

On the Brink

The Annual Report
on the Economic Status
of the Profession,

2008–09



In December 2008, the National Bureau of Economic Research—the recognized arbiter of the beginning and end of U.S. recessions—pronounced that the current recession had begun in December 2007. Since then, the U.S. economy has lost more than three million jobs, personal income has dropped, individual bankruptcy declarations have skyrocketed, more than a trillion dollars of national wealth have melted away, and our output of goods and services has declined sharply.

One of the first acts of the new Congress and presidential administration was to implement a fiscal stimulus plan that combines tax cuts and new government spending. Because policy makers recognize that a well-educated population is a fundamental determinant of long-term economic growth, they have included funding for higher education in the federal stimulus measure. Secretary of Education Arne Duncan argued that in the long run, “the best way [to] bring ourselves back to economic health and really strengthen the economy is to have an educated workforce. So these investments are tremendously important, and we have to continue to push very, very hard to make sure that happens.”

Maintaining an outstanding system of higher education requires investments in the faculty members who cultivate the human capital upon which our economy’s recovery and future growth will depend. Sadly, the record of the last three decades shows that, when measured by the inflation-adjusted salaries paid to college faculty members or by the proportion of college courses taught by full-time tenure-line faculty, our nation is failing at this task. We therefore call on our faculty colleagues to take an active role in collaborative decision making on institutional spending decisions, to examine critically the claims of administrations and legislatures alike regarding the financial situation of higher education, and to raise questions about the inevitability and the advisability of cuts to faculty salaries and positions.

An Unusual Year

As this report went to press, still months before the end of the academic year, the effects on higher education of changes in the national (and global) economic context were not yet fully evident. Typically, the analysis presented here would summarize the data collected in the AAUP’s annual survey of faculty salaries, interpret those data in the light of ongoing trends in compensation and other economic indicators, and suggest developments to watch for in the future. This year is anything but typical, however.

After six years of stagnation, inflation-adjusted full-time faculty salaries are up on average for 2008–09 because inflation is running at its lowest rate in decades. Yet faculty members around the country—all of us, really—approach the coming year with trepidation. The systematic data we have been able to assemble do not reflect the ominous economic reality that is now confronting colleges and universities across the land.

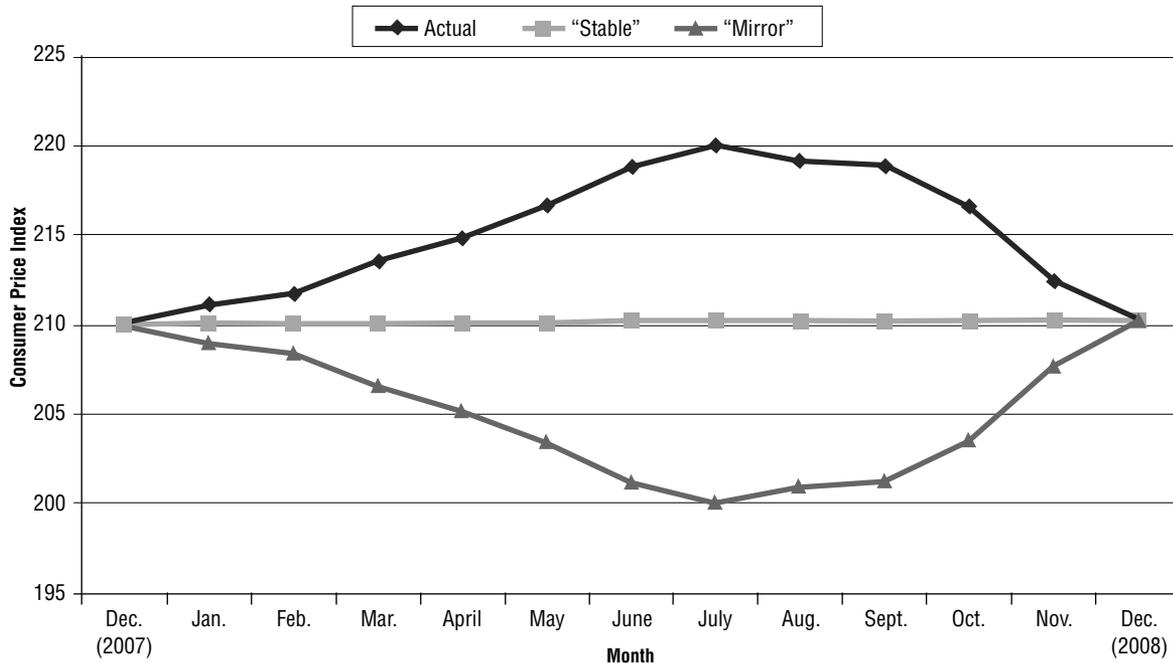
As noted in table A, the increase in the Consumer Price Index (CPI) from December 2007 to December 2008 was only 0.1 percent. The table does not reach far enough back to show the last time that particular measure was so low—1953–54, in the midst of the first Eisenhower administration. And yet, as figure 1 illustrates, the extremely low rate of inflation has not translated directly into increased purchasing power for faculty salaries.

