

## **Virginia Tech Faculty Compensation: Salaries, Departures, and Retentions**

### **Office of the Senior Vice President and Provost Virginia Tech**

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In the increasingly competitive global economy, the demand for talent and innovation has intensified, as has competition for the best and brightest. Consistent with this macroeconomic trend, the market for faculty has become more competitive, leading to increased salaries and start-up costs across the nation. As states and universities position themselves to be leaders in the new economy and stimulate innovation and job growth to further the economic recovery, the pressure to offer competitive compensation continues to rise.

Unfortunately, the Commonwealth of Virginia did not fund a regular annual salary adjustment process between fiscal year 2008-09 and 2012-13. While the state has tentatively scheduled a much appreciated 2% salary program for July 2013, this program remains contingent on state revenues and is inadequate to overcome the market impact of five years without increases. The lack of regular salary adjustments for five years has adversely affected Virginia Tech's ability to maintain competitive salaries for our faculty. This has resulted in the loss of valuable personnel to other institutions ultimately impacting the quality of instruction available to Virginia Tech students and the competitive position of the Commonwealth in terms of economic development opportunities resulting from research programs.

The lack of salary adjustments stemmed from the economic conditions in the Commonwealth and the nation. Despite the poor economy, the Commonwealth has enacted three compensation actions since 2007: (a) all employees received a 3% one-time bonus in December 2010; (b) employees who participated in the Virginia Retirement System (VRS) received a 5% salary increase in July 2011 which then was converted into an annual 5% contribution to VRS by these employees; and (c) a 3% one-time bonus in November 2012. These compensation actions did not result in an increase in ongoing net pay during a time of increased competition at peer institutions. The absence of an annual salary adjustment process to reward performance and keep pace with the competitive market has had an impact on faculty salaries, contributing to departures and retention issues at Virginia Tech.

#### **Current Status of Virginia Tech Faculty Salaries Relative to Peer Institutions**

The Commonwealth of Virginia maintains a set of comparative institutions, established by the State Council of Higher Education in Virginia (SCHEV) and based on statistical similarity, to compute a salary goal for faculty members at each public institution of higher education. The Commonwealth's long-standing goal is to achieve institutional salary averages at the 60th percentile of peer institutions. While the Commonwealth has lacked an annual compensation enhancement process for the past five years, salary actions at Virginia Tech's SCHEV peer institutions have averaged 2.3% per year; the cumulative effect of which is a 9.7% increase in peer salary averages. The lone increase to the university's authorized salary average was just 1.3%, due to VRS requirements that did not enhance the take-home pay of impacted faculty members. Continued below-average annual increases (as seen in

Figure 1 below) have resulted in Virginia Tech losing significant ground relative to its competitive market for faculty, affecting not only take-home pay, but employee morale and overall job satisfaction.

Figure 1. Average salary increases for Virginia Tech and SCHEV Peers from FY08 – FY12.

