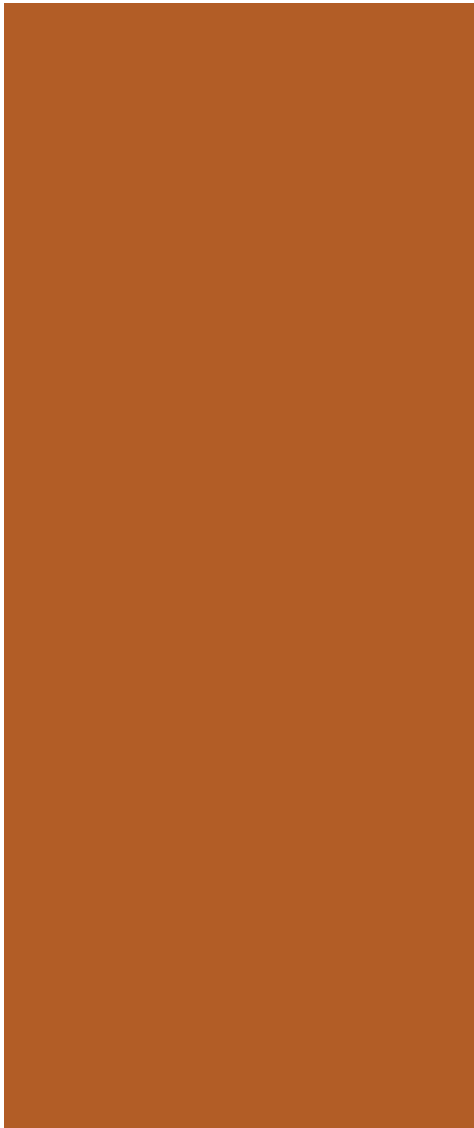




**2019**  
**ANNUAL PERSONNEL**  
**REPORT**





## ABOUT THIS REPORT

Talented faculty and staff are necessary to achieve the goals presented in the Arizona Board of Regents Impact Arizona strategic plan. Successful employee recruitment and retention is a core objective to meet the challenges of driving student educational success and learning, and to build on research activities to benefit Arizona. In order to attract and keep top talent, Arizona's public universities and system office must be proactive in offering competitive salaries.

Arizona's public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty and staff. In spite of quality of life arguments made for Arizona, compensation still remains a key reason an individual accepts other employment or stays with Arizona's universities. Salary investments based on performance for faculty and staff whose salaries lag the market help retain top performing talent. In addition to the need for salary adjustments to retain faculty and staff, the universities are committed to increasing the number of tenured- and tenure-track faculty.

- Arizona State University's Office of Human Resources provides guidance, recommendations and strategic solutions for hiring and retention of university employees. Objectives include consideration of relevant markets, flexibility in pay administration, opportunities to reward performance, proficiency, and outcomes, and support employees' desire for career growth. ASU maintains a compensation structure reflective of job market dynamics. Each job is assigned a market zone consistent with compensation principles and market relationship.
- Northern Arizona University recognizes that competitive compensation is the cornerstone of recruiting, retaining and motivating employees. The university's compensation philosophy is to pay all categories of employees at competitive levels established by external labor markets, considering both salary and benefits as a total compensation package. NAU's compensation programs are intended to meet the following objectives:
  - Establish pay levels for positions on the basis of their external competitiveness with relevant labor markets and relative internal value.
  - Regularly reward employees on the basis of work performance.
  - Administer pay equitably and consistently.
  - Establish compensation policy that is consistent with the judicious expenditure of funds entrusted by the university.
  - Maximize the effectiveness of compensation funding based on recruiting, retention, and employee motivational outcomes.
- The University of Arizona established a compensation investment program that raises annual salaries for all benefits-eligible faculty, classified staff and appointed professionals, and elevates stipend levels for graduate assistants and associates. Through this program, the university demonstrates its commitment to increasing the competitiveness of compensation and stressing the importance of recognizing the contributions of those individuals. UA's compensation philosophy acknowledges that a key strategy in attracting, retaining and engaging remarkable talent is an innovative career and compensation architecture that provides market-informed compensation, clear career pathways and career progression opportunities. Through the University Career Architecture Project (UCAP), a two-year initiative to replace the current classified staff and appointed professional categories of employment with market-informed job functions and families, the UA is developing:

- A career architecture that makes it possible to benchmark compensation to the external market and assess internal compensation.
- An annual lifecycle model for strategic compensation planning and management.
- Market-based salary ranges for all positions.
- Modernized policies and procedures to support the new system.

Arizona’s public universities have seen minimal state funding support since the Great Recession, and have experienced one of the largest declines in higher education support per capita and per full-time equivalent student among the states<sup>1</sup> since the recession. Consequently, the universities have reallocated funds and used other university-generated revenues to address salary deficiencies and to attempt to catch up with salary competitiveness.

## ABOUT THE ARIZONA BOARD OF REGENTS

The Arizona Board of Regents is committed to ensuring access for qualified residents of Arizona to undergraduate and graduate institutions; promoting the discovery, application, and dissemination of new knowledge; extending the benefits of university activities to Arizona’s citizens outside the university; and maximizing the benefits derived from the state’s investment in education.

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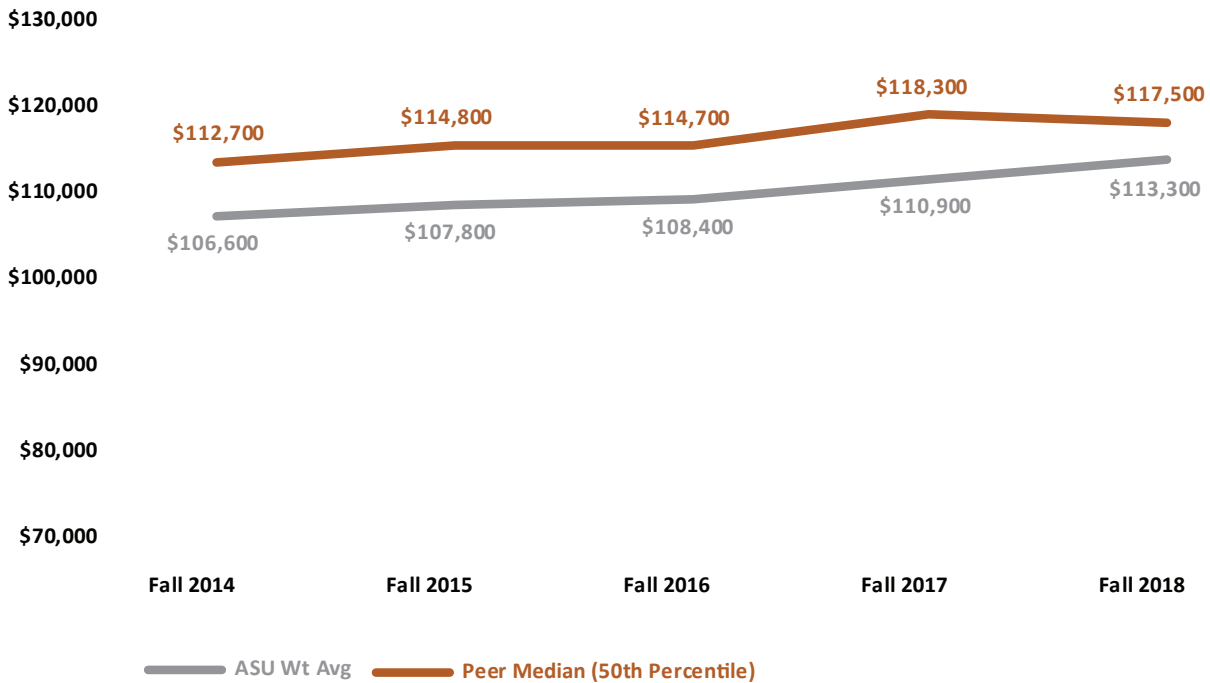
<sup>1</sup> SHEEO, SHEF: State Higher Education Finance, 2018 Report. <https://sheeo.org/project/state-higher-education-finance>