TABLE A
Percentage Increases in Average Nominal and Real Salaries for Institutions Reporting Comparable Data for Adjacent One-Year Periods, and Percentage Change in the Consumer Price Index, 1971-72 through 2008-09

	Prof.	Assoc.	Asst.	Inst.	All Ranks	Prof.	Assoc.	Asst.	Inst.	All Ranks	Change in CPI
	NOMINAL TERMS					REAL TERMS					
ALL FACULTY											
1971-72 to 1973-74	9.7	9.6	9.1	8.8	9.4	-2.7	-2.8	-3.3	-3.6	-3.0	12.4
1973-74 to 1975-76	12.4	12.1	11.7	12.3	12.1	-7.7	-8.0	-8.4	-7.8	-8.0	20.1
1975-76 to 1977-78	10.1	10.4	10.3	10.4	10.2	-1.8	-1.5	-1.6	-1.5	-1.7	11.9
1977-78 to 1979-80	13.5	13.2	13.1	12.8	13.3	-10.0	-10.3	-10.4	-10.7	-10.2	23.5
1979-80 to 1981-82	18.6	18.1	18.7	17.5	18.5	-3.9	-4.4	-3.8	-5.0	-4.0	22.5
1981-82 to 1983-84	11.2	11.0	11.9	12.1	11.4	3.5	3.3	4.2	4.4	3.7	7.7
1983-84 to 1985-86	13.2	12.7	13.2	12.5	13.1	5.3	4.8	5.3	4.6	5.2	7.9
1985-86 to 1986-87	6.0	5.8	5.7	4.9	5.9	4.9	4.7	4.6	3.8	4.8	1.1
1986-87 to 1987-88	5.0	4.8	4.9	3.8	4.9	0.6	0.4	0.5	-0.6	0.5	4.4
1987-88 to 1988-89	5.8	6.7	6.0	5.3	5.8	1.4	2.3	1.6	0.9	1.4	4.4
1988-89 to 1989-90	6.3	6.3	6.3	5.4	6.1	1.7	1.7	1.7	0.8	1.5	4.6
1989-90 to 1990-91	5.5	5.3	5.5	5.0	5.4	-0.6	-0.8	-0.6	-1.1	-0.7	6.1
1990-91 to 1991-92	3.4	3.5	3.8	3.9	3.5	0.3	0.4	0.7	0.8	0.4	3.1
1991-92 to 1992-93	2.6	2.3	2.6	2.3	2.5	-0.3	-0.6	-0.3	-0.6	-0.4	2.9
1992-93 to 1993-94	3.0	3.1	3.0	3.2	3.0	0.3	0.4	0.3	0.5	0.3	2.7
1993-94 to 1994-95	3.4	3.4	3.2	3.5	3.4	0.7	0.7	0.5	0.8	0.7	2.7
1994-95 to 1995-96	3.1	2.9	2.7	2.6	2.9	0.6	0.4	0.2	0.1	0.4	2.5
1995-96 to 1996-97	2.9	3.0	2.4	3.2	3.0	-0.4	-0.3	-0.9	-0.1	-0.3	3.3
1996-97 to 1997-98	3.6	3.2	2.8	2.6	3.3	1.9	1.5	1.1	0.9	1.6	1.7
1997-98 to 1998-99	4.0	3.6	3.5	2.9	3.6	2.4	2.0	1.9	1.3	2.0	1.6
1998-99 to 1999-00	4.3	4.0	3.9	3.7	3.7	1.6	1.3	1.2	1.0	1.0	2.7
1999-00 to 2000-01	4.4	3.9	4.4	3.6	3.5	1.0	0.5	1.0	0.2	0.1	3.4
2000-01 to 2001-02	4.2	3.8	4.8	4.2	3.8	2.6	2.2	3.2	2.6	2.2	1.6
2001-02 to 2002-03	3.4	3.1	3.8	2.2	3.0	1.0	0.7	1.4	-0.2	0.6	2.4
2002-03 to 2003-04	2.4	2.0	2.3	2.0	2.1	0.5	0.1	0.4	0.1	0.2	1.9
2003-04 to 2004-05	3.4	3.0	3.2	2.7	2.8	0.1	-0.3	-0.1	-0.6	-0.5	3.3
