Market Forces and Faculty Salaries

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Market Forces and Faculty Salaries

Saranna Thornton, Ph.D.
National Center for the Study of Collective Bargaining in Higher Education Professions Conference
New York City: April 8, 2008
Labor Supply Decisions: Academic Labor Markets for Full-Time Faculty are Highly Segmented

- By discipline (e.g., English, History, Biology)
- Within disciplines (e.g., Shakespearean, Twentieth Century American History, Molecular Biology)
- Relative emphasis on Research vs. Teaching
- Graduate level teaching vs. undergraduate emphasis
- Little or no mobility between market segments
Prospective Faculty Supply their Labor into Specific Market Segments

- Based on their likely competitiveness relative to other job candidates, the new economics Ph.D. applying for a tenure track position at Hampden-Sydney College isn’t simultaneously applying for a tenure track position at the University of Chicago.

- Based on their personal interests: teaching/research, rural/urban location, spousal career demands, etc.
Faculty Salaries & Hours Worked/Week

• Differences in full-time faculty work weeks aren’t very substantial, but there are patterns.

• Faculty at Category I universities tend to work the greatest number hours/week

• Followed by faculty at Category IIA universities

• Followed by faculty at Category IIB colleges

• Followed by faculty at Category III colleges
### Average Full-Time Faculty Work Week


<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Hours/Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Doctoral</td>
<td>55.5</td>
</tr>
<tr>
<td>Private Doctoral (not for profit)</td>
<td>55.2</td>
</tr>
<tr>
<td>Public Masters</td>
<td>53.3</td>
</tr>
<tr>
<td>Private Masters (not for profit)</td>
<td>51.8</td>
</tr>
<tr>
<td>Private Baccalaureate (not for profit)</td>
<td>53.9</td>
</tr>
<tr>
<td>Public Associate</td>
<td>49.3</td>
</tr>
<tr>
<td>All Four-Year Institutions</td>
<td>54.3</td>
</tr>
<tr>
<td>All Institutions</td>
<td>53.4</td>
</tr>
</tbody>
</table>
The Demand for Academic Labor
(From the AAUP Annual Salary Survey: Various Years)

• Carnegie classification is associated with “ability pay” faculty salaries

• Category I institutions typically pay the highest salaries and have greatest ability to pay:
  – endowment income
  – research grant money
  – tuition

• Category III institutions typically pay the lowest salaries and have:
  – little or no endowment
  – little or no research grant money
  – low tuition

• Salary gaps between Category I universities and the others have grown in the last 20 years, at both the Assistant and Full Professor ranks.
  – gap has grown the most for Category III colleges
  – gap has grown the least for Category IIA universities
Ability to Pay Faculty Salaries linked to Public/Private Status – Faculty at Private Universities Earn Higher Salaries

(From the AAUP Annual Salary Survey: Various Years)

- Private Tuition revenues are higher
- Falling levels of support for public universities from state governments
- Private endowments/FTE student ratios typically are much higher than for public institutions (approximately ten times higher)
- The gap between private/public salaries is large and growing for Assistant Professors at Category I universities
- For full professors the private/public salary gap is larger – and growing for all Category types.
How are University Endowments Related to Faculty Salaries?

- Endowment data from 2007 NACUBO Endowment Survey – market value of endowments at the end of 2007 fiscal year
- Faculty salary data from the 2006-07 AAUP faculty salary survey
- Endowment measured per FTE student
- N = 90 for Public Institutions
- N = 94 for Private Institutions
- Correlation between endowments and salaries is higher at private universities
- R-Squared (% of variation in faculty salaries explained by variation in endowments) also higher at private universities.
Correlation Coefficient: Faculty Salary & Endowment/FTE Student

- Public
- Private

Correlation Coefficient

Professor
Assistant Professor

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Income Inequality Has Been Rising Nationally

- In 1986, U.S. workers at the 20% level had incomes equal to 13.3% of those for workers at the 95%.

- In 2006 U.S. workers at the 20% level had incomes equal to 11.5% of those for workers at the 95%

- *What do the 20% / 95% ratios look like for faculty?*
Income Ratios: Assistant Professors

Category I
Category IIA
Category IIB
Category III

Robinson Thornton: Market Forces and Faculty Salaries

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Disciplinary Differences in Faculty Salaries
(2007-08 Faculty Salary Survey of Institutions Belonging to the National Association of State Universities and Land-Grant Colleges – Oklahoma State University)

• Not based on disciplinary differences in hours worked
• Are related to salaries in non-academic employment
• At the Assistant Professor rank: the largest salary gaps and the greatest growth rate in salary gaps are in Business Administration and Management
• At the Full Professor rank: the largest salary gaps and the greatest growth rate in salary gaps are in:
  – Law and Legal Professions
  – Business Administration and Management
  – Economics
  – Computer Science and Information Management
## Average Full-Time Faculty Work Week by Discipline


<table>
<thead>
<tr>
<th>Discipline</th>
<th>Hours/Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>53.7</td>
</tr>
<tr>
<td>Education</td>
<td>53.7</td>
</tr>
<tr>
<td>Engineering</td>
<td>56.1</td>
</tr>
<tr>
<td>Fine Arts</td>
<td>53.4</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>56.5</td>
</tr>
<tr>
<td>Humanities</td>
<td>52.9</td>
</tr>
<tr>
<td>Natural Sciences</td>
<td>54.3</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>54.7</td>
</tr>
<tr>
<td>All Others</td>
<td>53.4</td>
</tr>
</tbody>
</table>
Conclusion: There’s Nothing About a Market that Insures Equitable Outcomes

• Disciplinary salary differences will continue to grow as non-academic employment becomes more lucrative

• Public/Private salary differences will continue to grow – despite the fact that only public school faculty have the legal right to unionize

• Short-term solutions???
  – Restrict faculty labor supply   XX
  – Increase revenue sources        XX

• Long-term solution – increase revenue sources
  – Lobby state legislators for increased support
  – Development! Development! Development!