# FACULTY AND STAFF SALARIES DISTANCE TO MARKET

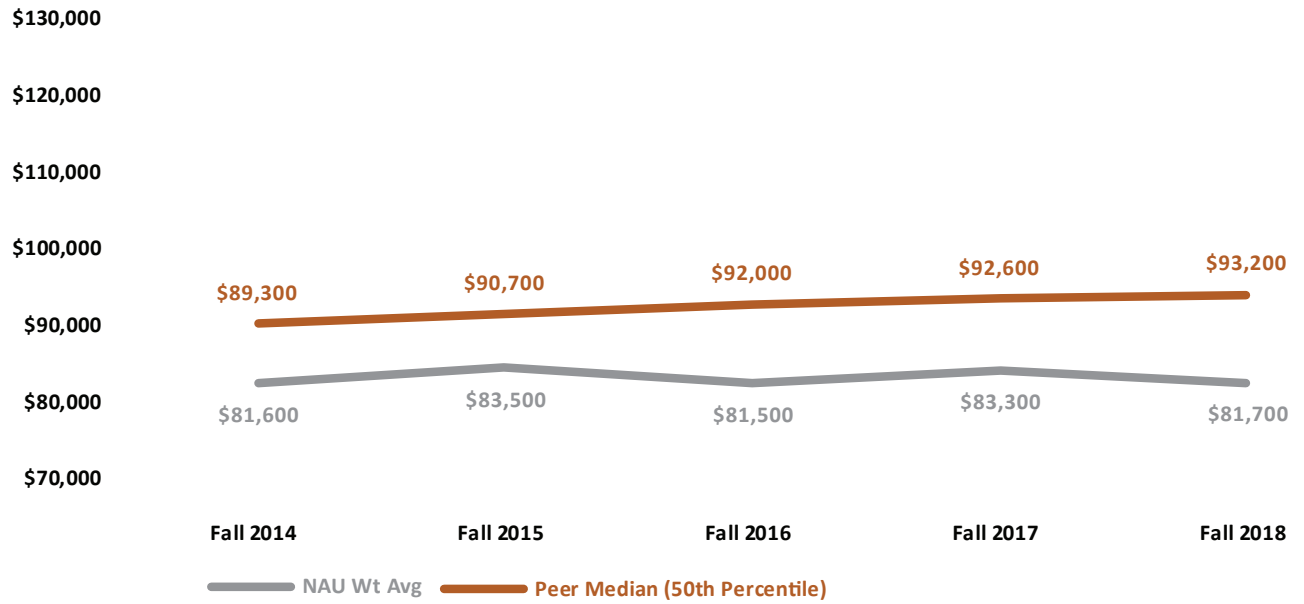
To assess the competitiveness of the Arizona public university system salaries, the universities and system office conduct an annual comprehensive market study to determine employee pay. Data on average and median pay from a variety of salary surveys<sup>2</sup> is the basis of this analysis.

- For faculty, the universities calculate average and median salaries comparing faculty salaries in Arizona to those at peer institutions using the most recent data (fiscal year 2018) from the American Association of University Professors (AAUP). In addition to salary comparisons, total compensation is also calculated. These comparisons include all ranked faculty - professors, associate professors and assistant professors. Tables below show the average salary increase needed to reach average faculty salaries (all ranks) of each university's peer institution.
- Nearly all of the universities' peer institutions pay higher average salaries than Arizona's three public universities, demonstrating the challenges Arizona faces.
  - All three universities' average faculty salaries rank at or near the bottom of their peers. ASU ranked 14th among its 15 peers in average faculty salaries, and both NAU and UA had the lowest average salaries compared to peer institutions.

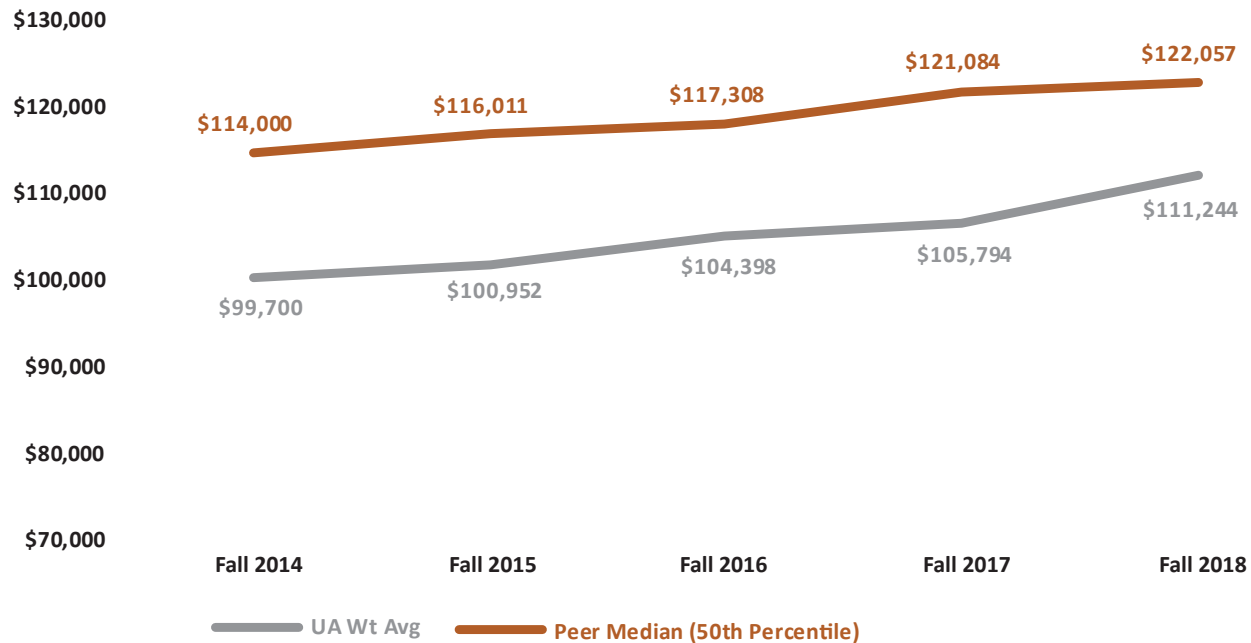
## ASU AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEER INSTITUTIONS