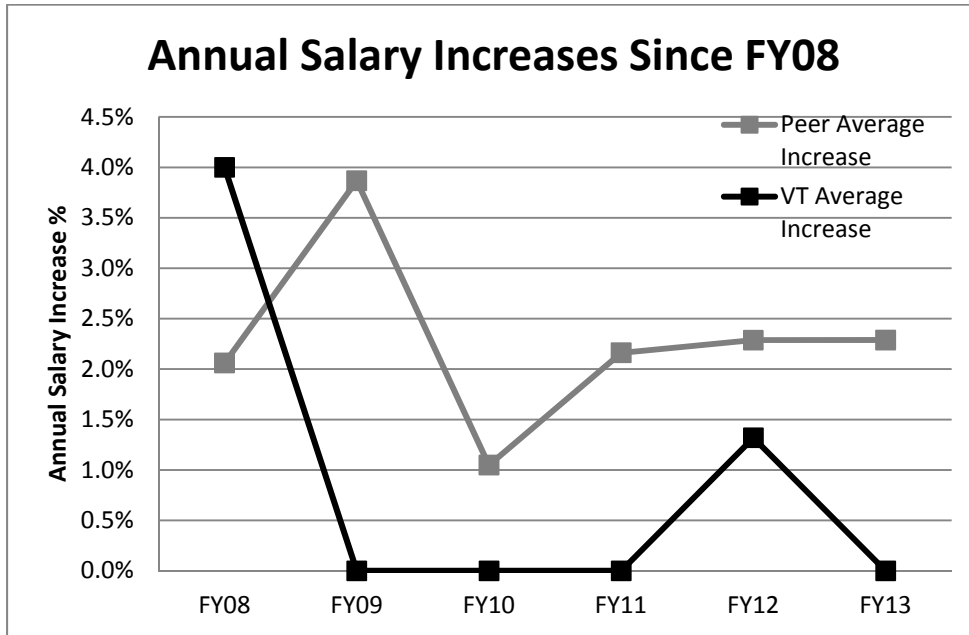
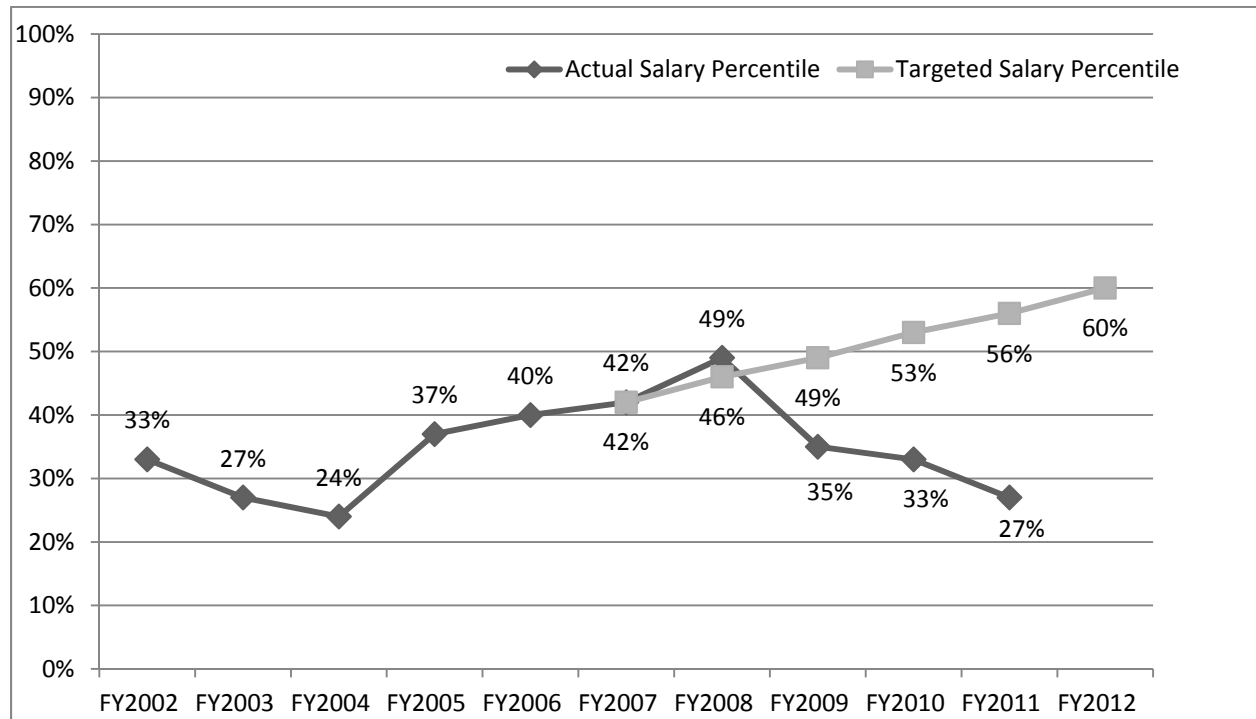


