Report of the Financial Affairs Committee of the Faculty Senate: 2013

Jackie Isaacs, COE – Mechanical and Industrial Engineering
John Kwoka, CSSH – Economics (Chair)
Armen Stepanyants, COS – Physics
Fall Semester Charge to the FAC

“Based on current information and any other analyses that it may wish to undertake, the Committee is asked to make recommendations on appropriate merit and market and market adjustment raises for FY 2015. The Committee should present its recommendations on these matters to the Faculty Senate Agenda Committee…”

~ Senate Agenda Committee

31 October 2013
Raise Pool Considerations

- Academic and Financial Trends

- Value and Cost of Faculty Salaries
  - Hiring
  - US News Rankings
  - Total university costs

- Salary Comparisons
  - Inflation
  - Matchmate schools
Trends for Higher Ed and Northeastern

- All of Higher Education faces some market uncertainties
  - Continued weak economic growth
  - Student and household debt
- But Northeastern possesses some substantial financial and academic strengths
Northeastern’s Financial Strengths

Tuition ($) vs Undergraduate Enrollment over the years 1999-2000 to 2013-2014.
Northeastern’s Academic Strengths

USNWR Rankings

Mean SATs

- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
Faculty Salaries Are an Important Ingredient in Northeastern’s Strengths

- Salary increases are essential to retaining quality faculty
  - Also essential to hiring new high-profile faculty
- Salary increases play direct role in US News rankings
  - US News ranks NU as #49 for 2013
  - Faculty resources count for 20% of overall ranking
    - Of that, 35% is due to faculty compensation
    - Implies that 7% of overall US News ranking directly due to higher faculty salaries
- Salaries and fringes of full time faculty account for only 13.3% of Northeastern’s total operating costs (latest IPEDS data)
Recent Raise Pool Increases at Northeastern

<table>
<thead>
<tr>
<th></th>
<th>Raise Pool Increase</th>
<th>Inflation</th>
<th>“Real” Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINCE 2008</td>
<td>2.9%</td>
<td>2.1%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2012-13</td>
<td>3.0%</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

- 2012-13 increase appears to have increased Northeastern salaries relative to matchmate institutions
- Gains are especially notable for assistant and associate faculty
Comparison of NU Faculty Rank with Matchmates

Note that data are not adjusted for regional differences in cost of living
Other Data Show Northeastern Lagging

- AAUP year-over-year salary changes for continuing faculty at all matchmates institutions show Northeastern lagging
  - Mean increase for 2012-13 was 3.5%
  - Median increase was 3.7%
  - Northeastern was 3.4%
    - Only four institutions had smaller increase
Northeastern Salary Increases Relative to Matchmate Institutions: 2012-13 AAUP Data
Basis for Raise Pool Recommendation

Northeastern inflation-adjusted raise pool increases have averaged 0.8% since at least 2008

- Philadelphia Fed Consensus forecast (standard source) for 2014 is 2.0% inflation
- Past practice would suggest lower bound increase of 2.8%
Several factors argue for larger increase

- Northeastern salary gains have only recently allowed some ranks to catch up, while other ranks remain no better than median
- AAUP data indicate Northeastern increases continue to lag those of our matchmate institutions
- Northeastern faculty salary increases have been engine of our growth and success
- Northeastern faculty salaries are growing much slower than overall university costs
  - Total operating costs rose by 6.5% (most recent IPEDS data) and 6.4% annual rate in last 4 years
Recommended Raise Pool

- Recommendation: The Financial Affairs Committee recommends a raise pool increase of 3.5%
  - This would continue to address the longer-term salary issues relative to matchmates
  - This would help ensure continued ability for Northeastern to strengthen its educational mission
  - The cost to Northeastern of 3.5% relative to (say) 3.0% would be quite modest and certainly in line with other cost changes
Summary

- Strong financial and academic position of the University
- Importance of strong faculty and resources necessary to attract, retain, compensate them appropriately
- A raise pool of 3.5% addresses continuing gap and enhances our competitive position at modest cost
- Merit and equity components should be determined at level of unit or department