NAU AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEER INSTITUTIONS

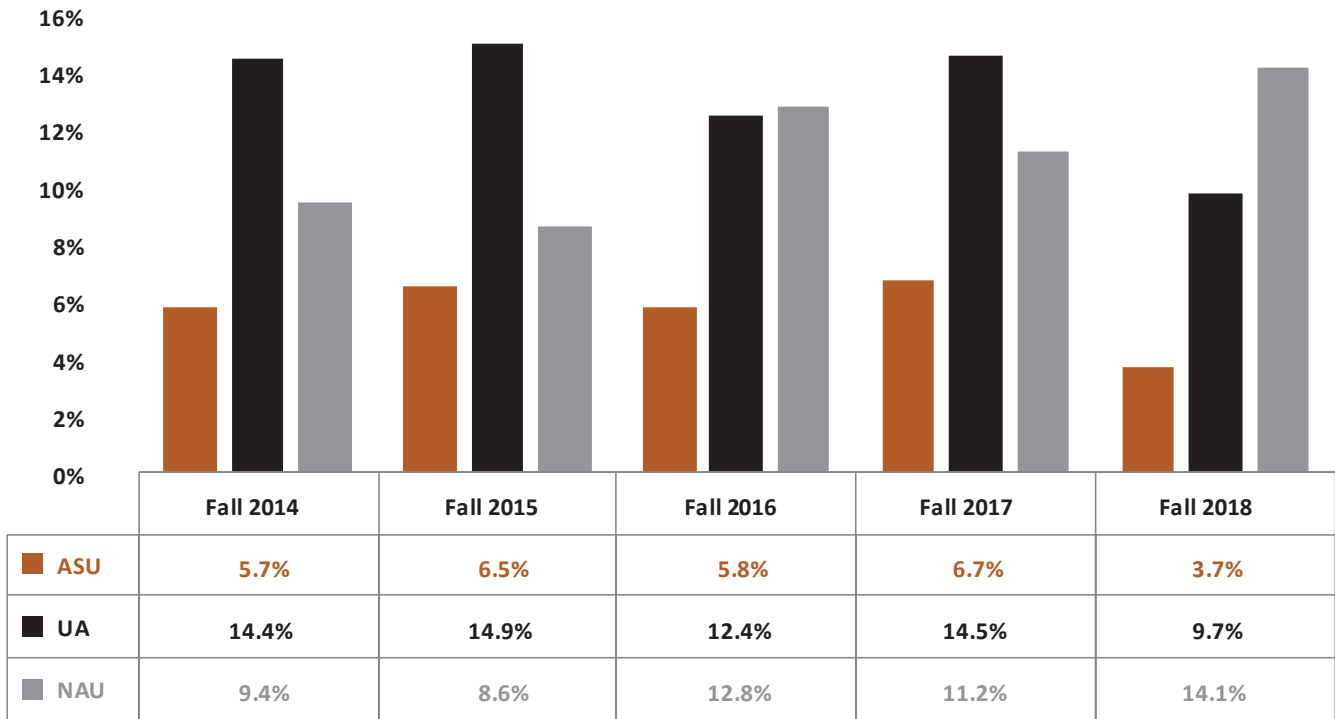


UA AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEER INSTITUTIONS



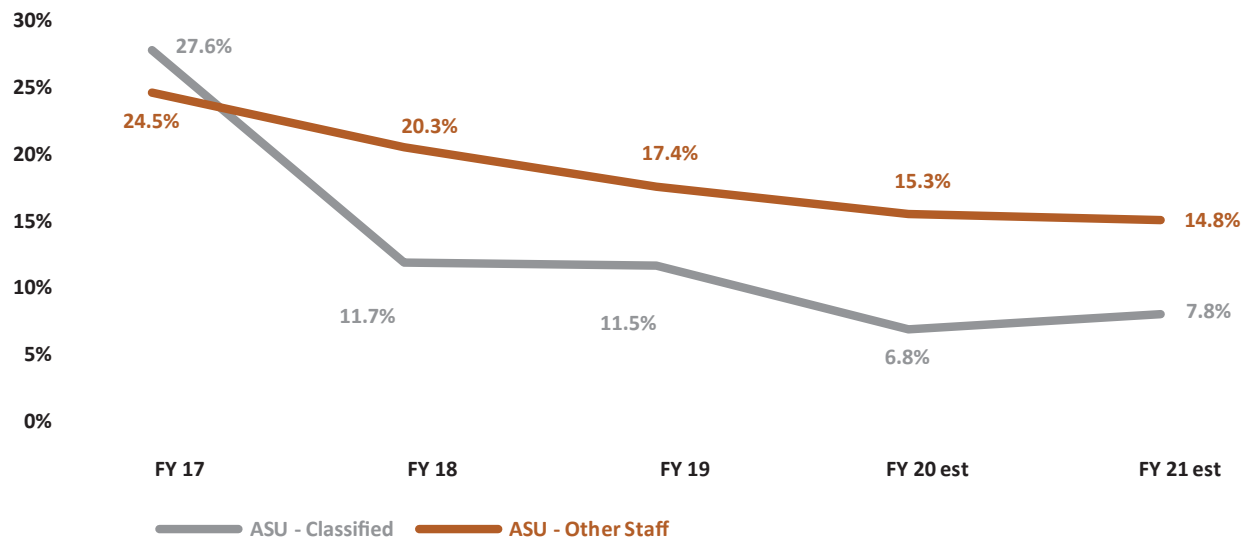
<sup>2</sup> American Association of University Professors (AAUP), Association of American Medical College (AAMC), Association of American Universities Data Exchange (AAUDE), Association of Research Libraries (ARL), College and University Professional Association of Human Resources (CUPA-HR), State Higher Education Executive Officers (SHEEO) Staffing and Salary Survey, Bureau of Labor Statistics (BLS), other local and job-specific survey data.

