Although declining numbers of tenured faculty impose an enormous need to hire new faculty members, few incentives exist for a candidate to put the CSU high on his/her list. Fundamental impediments are tied to inadequate compensation.

[2] http://www.calstate.edu/AcadSen/Records/Reports/FacultyFlowCmtReport.pdf

[3] This situation can be seen in Graphs 4 and 5, page 10.

Graph 3. The Graying of the Faculty:
Distribution of Full-time Faculty by Age, Fall Semesters, 1980-2002

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Age 60 and older	8.9	10.5	11.3	10.7	10.8	12	12.2	13.1	12.5	13.1	13.2
50-59 years of age	27.1	27.1	27.5	28.4	28.4	29.3	29.8	30.8	31.4	31.9	32.7
40-49 years of age	34.8	35.1	36.5	37.7	37.7	37.3	37.7	38.2	38.3	38	37.2
30-39 years of age	27	25.2	22.8	21.3	21.1	19.7	18.9	17	16.8	16	15.8
Age 29 or younger	2.1	2.1	1.8	1.8	1.9	1.6	1-Jan	1	1	1.1	1

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Age 60 and older	12.5	10	11.6	12.6	13.9	14.9	16.1	16.4	17.8	17.6	17.4	18.2
50-59 years of age	35	38.3	40.1	41.6	41.6	42	42.2	42.2	41.3	40.2	38.9	37.2
40-49 years of age	36.8	37.4	35.4	33.5	32.8	31.4	29.6	28.4	27.1	26.8	26.8	26.5
30-39 years of age	14.9	13.8	12.4	11.7	11	10.9	11.1	12.1	12.9	14.2	15.5	16.7
Age 29 or younger	0.9	0.6	0.6	0.6	0.7	0.9	0.8	0.9	0.9	1.2	1.3	1.4

A second major disincentive is the cost of living, especially in urban areas. Many candidates are wary of taking a position in a location where even a rental absorbs a disproportionate percent of one's income and where expectations for top salaries or retirement income are fragile at best. The gross average salary paid to an assistant professor--somewhat above the usual salary level for a new hire—in 2003-04 was $54,572; in 2004-05 it increased a total of $277, to $54,949.[4] The average assistant professor's salary was critically inadequate in 2003-04; its inadequacy has been exacerbated by steep increases in housing prices. Salaries of associate professors were better matched to the housing market, but still inadequate in many areas of the state. Dependence on hiring new faculty at the associate professor level in order to offer a nationally competitive salary compresses the salary scale for those currently employed and is unfair to CSU faculty members who have had to serve as many as seven or eight years to reach similar salary levels. Table 1 summarizes HUD data on income in the six urban areas with the highest housing prices, and compares those income designations with CSU salaries.

[4] *Faculty Salaries at Public Universities*, April 2003; April 2004. CPEC identified the average salary of a full professor in as $83,434 in 2003-04 and $83,451 in 2004-05.

Table 1. HUD Data on Income Necessary to Purchase a Home Compared with CSU Salary Levels, Selected Urban Areas, 2005

	HUD Income Designations, Family of 3, 2005[6]		CSU Salary Levels, 2004-05[7]	
PMSA or MSA[5]/ CSU Campus	Low Income	Median Income	Assistant Professor	Associate Professor
San Francisco/San Francisco	$81,450	$101,800	$54,949	$67,093
San José/San José	76,400	95,500		
Oakland/ East Bay, San Francisco	59,600	74,500		
Ventura/Channel Islands	58,050	72,500		
Santa Cruz-Watsonville/ Monterey Bay	56,500	70,700		
Orange/Fullerton	55,300	69,100		

Imagine how difficult it is to recruit faculty members to these campuses when federal data illustrate that entry-level salaries fall below the HUD standard for "low income."

The data in Table 1 highlight the disparity in selected geographic areas. The situation was only slightly better in other parts of the state. In San Diego County (San Diego State University, CSU San Marcos), the average salary of an assistant professor was $35,280 lower than the $89,852 income needed to purchase a median-priced home ($406,950) and $6,000 below the HUD median annual wage for the area. In Los Angeles County (CSU Los Angeles, Long Beach, Northridge, Dominguez Hills), the average CSU assistant professor's salary was $19,880 lower than the $74,452 needed to purchase a median-priced home ($337,200), although the salary was approximately equal to the HUD median annual wage for the area. In San Bernardino and Riverside counties (CSU San Bernardino, Cal Poly Pomona), the salary was $7,640 higher than the $46,932 needed to purchase a median-priced home ($212,560), but was $4,472 lower than the HUD median annual wage. In Sacramento County (CSU Sacramento), the salary was $1,100 more than the $53,792 needed to purchase a median-priced home of $243,630, yet was $5,228 less than the HUD median annual wage for the area. Table 2 summarizes changes in housing costs between 2003-04 and 2004-05, and compares those changes with changes in CSU salaries.