Figure 2 shows the status of Virginia Tech in achieving the goal of the 60<sup>th</sup> percentile of peer salaries. In FY2008, faculty salaries were at the 49<sup>th</sup> percentile and, had the annual salary adjustment process continued, Virginia Tech faculty would have reached the 60<sup>th</sup> percentile by FY2012. However, in the absence of annual performance-based salary adjustments and continuing increases at peer institutions, Virginia Tech salaries have steadily declined to the 27<sup>th</sup> percentile by FY2011. The university’s current authorized salary average of \$90,392 is \$10,737 below the 60<sup>th</sup> percentile of Virginia Tech’s peer average. A 12% increase in the authorized salary average in one year would be necessary to fully accomplish the 60<sup>th</sup> percentile of peer salaries goal for teaching and research faculty, at a cost of approximately \$21.8 million. The gap between Virginia Tech’s performance and our SCHEV peers demonstrates that salaries at Virginia Tech are becoming less competitive relative to other institutions.

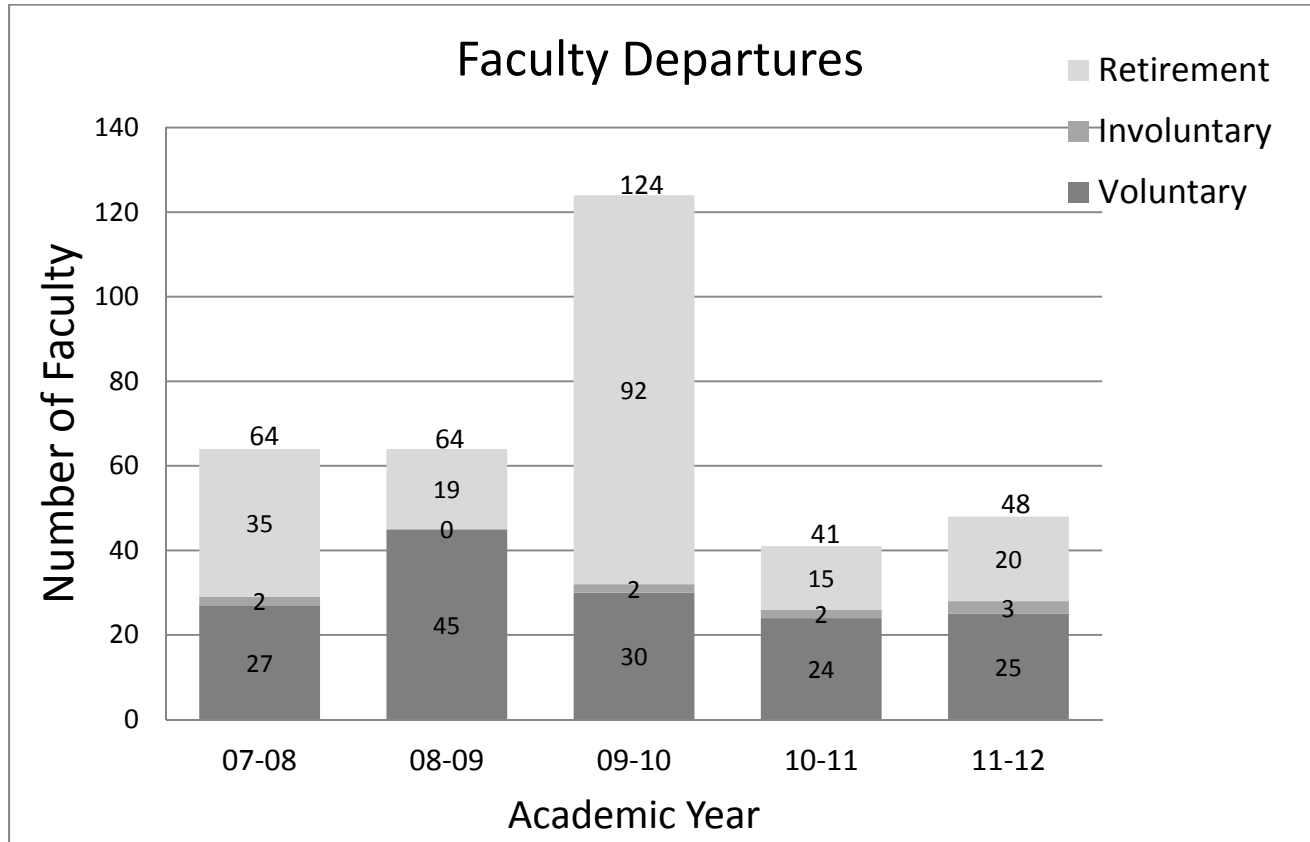
Figure 2. Progress of Virginia Tech faculty salaries towards the 60th percentile of SCHEV peers.