ARIZONA UNIVERSITY SYSTEM  
 FY 2014 - FY 2018 AVERAGE FACULTY SALARY INCREASE  
 NEEDED TO REACH MEDIAN SALARY OF PEERS

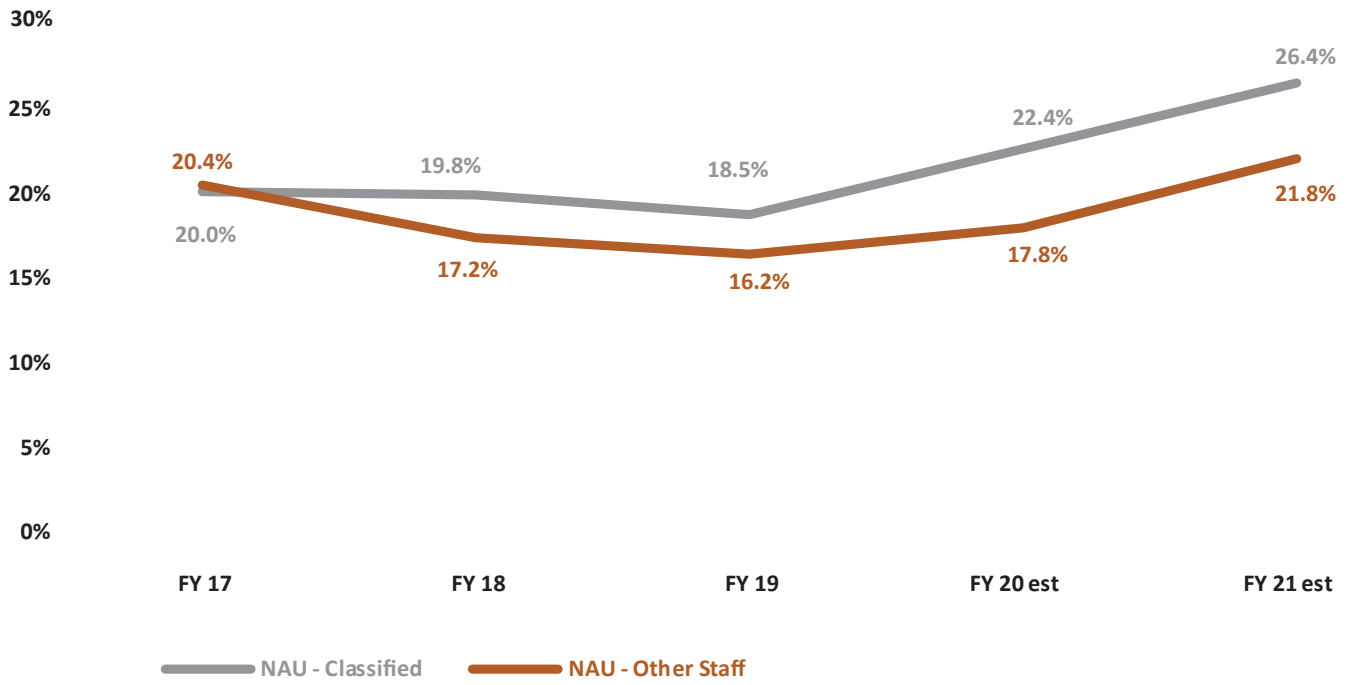


- For staff, the universities and system office use market survey data. For those jobs where direct comparison data were available, the calculation is the difference between average market salaries and university/ABOR staff average salaries. For those titles where direct comparison data were not available, similar employee categories are used. The table below shows the average salary increase needed to reach average market salaries for classified and other professional staff.