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[5] Primary Metropolitan Statistical Area (PMSA) and Metropolitan Statistical Area (MSA) are standard geographic designations developed by the Census Bureau.

[6] U.S. Department of Housing and Urban Development, *FY 2005 Income Limits*, http://www.huduser.org/Datasets/IL/IL05/ca_fy2005.pdf The Department of Housing and Urban Development (HUD) is required by law to set income limits that determine the eligibility of applicants for HUD's assisted housing programs. Income limits are calculated for metropolitan areas and non-metropolitan counties in the United States and its territories using the Fair Market Rent (FMR) area definitions used in the HUD Section 8 program. They are based on HUD estimates of median family income, with adjustments for family size. Low-income families are defined as families whose incomes do not exceed 80 percent of the median family income for the area. See http://www.huduser.org/datasets/il/il05/BRIEFING-MATERIALs.pdf

[7] California Postsecondary Education Commission, *Faculty Salaries at California's Public Universities, 2005-06,* http://www.cpec.ca.gov/completereports/2005reports/05-04.pdf

A further implication of these very high prices for housing is that property taxes begin at 1% of the sale price, another significant financial burden for entering faculty members.

Table 2. Changes in Cost of Median-priced House Compared with Changes in CSU Average Salaries, 2003-04 to 2004-05

Region	Change in Cost of a Median-priced House, 2003-04 to 2004-05[8]	Change in CSU Average Salaries, 2003-04 to 2004-05[9]	
		Assistant Professor	Associate Professor
San Francisco Bay Area	14%	0.7%	-0.4%
San Diego County	24%		
Los Angeles County	24%		
San Bernardino and Riverside Counties	34%		
Sacramento County	31%		
Central Valley Counties	23-25%		

Fair Market Rental costs were also nearly prohibitive in relation to faculty salaries at the levels normally utilized for new faculty hires. While the Bay Area market rentals were reduced 13.3 percent and 15.6 percent for 2 and 3-bedroom apartments between November 1, 2003, and October 12, 2004, all others (except in Stanislaus County at the two-bedroom level) continued to increase at various rates. In the Bay Area (San Francisco, San Mateo and Marin counties), in 2004, a new faculty member who devoted one third of gross salaried income to rental costs[10] would have to receive an annual take-home salary of $63,900[11] to afford a 2-bedroom apartment ($1,775 monthly) and $87,660 ($2,435 monthly) for a 3-bedroom apartment. In 2005, the take-home salary would have to be $55,404 for a 2-bedroom apartment ($1,539 monthly) and $73,980 ($2,055 monthly) for a 3-bedroom apartment, a one-year decrease of 13.3 percent and 15.6 percent respectively. The situation is similar elsewhere.[12]

[8] 2004 fourth quarter figures are taken from CNN Money, "Top Housing Markets, February 15, 2005," http://www.money.cnn.com/2005/02/15/real_estate/metromarkets, and accompanying internal links.

[9] Figures derived from the CPEC Salary data cited above, for which also see salary averages for associate and full professors.

[10] All subsequent calculations are based on a one-third of take-home wages devoted to apartment rental costs.

[11] Take home salary would be the amount of wages after deductions for retirement, social security, Medicare, state and federal taxes, mandated fees for Union representation, etc.

