Special Points of Interest:

- Projected Unmet Salary Need for FY 2018
- Faculty Salary Compared to Peers
- Faculty Retention
- Staff Salaries
- Staff Turnover
- Overtime Pay in FY 2016

Talented faculty and staff are necessary to achieve the goals presented in ABOR’s Impact Arizona plan. The need to attract and retain the caliber of faculty and staff who are able to successfully meet the challenges of higher education is of utmost importance, and the success of these recruitments and retention efforts is dependent upon the ability to offer competitive salaries.

FY 2018 PROJECTED UNMET SALARY NEED

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 FY 2018, the projected unmet salary need for the Arizona University System is $257.9 million, an increase of $16.1 million from the current FY 2017 estimate.

University employees’ salaries are projected to remain considerably lower than those at peer institutions and in other relevant markets through 2018. 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, impacting Arizona’s universities’ ability to catch-up and keep-up with salary needs.

Faculty Salaries

Arizona’s public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty. In spite of quality of life arguments made for Arizona, salary competitiveness is still a leading factor in determining whether an individual accepts other employment or stays with Arizona’s universities. To assess how competitive Arizona’s salaries are compared to the national marketplace, the universities calculate average and median salaries, comparing faculty salaries in Arizona to those at peer institutions. These comparisons include all ranked faculty -- professors, associate professors, and assistant professors. The table on the following page shows the average faculty salary increase needed for the universities to reach average faculty salaries of their peer institutions.
The majority of peer institutions\(^1\) pay higher average salaries to their faculty than Arizona’s three universities pay, demonstrating that Arizona’s standing is still lacking competitiveness. Specifically:

- All three universities’ average faculty salaries rank at or near the bottom of their peers. For ASU, 13 of the 15 peer universities pay higher average salaries; For NAU, 12 of the 15 peer universities pay higher average salaries; and the UA has the lowest average salaries compared to its peer institutions.

- Average faculty salaries range from $7,000 to $15,100 (between 6.5%-15%) below the peer median at the three universities.

When total compensation is calculated, Arizona university faculty still rank at the bottom percentile compared to peer institutions. So, whether looking at salaries or total compensation, the three universities find competing nationally to recruit and retain the best faculty members to be a continual challenge. Individuals who are able to raise the quality and stature of the universities’ programs, can and do command more competitive salaries. Accordingly, Arizona’s universities must have the capacity to meet the salary requirements of these scholars and to pay beyond the median to attract and retain them.

There are many reasons for faculty turnover such as retirement, end of assignment or resignation. Resignations for positions in other organizations is the primary factor for faculty leaving the institution, often receiving much higher salaries and benefits and 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. Moreover, in many research-intensive disciplines where the start-up 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 and can include 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. Moreover, when the universities’ research efforts are curtailed, the results include significant negative impact to the local, state and regional economies.

Equally important, educators who are leaders in their fields contribute to the quality of the educational experience for the nearly 170,000 students in the Arizona University System.

The cumulative effect of faculty turnover over the past several years is very 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 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 663 (9.4%) faculty members left the Arizona University System.

The chart shows average faculty turnover by university.

The continuing loss of faculty threatens the quality of the educational experience, weakens the universities, undermines programs and research efforts, and negatively affects statewide economies.
FACULTY RETENTION

Although the universities are proactive in retention efforts and bringing new faculty into the institutions, the actions taken also create some negative consequences, such as the reallocation of limited resources for salaries and relying more on part-time faculty and instructional faculty who are not tenured/tenure-track to meet the growth in student population.

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

STAFF SALARIES

Average staff salaries continue to lag market rates. Annual market movement has averaged around 3.0% the past few years, and is expected to continue at the range into 2017.

Employees enrolled in the Arizona State Retirement System have seen their employee contribution rates increase nearly six-fold over the years, from 2% in FY 2003 to 11.34% in FY 2017. These employee contribution rate increases amount to real reductions to an employee’s net pay. The additional costs to fully fund the ASRS continue to erode gains made in salaries.
Although Inflation has remained relatively low, averaging less than 2.0 percent since 2010, 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 from the competitiveness of salaries offered to staff employees at Arizona’s public universities.

The following table reflects the percentage increases required for average staff salaries to reach market at each university and the ABOR office.

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU</td>
<td>27.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>NAU</td>
<td>20.0%</td>
<td>21.4%</td>
</tr>
<tr>
<td>UA</td>
<td>24.5%</td>
<td>26.8%</td>
</tr>
<tr>
<td>ABOR</td>
<td>2.4%</td>
<td>3.2%</td>
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Each time a staff member leaves, the universities are faced with the 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.

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.

A.R.S.§41-763.01 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 work force. Total overtime paid from all sources remained fairly constant from $4.0 million in FY 2015 to $4.07 million in FY 2016.