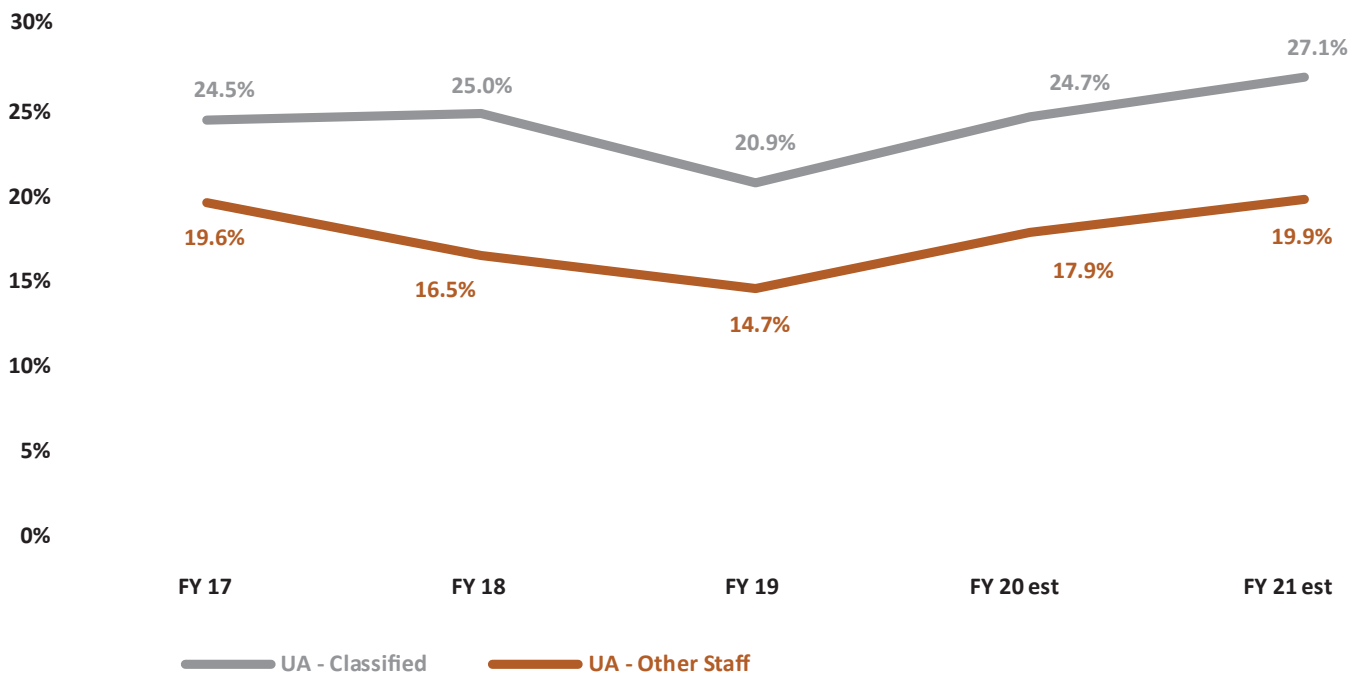
ASU - AVERAGE STAFF SALARY INCREASE TO REACH MARKET



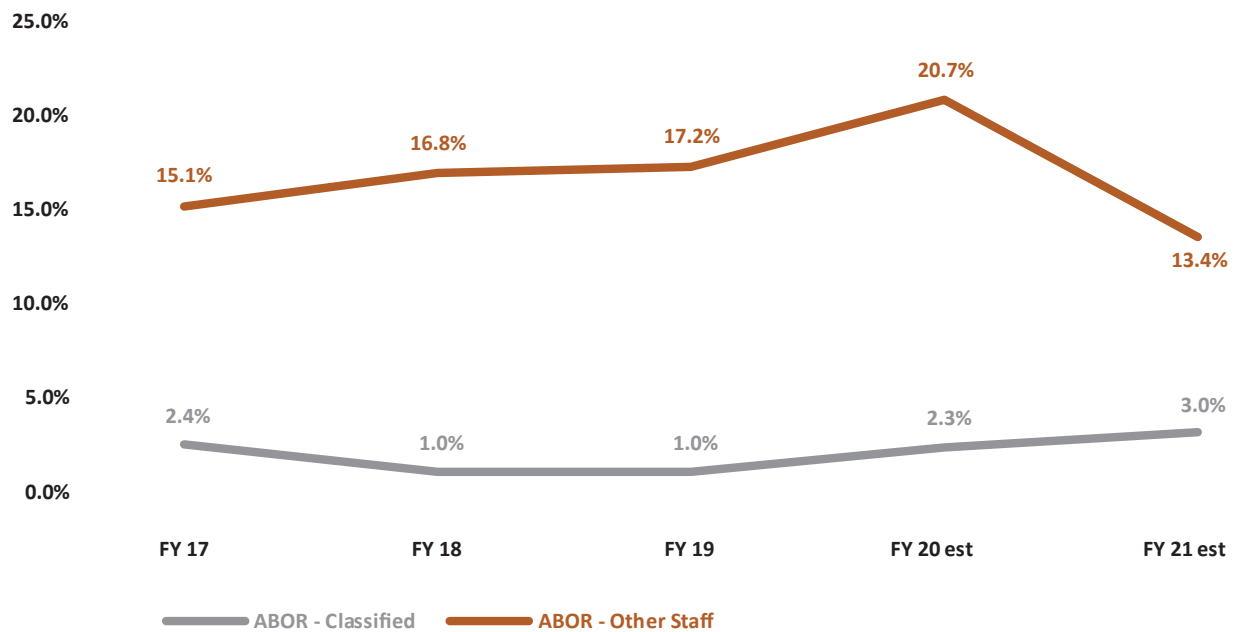
NAU - AVERAGE STAFF SALARY INCREASE TO REACH MARKET



UA - AVERAGE STAFF SALARY INCREASE TO REACH MARKET



## ABOR - AVERAGE STAFF SALARY INCREASE TO REACH MARKET



## RESOURCES NEEDED TO MEET MARKET LEVELS

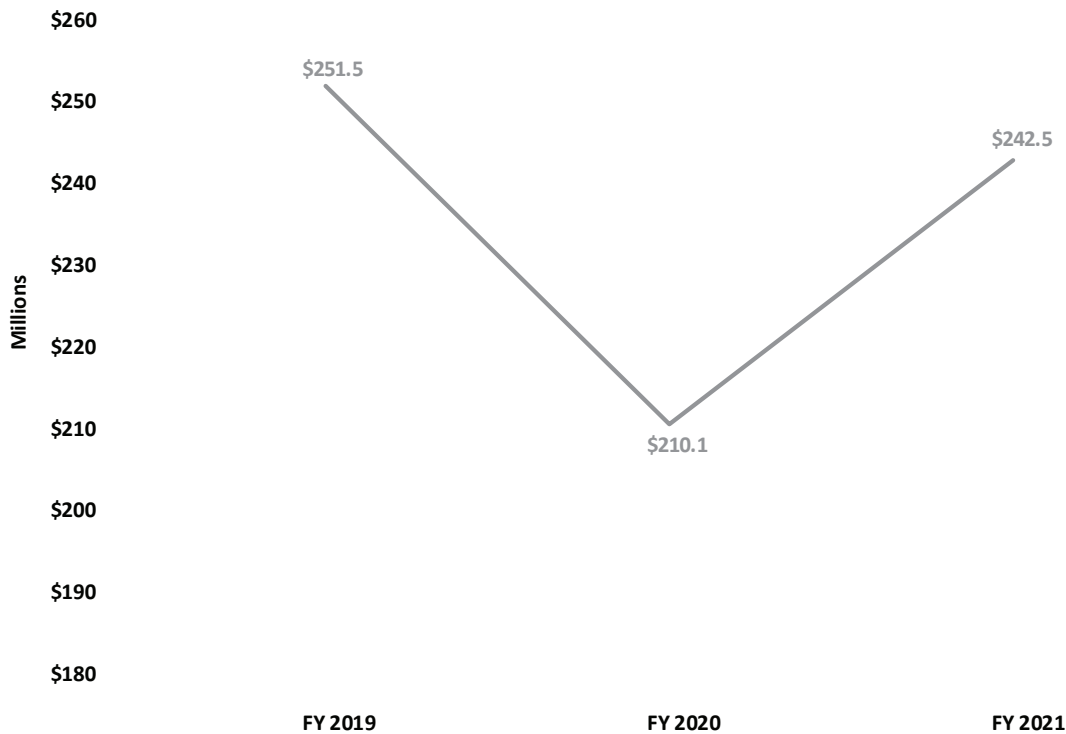
Unmet salary need is the amount needed to raise average faculty salaries to the median of their peers and to raise other staff salaries to the average in other relevant labor markets. For fiscal year 2021, the projected unmet salary need for the Arizona public university system is \$242.5 million, an increase of 15 percent from the fiscal year 2020 estimate.

FY 2021 ESTIMATE (IN THOUSANDS)	
ASU	\$93,089.9
NAU	\$51,643.3
UA	\$97,276.5
ABOR	\$448.9
<b>TOTAL</b>	<b>\$242,458.6</b>

Employees' salaries are expected to remain lower than those at peer institutions and in other relevant markets through 2021. The cost to raise the average salaries of current faculty and staff to the targeted levels will further increase as the market continues to move. U.S. salaries are projected to rise by an average of 3.3 percent in 2020, up from 3.2 percent in 2019 and 3.1 percent in 2018, thus affecting Arizona's universities ability to keep up with salary needs.



## PROJECTED UNMET SALARY NEED FOR ARIZONA'S PUBLIC UNIVERSITIES



## TURNOVER IMPACTS ARIZONA'S PUBLIC UNIVERSITIES

Turnover is an undeniable fact in any organization, and Arizona's public universities are no exception. Turnover impacts the system not only when large numbers of employees leave, but also when the most talented and most experienced employees leave.

A major problem that results when hiring new employees (who often command more competitive salaries), is properly addressing salary equity both in terms of salary compression and salary inversion in order to retain key faculty and staff.