[12] In San Diego County, in 2004, a new faculty member would have to receive an annual take-home salary of $42,300 for a 2-bedroom apartment ($1,175 monthly) and $58,896 for a 3-bedroom apartment ($1,636 monthly). In 2005, the take-home salary would have to be $42,588 for a 2-bedroom apartment ($1,183 monthly) and $62,100 ($1725 monthly) for a 3-bedroom apartment, a one-year increase of 0.7 percent and 5.4 percent respectively. In Orange County, in 2004, a new faculty member would have to receive an annual take-home salary of $43,920 for a 2-bedroom apartment ($1,220 monthly) and $61,128 for a 3-bedroom apartment ($1,698 monthly). In 2005, the take-home salary would have to be $47,412 for a 2-bedroom apartment ($1,317 monthly) and $67,860 for a 3-bedroom apartment, a one-year increase of 8 percent and 11 percent respectively. In Los Angeles County, in 2004, a new faculty member would have to receive an annual take-home salary of $36,756 for a 2-bedroom apartment (($1,011 monthly) and $49,608 for a 3-bedroom apartment ($1,378 monthly). In 2005, the take-home salary would have to be $40,464 for a 2-bedroom apartment ($1,124 monthly) and $54,360 for a 3-bedroom apartment ($1,510 monthly), a one-year increase of 10.1 percent and 9.6 percent

Faculty Compensation and the Challenge of Retaining Faculty of High Quality

The structure of compensation is a third major disincentive, especially for retention. CPEC notes the complexity of the factors that attract individuals to an employer such as the CSU: "compensation is only one factor that faculty use when considering job offers. Other factors such as pension plans, cost of housing, and quality of life often affect a faculty member's decision when accepting a new position in California." Thus the trend reported on some campuses: recent hires who have no other compelling reason to remain in California can, and do, seek positions elsewhere, positions with higher salaries and lower teaching loads, so they can fulfill the hopes and expectations that led them to higher education in the first place.

Compression of the salary scale is the compensation issue that most affects senior faculty; it also constrains the hiring of new faculty members and, especially, the retention of mid-career faculty members. The need to hire at increasingly high salary levels, without providing corresponding increases in the salaries of senior faculty members, means that after years of work a median-level full professor now earns only 1.5 times as much as a recently hired, median-level assistant professor. This may be compared to the situation in the CPEC comparison institutions for the CSU, where a median-level full professor earns 1.7 times as much as a median-level assistant professor. In the UC system, the median-level full professor also earns 1.7 times as much as a median-level assistant professor.[13]

This salary compression has several implications. One has to do with morale among continuing junior faculty members. In many departments across the CSU, newly hired assistant professors are earning more than assistant professors hired a few years previously. Because of the need to be as competitive as possible in hiring, salaries at the assistant professor rank are only 9.7% behind those at CPEC comparison institutions, and salaries for associate professors lag by only 7.1% On the other hand, senior faculty members--full professors--are the most seriously disadvantaged; their compensation lags 21.4% behind salaries at CPEC comparison institutions. This fact carries clear implications for retirement, since retirement income is tied directly to the faculty member's highest salary. *Once mid-range faculty members understand the reality and implications of this salary compression, it increases the likelihood that they will seek jobs elsewhere.* For senior faculty members who do not leave the CSU, this salary compression means that they are likely to delay retiring in the hopes of securing a few more annual salary increases.

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respectively. In San Bernardino and Riverside Counties, in 2004, a new faculty member would have to receive an annual take-home salary of $26,244 for a 2-bedroom apartment ($729 monthly) and $36,396 for a 3-bedrrom apartment ($1,011 monthly). In 2005 the take-home salary would have to be $27,072 for a 2-bedroom apartment and $38,088 for a 3-bedroom apartment ($1,058 monthly), a one-year increase of 3.2 percent and 4.6 percent respectively. In Sacramento County, in 2004, a new faculty member would have to receive an annual take-home salary of $42,300 for a 2-bedroom apartment ($950 monthly) and $47,448 for a 3-bedroom apartment ($1,318 monthly). In 2005, the take-home salary would have to be $34,956 for a 2-bedroom apartment ($971 monthly) and $50,508 for a 3-bedroom apartment ($1,403 monthly), a one-year increase of 2.2 percent and 6.4 percent respectively.

[13] California Postsecondary Education Commission, *Faculty Salaries at California's Public Universities, 2005-06,* http://www.cpec.ca.gov/completereports/2005reports/05-04.pdf