2004-05 to 2005-06	3.7	3.3	3.3	3.2	3.1	0.3	-0.1	-0.1	-0.2	-0.3	3.4
2005-06 to 2006-07	4.2	3.9	4.1	3.9	3.8	1.7	1.4	1.6	1.4	1.3	2.5
2006-07 to 2007-08	4.3	4.1	4.1	3.9	3.8	0.2	0.0	0.0	-0.2	-0.3	4.1
2007-08 to 2008-09	3.8	3.6	3.6	3.3	3.4	3.7	3.5	3.5	3.2	3.3	0.1
CONTINUING FACULTY											
1971-72 to 1973-74	10.4	12.4	12.8	13.7	11.9	-2.0	0.0	0.4	1.3	-0.5	12.4
1973-74 to 1975-76	14.3	15.7	16.5	17.9	15.6	-5.8	-4.4	-3.6	-2.2	-4.5	20.1
1975-76 to 1977-78	12.5	13.2	13.5	13.7	13.0	0.6	1.3	1.6	1.8	1.1	11.9
1977-78 to 1979-80	15.2	16.3	17.4	18.0	16.1	-8.3	-7.2	-6.1	-5.5	-7.4	23.5
1979-80 to 1981-82	19.9	21.0	22.4	22.3	20.9	-2.6	-1.5	-0.1	-0.2	-1.6	22.5
1981-82 to 1983-84	13.3	13.9	15.3	14.7	14.1	5.6	6.2	7.6	7.0	6.4	7.7
1983-84 to 1985-86	14.2	15.1	16.3	16.1	14.9	6.3	7.2	8.4	8.2	7.0	7.9
1985-86 to 1986-87	6.3	6.7	7.0	6.5	6.6	5.2	5.6	5.9	5.4	5.5	1.1
1986-87 to 1987-88	6.1	6.6	7.1	6.9	6.5	1.7	2.2	2.7	2.5	2.1	4.4
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1989-90 to 1990-91	6.1	6.8	7.2	7.0	6.6	0.0	0.7	1.1	0.9	0.5	6.1
1990-91 to 1991-92	3.9	4.5	4.9	5.1	4.3	0.8	1.4	1.8	2.0	1.2	3.1
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1992-93 to 1993-94	3.8	4.4	4.7	4.5	4.2	1.1	1.7	2.0	1.8	1.5	2.7
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1995-96 to 1996-97	3.0	4.0	4.2	4.6	3.5	-0.3	0.7	0.9	1.3	0.2	3.3
1996-97 to 1997-98	4.0	4.6	4.8	5.0	4.3	2.3	2.9	3.1	3.3	2.6	1.7
1997-98 to 1998-99	4.5	5.0	5.3	5.3	4.8	2.9	3.4	3.7	3.7	3.2	1.6
1998-99 to 1999-00	4.5	4.9	5.4	5.3	4.8	1.8	2.2	2.7	2.6	2.1	2.7
1999-00 to 2000-01	5.0	5.4	5.8	5.8	5.3	1.6	2.0	2.4	2.4	1.9	3.4
2000-01 to 2001-02	4.8	5.1	5.7	5.4	5.0	3.2	3.5	4.1	3.8	3.4	1.6
2001-02 to 2002-03	4.1	4.4	4.7	4.5	4.3	1.7	2.0	2.3	2.1	1.9	2.4
2002-03 to 2003-04	2.8	3.3	3.5	3.8	3.1	0.9	1.4	1.6	1.9	1.2	1.9
2003-04 to 2004-05	4.2	4.7	4.8	4.7	4.5	0.9	1.4	1.5	1.4	1.2	3.3
2004-05 to 2005-06	4.1	4.7	4.8	4.4	4.4	0.7	1.3	1.4	1.0	1.0	3.4
2005-06 to 2006-07	4.7	5.3	5.4	5.1	5.0	2.2	2.8	2.9	2.6	2.5	2.5
2006-07 to 2007-08	4.8	5.4	5.4	5.7	5.1	0.7	1.3	1.3	1.6	1.0	4.1
2007-08 to 2008-09	4.5	5.0	5.2	6.0	4.9	4.4	4.9	5.1	5.9	4.8	0.1