### Faculty Turnover Costly to Universities

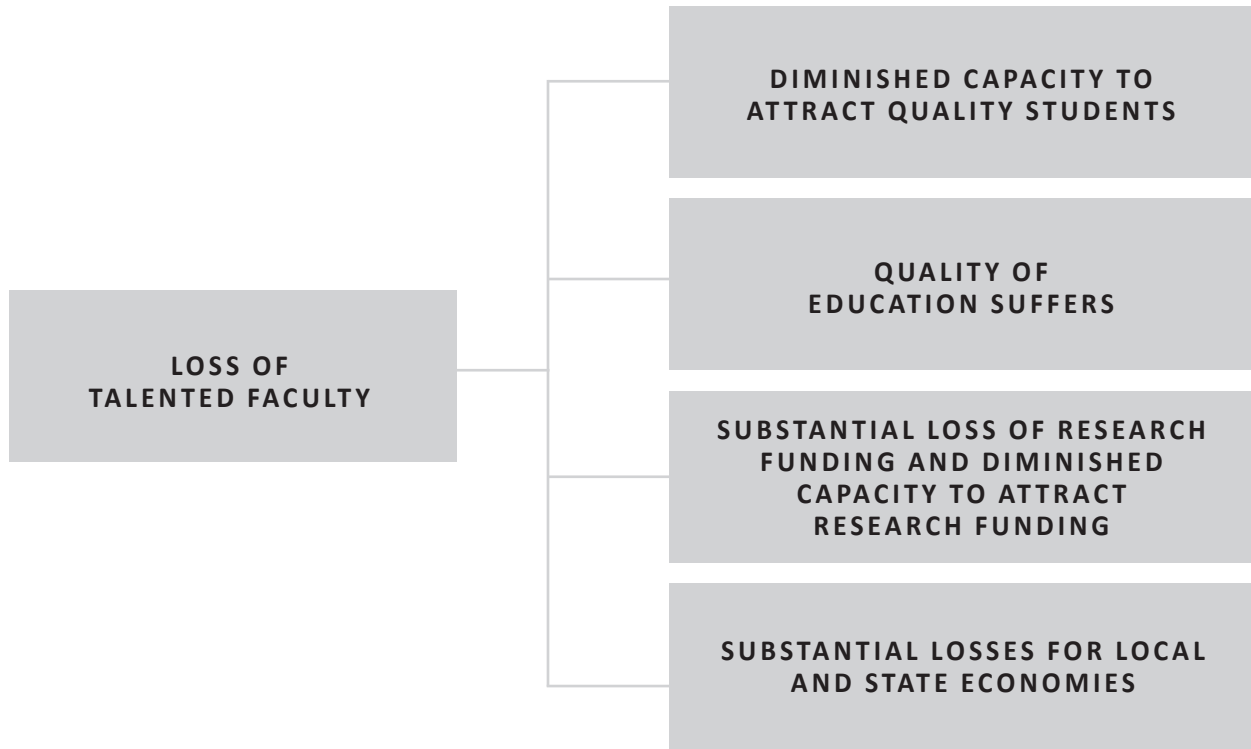
Faculty turnover is costly to the universities both in talent and in dollars. There are significant costs associated with recruitment and hiring. In addition to advertising expenses, there are the direct costs of interviewing and bringing candidates to campus, and the indirect costs of faculty and staff members' time in the search process. In the past 12 months, approximately 579 (7.8 percent) of faculty members left the Arizona public university system.

There are many reasons for faculty turnover such as retirement, end of assignment, limited term[1] appointments or resignation. Retirement is a major factor among full professors, but for other faculty resignations, leaving the institution for positions in other organizations is the primary factor with faculty often receiving much higher salaries and benefits as well as greater resources for research and program development.

The effects of faculty turnover are often unpredictable and result in the loss of continuity in teaching and research programs, disruptions in graduate and undergraduate advising, and have a negative impact on departmental and institutional management and cohesiveness. Educators who are leaders in their fields contribute to the quality of the educational experience for the 186,000 students attending Arizona's public universities.

Moreover, in many research-intensive disciplines where the startup package for a new faculty member can often run into the hundreds of thousands of dollars, the lost investment made by the institution can be substantial, including losses in external funding and grant competitiveness. Additional negative effects are harder to quantify, such as loss in program reputation and faculty morale.

The universities and the communities they serve suffer when faculty leave Arizona. Top scientists and researchers may take millions of dollars in grants and contracts with them when they depart, setting university progress back by years and diminishing the university's ability to attract additional research funding. When universities' research efforts are curtailed, there is a negative impact on local, state and regional economies.



### **Staff Turnover Creates Reductions in Productivity**

Each time a staff member leaves, the universities are faced with advertising, interviewing, and training costs associated with hiring a new employee. The cost of turnover is generally estimated at one to two times the salary of a departing employee. When a position is left unfilled, it puts additional stresses on existing employees, already asked to do more as a result of increased demands and fewer personnel resources, and often at lower than competitive salaries. This cycle can exacerbate turnover and the universities' ability to attract and retain high quality staff.

Presently, low unemployment rates not only hinder the difficult task of replacing staff, but also add to the costs of turnover because of extended recruitment periods and extended advertising.