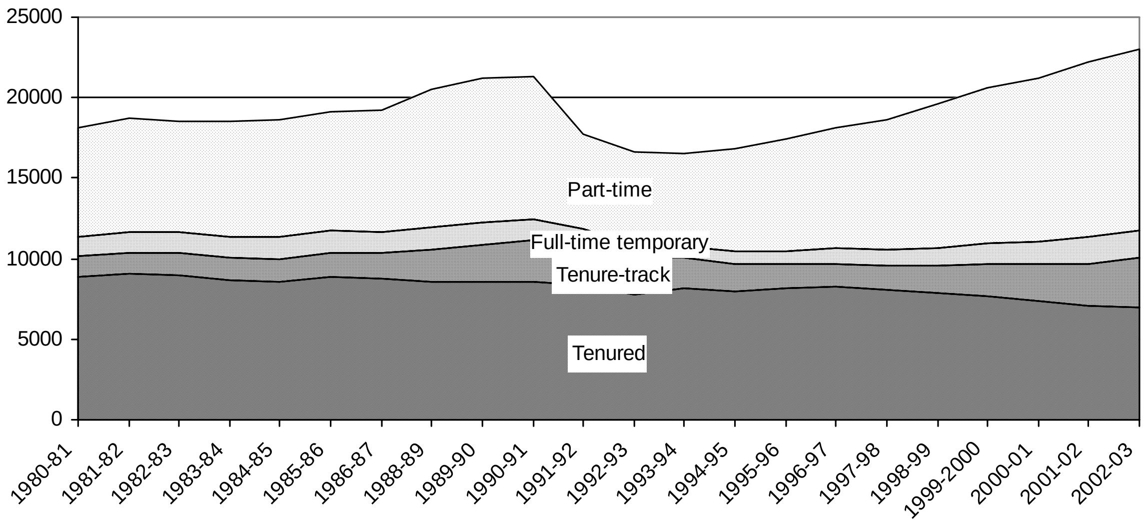
Uncertainty about the CSU retirement program has emerged as a potential, fourth disincentive, again, one that is especially likely to affect retention. As presently structured, PERS provides defined retirement benefits for faculty that are superior to those found in some private universities and in many public systems in other states. Such benefits may have enabled the state to hire and retain faculty at lower salaries than would have otherwise have been the case. In particular, it has been useful in the past fifteen years when the state has not maintained the level of compensation recommended by CPEC. The defined benefits of the PERS system have helped hold mid-career faculty members in the CSU when they compare the benefits available to them in other institutions. The potential of the Faculty Early Retirement Program (FERP) has contributed to recruitment success and provided an offset to the tendency of senior faculty to delay retirement. It has also benefited the CSU in providing for guaranteed and orderly departures of faculty from the system.

Adverse Effects on the CSU of Current Patterns of Faculty Compensation

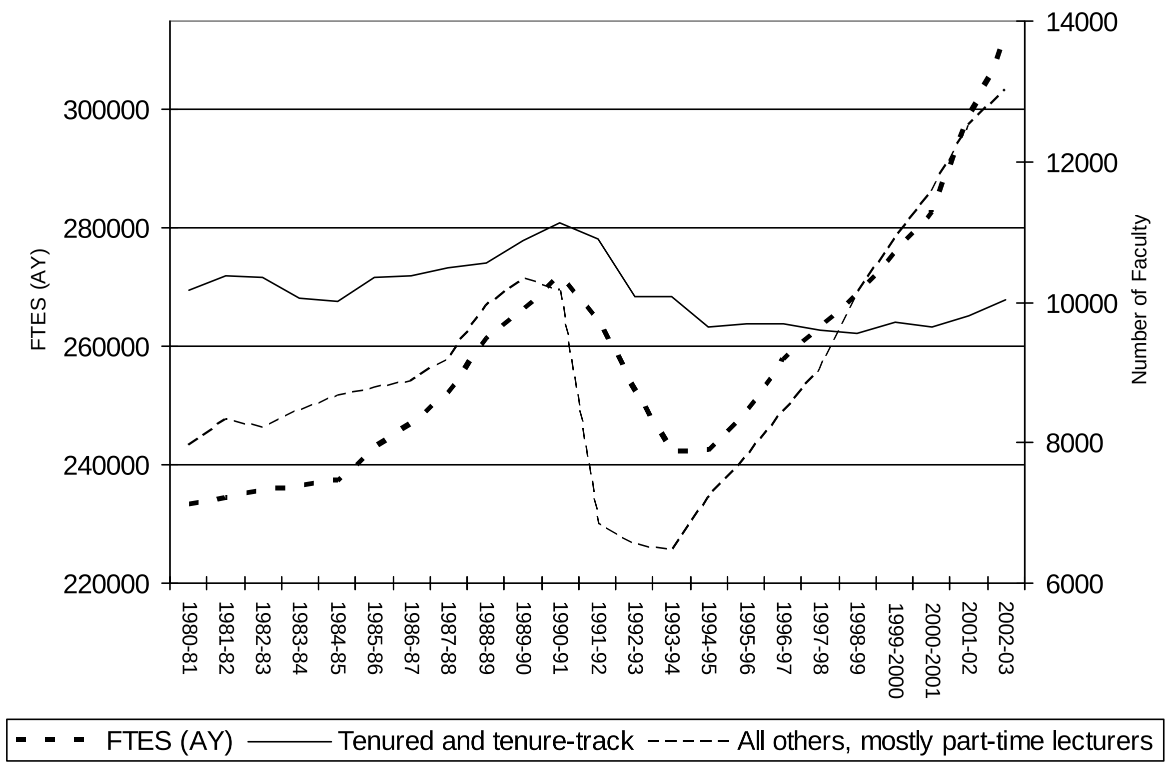
The potential impact on CSU as a whole, and on the faculty, is not difficult to predict: a smaller proportion -- and sometimes even smaller numbers -- of tenured and tenure-track faculty members; this can be clearly seen in Graphs 4 and 5, which carry the data only through 2002-03 because that is the latest year available in the CSU Statistical Abstracts. With fewer new assistant professors and more lecturers, there is likely to be less diversity among faculty and perhaps a less-qualified faculty. The faculty is likely to be more mobile, with lessened long-term loyalty to the institution. Currently employed junior faculty will be less likely to remain, and those who do are likely to make it through the ranks only to find that their salaries have in effect been frozen. While these results have human consequences, they also have consequences for the institution, for it will be less able to provide students with a high-quality education, to nourish academic programs, and to meet the needs of the larger society by educating its teachers, nurses, engineers, counselors, business and corporate leaders. Thus, this situation will have a profound effect on the citizens and institutions of the state.

