# Executive Summary
# 2005-2006 Annual Report to the Regents on Faculty Salary and Composition
# Committee on the Economic Status of the Faculty

[Full report endorsed unanimously by SACUA on June 5, 2006]

The committee was very active this year studying faculty benefits and compensation.

**Benefits summary:**

1. The CESF asks the regents to face the unfunded liability of retiree healthcare expense. Corporations are required by law to set aside money for funding committed retiree liabilities, there is nothing that makes the retiree liabilities of people who work for the University any less important that they should be not be carefully protected. There is a concern that with or without a federal mandate to fund this liability, the University will continue to shift costs to current and retired faculty. Instead of the current "pay-as-you-go" system which has resulted in diminished support, we recommend the University set aside enough funds annually that by the end of twenty years retiree healthcare benefits will be fully funded. The University has steadily eroded retiree benefit support, and we see this trend picking up pace if funds are not available to fund the University's commitments. Moreover, sharp spikes in cost or numbers of retirees could adversely impact actuarial predictions leaving future administrators with an unmanageable crisis, which can be averted with planning.

2. The CESF asks the University to ensure that healthcare is affordable for current and retired employees. We see two primary aspects to enabling this.

   a. Make it possible for current employees to plan for retirement. This can be aided by:

      i. Avoiding retroactive cuts to benefits. This sends the signal that is of no use to plan. In particular, rescind the recent elimination or reduction of Medicare B reimbursements. Faculty were given no opportunity for involvement in this decision or allowed to make retirement decisions before its inauguration. In addition, it is a pure cost shifting resulting in increased expense without any suggestion of consumer behavior modification.

      ii. Locking in benefits by date of retirement. This need not be an absolute lock, but some clear plan knowing which an employee of the University can plan accordingly. For example, limiting the annual cost increase to a certain maximum and establishing a lifetime ceiling. The income base could be the final year's salary or the average of the last three, five or ten years.

b. Provide for the most vulnerable, those most affected by increased healthcare costs. Vulnerability can be the result of family health catastrophes or of insufficient income. Depending on the root cause of the vulnerability, this need can be addressed in various ways, such as:

   i. Increase salary to compensate for reduced income from co-premiums both currently and in retirement.

   ii. Institute a plan that ties co-premiums to salary.

   iii. Establish a charitable fund for catastrophic healthcare needs.

3. <u>The CESF commends the Regents and the University for many salubrious initiatives</u>. These include:

   a. A dependent tuition scholarship fund at UM-Dearborn.

   b. The inauguration of public and scholarly discussion about the national healthcare crisis. No local solutions can be a panacea.

   c. The University and MCare have begun significant trials with hundreds of patients to determine the effectiveness (cost and otherwise) of aggressive proactive care for diabetics.

   d. The recent Uhealthy campaign.

**Compensation Summary:**

1. Analysis of Impact of Gender on Salary:

   Univariate analysis of variance for the effects of gender on published faculty salaries (2005-2006) for 24 of the academic units at the University of Michigan revealed interesting results. These analyses have identified schools which appear to approach or achieve significance on the gender factor: Medical School [non-clinical, non-research faculty] ($p < .10$), Ross School of Business ($p < .10$), Taubman College of Architecture & Urban Planning ($p < .001$), Dearborn School of Education ($p < .05$), Flint School of Education and Human Services ($p < .05$), and College of Pharmacy-Clinical Faculty ($p < .10$) Some of these results may be attributed to small sample sizes in the units, whereas others do not appear to have clear statistical explanations. The impact of unpublished salary data could make these trends worse or better. We commend the University for their numerous task forces studying this issue, and we suggest that providing access to transparent total salary data could allow a more transparent analysis.

2. Faculty Compensation:

The University lags many of its peer institutions in published salary data, even when adjusted for cost of living. Many competitors provide benefits such as tuition waiver for faculty children or even housing in some of the most expensive markets. By not remaining competitive in salary with the very best Universities in the country, the University serves as a farm team or training ground for the best Universities in the country, at least in some disciplines. The University then loses its very best talent in response to competitive recruitment. As the marque industry in the state undergoes structural change, the University finds itself in a weak market for spouse employment. The *Wall Street Journal* lists Southeast Michigan as one of the weakest housing markets in the country, which makes owning real estate here a less attractive investment for University faculty. The University could address these issues by increasing faculty compensation.

3. The faculty appreciate being involved in the decision-making process, rather than merely being informed of decisions after the fact.