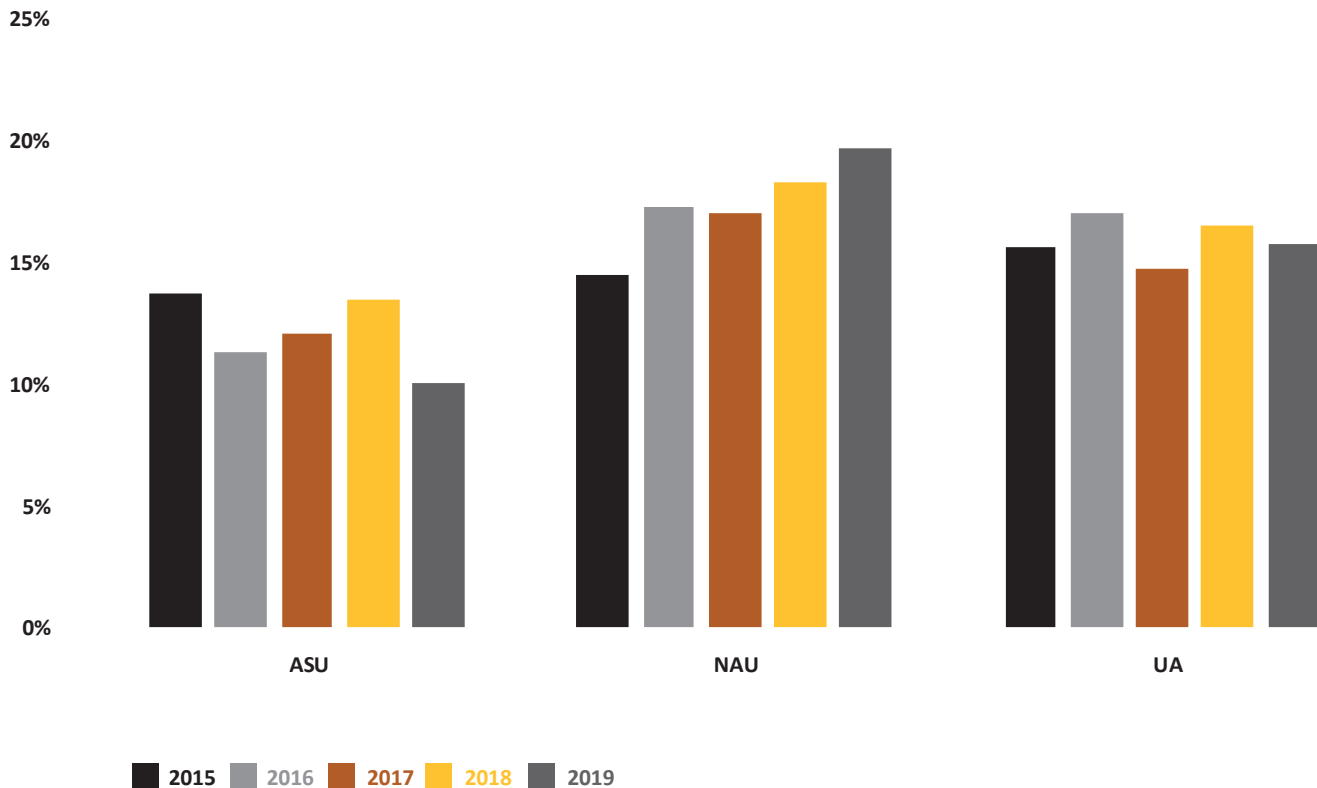
When staff turnover increases, losing the human resources that are essential to the operation and success of the institutions creates reductions in productivity, the potential for diminished services and stalls important institutional initiatives.

**FY 2019 AVERAGE TURNOVER RATE FOR CLASSIFIED,  
PROFESSIONAL AND ADMINISTRATIVE STAFF**

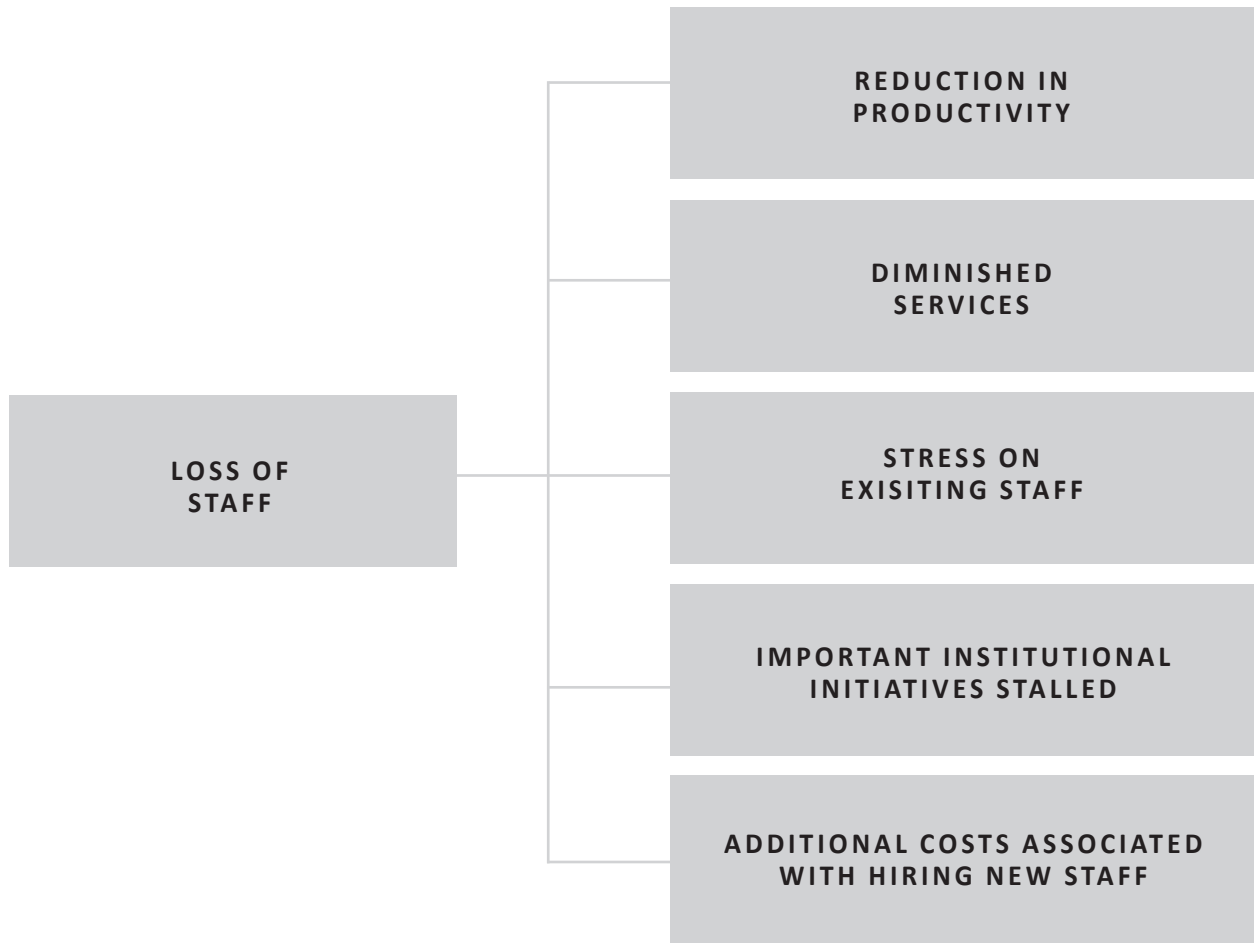
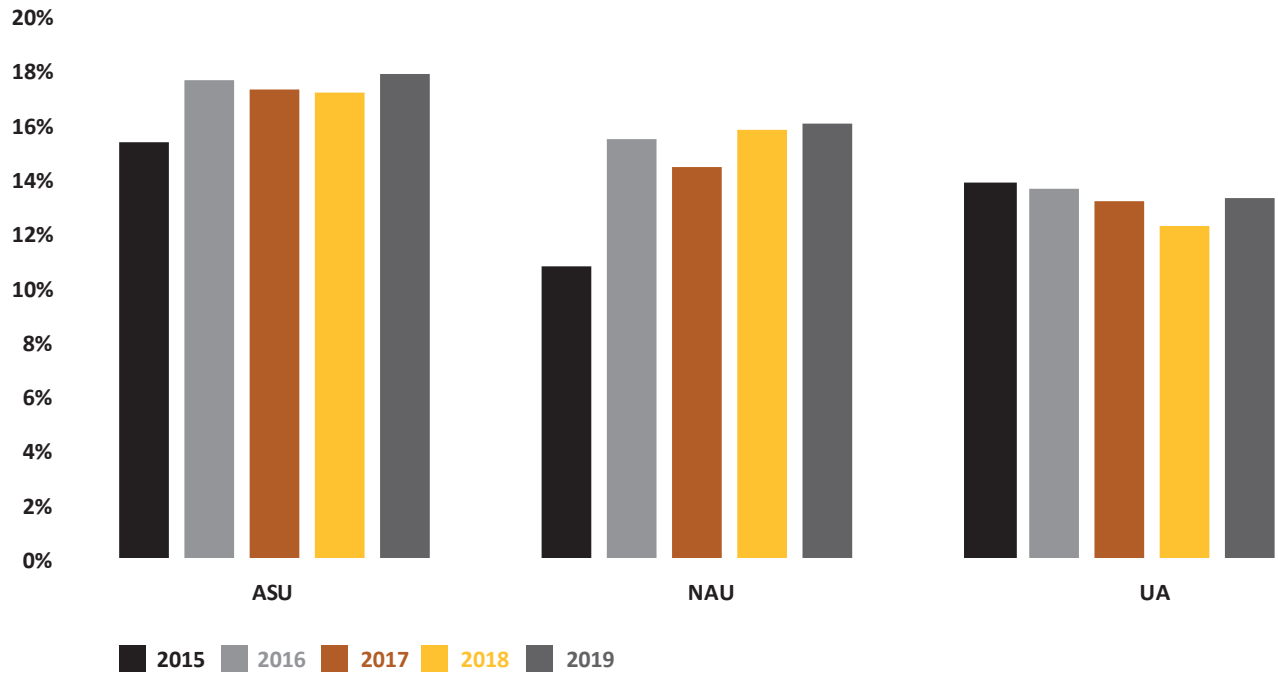
	CLASSIFIED	PROFESSIONAL/ UNIVERSITY STAFF*	ADMIN
ASU	10.0%	17.9%	7.7%
NAU	19.6%	16.0%	16.0%
UA	15.7%	12.3%	7.3%
ABOR	0.0%	15.0%	16.7%