### The Impact of Faculty Departures

During the past five years, 151 faculty have voluntarily left Virginia Tech. The absence of annual performance-based salary adjustments and the across the board General Fund budget reductions enacted by the Commonwealth have contributed to this significant loss of faculty members. Figure 3 shows the number of faculty leaving Virginia Tech each year for any reason. Voluntary departures reflect faculty members who have left Virginia Tech before or after achieving tenure to assume positions at other universities, organizations, or industries. Involuntary departures include faculty members who did not receive tenure or were separated from the university for disciplinary reasons. Retirements include usual retirements due to age, a small number of deaths, and, in 2009-10, a large number of faculty members who chose to retire using the Alternative Severance Option (ASO). Colleges offered the ASO to encourage departure of senior faculty members to meet budget reduction targets while protecting the positions of tenure-track assistant professors and tenured associate professors, which are our future. The loss of faculty in 2009-10 resulted in an overall decrease in faculty members at Virginia Tech, as the pace of faculty hiring was greatly reduced from 2008 through 2010 due to General Fund budget reductions.

Figure 3. Faculty departures during the past five academic years.



While accepting faculty departures due to the ASO enabled colleges to temporarily meet budget reduction targets, replacing departed faculty with new faculty members has required expenditure of additional funds due to market forces driving higher salaries, start-up packages to establish new faculty research programs, and renovations that are often needed to accommodate new faculty members. Annual departures are expected. However, the volume of departures must be moderated by ensuring that productive faculty members who contribute to the major missions of Virginia Tech – teaching, research, and outreach – are retained. The absence of an annual salary adjustment process has created the need for preemptive retention efforts, in addition to retention efforts to counter faculty offers from other universities.

The impact of faculty turnover is significant. When a faculty member paid \$85,000 takes a position at another institution for \$100,000, Virginia Tech must then recruit a replacement faculty at the market rate (e.g., \$100,000) and then incur the cost of recruitment, a start-up package, laboratory reconfiguration, and lost productivity. Start-up packages vary based on discipline and research program needs; the university has committed an average of \$10.9 million annually for the past five years toward new faculty start-up packages. Lost productivity includes the cost of lost research grants and contracts which will move with the faculty member, which is often to another state. This can include the research team working with the faculty member. The potential longer term economic impact of that research program also shifts: this loss includes the expected intellectual property, licensing agreements, and spin off company outcomes. This means a loss in potential institutional competitiveness and thus state

competitiveness as jobs and future economic impacts are lost when faculty leave Virginia Tech. As a result, the cost of trading faculty is more expensive and less productive and harmful to the state's economy.

### Efforts to Retain Faculty

Three salary adjustment efforts have been implemented at Virginia Tech over the past five years to enhance faculty retention. The first effort, labeled "Retention" in the Table 1 below, has focused on individual faculty members identified by department heads and deans as "at risk" for being recruited by other universities or who have been approached and offered positions at other universities. Virginia Tech's practice is to reduce the number of faculty members who accept interview invitations by addressing salary issues prior to an interview or offer. Faculty members who have received these salary adjustments are among the most productive teachers and scholars at Virginia Tech. Many have expertise that would be difficult to replace, given the competition for high profile, highly productive faculty members across the nation. The second effort, labeled "Compression" in the table, was implemented due to the stagnation of salaries for extant faculty members. Faculty members who were hired prior to 2007 had salaries that were compressed when compared to new faculty hires, whose starting salaries due to market competition, were on average, higher than those who had joined Virginia Tech earlier.

Table 1. Faculty Retention and Compression Adjustments, 2007-08 through 2011-12.