The disillusionment experienced by long-term faculty in the CSU is now creeping down the ranks; senior faculty see their salaries dwindle in relation to those of their peers; junior faculty cannot afford to buy homes or to rear their children as they would be able to do in other states; their enviable retirement system is under attack on two fronts (the pension program proposed for change by the Governor and special interest groups promoting ballot initiatives, and the FERP program proposed for elimination by the Trustees). Few faculty or staff in the CSU would recommend a career in the CSU to their children. Junior faculty members barely get by on their salaries as assistant or associate professors and they see professors with many years of commitment to the CSU go unrewarded. In that circumstance, assistant and associate professors inevitably ask themselves if they can afford a future of such limited economic opportunity. Professionals in few other fields -- for that matter, employees in any other industry -- would not tolerate the conditions now taken as baselines in CSU.

Graph 4. Changing Numbers of Tenured, Trenure-track, and Temporary Faculty, CSU, 1980-81 to 2002-03



Graph 5. Changing Numbers of T/tt and Temporary Faculty, and Enrollments, CSU, 1980-81 to 2002-03



The decline in quality will have a ripple effect throughout the state, one from which it may take decades to recover. Despite a persistently unhappy budget climate in California, it is incumbent on those who wear the mantle of leadership in the CSU to speak openly, decisively, and strongly on behalf of a system now hovering at a crossroad between excellence and mediocrity.

Recommendations Regarding Faculty Compensation and Related Issues

- The Academic Senate CSU calls upon the Chancellor and Board of Trustees to make faculty compensation one of the most important issues in budgeting, and to make clear in all annual budget proposals the strong and unwavering support of the Trustees for providing faculty compensation increases at the full parity figure recommended by CPEC.

- The Academic Senate CSU calls upon the Chancellor and Board of Trustees, and the California Faculty Association, to address the issue of salary compression, and the Chancellor to seek additional budget support as necessary to accomplish that objective as has been done in other states.

- The Academic Senate CSU calls upon the Chancellor and the Board of Trustees to announce their strong support for the current faculty pension system and for the Faculty Early Retirement Program.

- The Academic Senate CSU calls upon the Chancellor and other CSU representatives to refrain from criticizing the CPEC methodology for determining the parity figure. The appropriate time and place for discussions of that methodology is in the meetings of CPEC's Faculty Salary Adjustment Committee, on which the CSU has full representation. Criticism of CPEC methodology in other venues serves only to persuade faculty members that the Chancellor and Trustees are not supportive of faculty compensation and to persuade state officials that they need not respect CPEC recommendations.

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