\*Professional includes academic and service professionals. University staff carry a secondary designation of “administrative,” “professional” or “other.”

**CLASSIFIED STAFF TURNOVER**



PROFESSIONAL/UNIVERSITY STAFF TURNOVER



## OTHER SALARY ISSUES

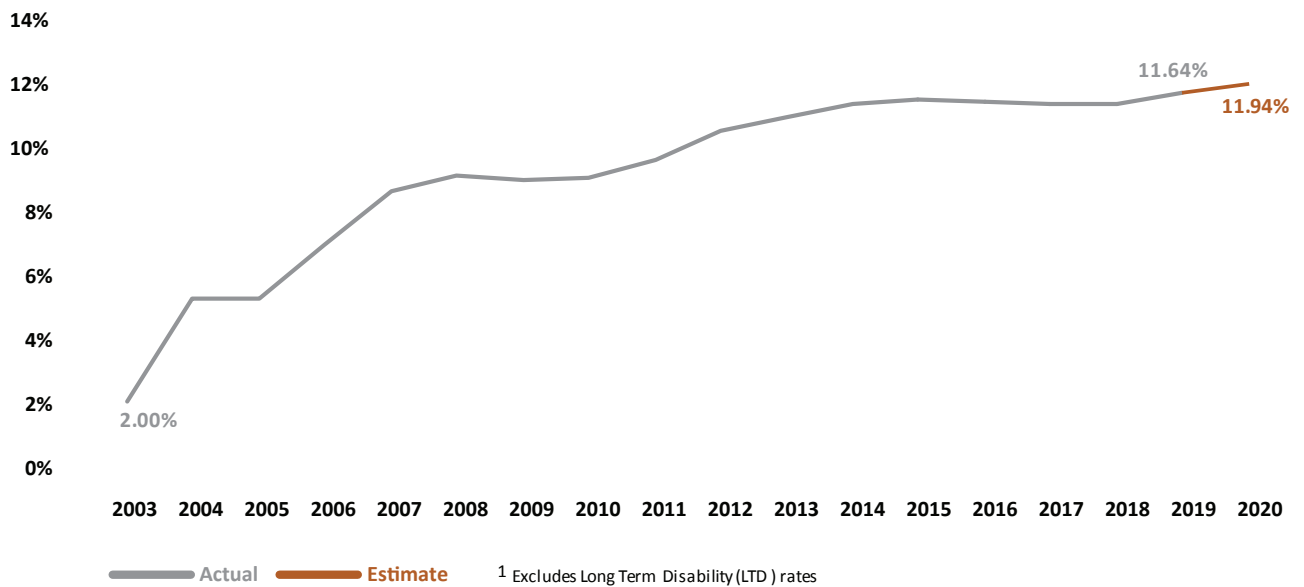
Employees enrolled in the Arizona State Retirement System have seen their employee contribution rates increase six-fold over the years, from 2 percent in fiscal year 2003 to 11.94 percent in fiscal year 2020. According to ASRS, contribution rates are expected to increase gradually for a few more years, before gradually beginning to fall. These rate increases amount to real reductions to an employee’s net pay.

Although inflation has remained relatively low, averaging just above 2 percent the past few years, the effects of inflation erode the real value of an employee’s salary. Each time prices increase, an employee’s wage loses some of its value. This, coupled with increases in the ASRS contribution rate, further reduces the competitiveness of salaries offered to employees at Arizona’s public universities.

## COMPENSATORY TIME AND OVERTIME COMPENSATION

A.R.S. §41-751 requires the reporting of state-funded overtime pay paid. The majority of overtime paid is for positions associated with facilities management and campus police. Special events and inclement weather also contribute to overtime worked by employees, as well as the effects of a reduced workforce. Total overtime paid from all sources increased slightly from \$5 million in fiscal year 2018 to \$5.7 million in fiscal year 2019.

ASRS - EMPLOYEE CONTRIBUTION RATES<sup>1</sup> FY 2003 - FY 2020



FY 2019 COMP TIME AND OVERTIME COSTS (IN THOUSANDS)

	STATE APPROPRIATED			OTHER SOURCES COMP & OT	TOTAL
	COMP	OT	TOTAL		
ASU	\$307.3	\$255.6	\$562.9	\$1,768.4	\$2,331.3
NAU	\$4.8	\$62.5	\$67.3	\$488.4	\$555.7
UA	\$134.4	\$892.6	\$1,027.0	\$1,818.1	\$2,845.1
ABOR	-	-	0	-	0
<b>TOTAL</b>	<b>\$446.5</b>	<b>\$1,210.7</b>	<b>\$1,657.2</b>	<b>\$4,074.9</b>	<b>\$5,732.1</b>