<b>Office of the Senior Vice President and Provost</b>									
<b>Faculty Retention and Compression Adjustments</b>									
<b>Fiscal Years 2008 thru 2012</b>									
	Retention <sup>A</sup>			Compression <sup>B,C</sup>			Total		
	Fac #	Total Adj	Avg Adj	Fac #	Total Adj	Avg Adj	Fac #	Total Adj	Avg Adj
2007-08	54	267,437	4,953	-	-	-	54	267,437	4,953
2008-09	16	83,366	5,210	-	-	-	16	83,366	5,210
2009-10	30	308,953	10,298	184	664,234	3,610	214	973,187	4,548
2010-11	40	200,794	5,020	261	976,879	3,743	301	1,177,673	3,913
2011-12	49	301,984	6,163	196	471,406	2,405	245	773,390	3,157
	<b>189</b>	<b>1,162,534</b>	<b>6,151</b>	<b>641</b>	<b>2,112,519</b>	<b>3,296</b>	<b>830</b>	<b>3,275,053</b>	<b>3,946</b>
<b>NOTES:</b>									
A. Adjustments to individuals only.									
B. 2009-10 and 2010-11 compression amounts spread over 3 years and 2 years, respectively.									
C. There are 486 unique faculty who are currently employed and received at least one compression adjustment.									

Retention and compression adjustments across the five-year period totaled \$3,275,053, and adjustments of both kinds averaged \$3,946. This pool of funding is quite small annually (less than 0.5%) when compared with usual salary adjustment pools that were previously implemented through the

merit process. The third effort occurred in 2011-12, when Virginia Tech reallocated 2% of faculty compensation to allow deans and department heads the capacity to address market pressure. These three efforts contributed to the retention of several faculty members who might otherwise have been recruited by other universities. However, these efforts also impacted less than 40% of faculty and the capacity for additional reallocation is limited without impacting institutional quality.

Virginia Tech's retention efforts were not always successful or feasible. Some faculty members accept leadership positions at other universities, which is to be expected. However, there are many examples of extraordinary salary offers that were beyond Virginia Tech's capacity to match; these are summarized in Table 2 below. The faculty members included in the table accepted a new teaching and research faculty position at another university similar in scope to the one they left at Virginia Tech.

Table 2. Selected faculty departures associated with large salary increases.

<b>Faculty Member's College</b>	<b>Successful University</b>	<b>% Salary Increase</b>
Agriculture and Life Sciences	University of Florida	59%
Agriculture and Life Sciences	University of Georgia	32%
Agriculture and Life Sciences	Arizona State University	40%
Architecture and Urban Studies	University of Maryland	37%
Architecture and Urban Studies	University of Nevada Las Vegas	20%
Business	Texas A&M University	19%
Engineering	Purdue University	33%
Engineering	University of Arizona	75%
Liberal Arts and Human Sciences	University of Rochester	54%
Liberal Arts and Human Sciences	Johns Hopkins University	16%
Liberal Arts and Human Sciences	Arizona State University	22%
Science	University of Florida	50%
Science	Chinese University of Hong Kong	45%

These and other faculty members who left Virginia Tech since 2007 possessed expertise in scholarly disciplines of importance to Virginia Tech students and the competitive position of the Commonwealth. These departures are associated with the loss of teaching excellence, public and private grant funding, publication records in top journals, and notable citation records. The faculty members summarized in Table 2 illustrate the scale of salary considerations as a major issue in the decision to leave Virginia Tech. Faculty members leave for multiple reasons, but salary compression/stagnation can play a major role in faculty dissatisfaction.

### **Conclusion and Need**

The past five years have revealed the vulnerability that exists when faculty members, lacking the opportunity to be compensated for high performance, begin to explore opportunities at other universities. The return to a recurring performance-based salary adjustment program is one key strategy for Virginia Tech to enhance the retention of the state's most productive teachers and scholars. Given the high cost of turnover and potential benefits that retention of faculty offers to the state's economy, re-instatement of an annual salary adjustment process is both a cost containment measure as well as an investment in the future of the Commonwealth of Virginia's economy as institutions compete for talented and productive faculty members.