Note: Consumer Price Index (CPI) obtained from the U.S. Bureau of Labor Statistics. The change in the CPI for all Urban Consumers, the percentage change that this table reports, is calculated from December to December. Salary increases for the years to 1985-86 are grouped in two-year intervals in order to present the full 1971-72 through current year series. Nominal salary is measured in current dollars. The percentage increase in real terms is the percentage increase in nominal terms adjusted for the percentage change in the CPI. Figures for All Faculty represent changes in salary levels from a given year to the next. Figures for Continuing Faculty represent the average salary change for faculty on staff at the same institution in both years over which the salary change is calculated.

FIGURE 1
Consumer Price Index, December 2007 through December 2008



Note: Figure shows actual Consumer Price Index values for December 2007 through December 2008, along with two hypothetical distributions ("stable" and "mirror") that would produce the same end result.
Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

This annual report has for decades used the December-to-December CPI figure as a standard measure, since that figure covers the change in prices from the middle of one academic year to the middle of the next. It corresponds roughly to the point at which survey data are submitted to the AAUP each year. Figure 1 graphs three different trend lines for the CPI over the course of the twelve months from December 2007 through December 2008: one line depicts the actual trend and the other two depict hypothetical trends for comparison. All three produce the same end measurement, yet their effects on faculty purchasing power are very different. With a hypothetical flat, or "stable," middle trend line, prices would have risen

almost imperceptibly throughout the period. Had this been the case, faculty purchasing power would have increased, since individuals would likely have received raises at the beginning of a new academic year exceeding the minimal rate of inflation. Purchasing power would have fared even better in the hypothetical "mirror-image" scenario depicted by the lower trend line on the chart. In that situation, prices would have declined during the spring and reached their lowest point in midsummer, when faculty salaries tend to be stretched a little more than usual. Prices would have begun to climb again only as new salaries were kicking in for the new academic year.

The actual price trend, however, was the upper line, and it is anything

but flat. Overall prices rose by nearly 5 percent in the first half of the year and did not begin to drop sharply until October. Further, prices for some major components of the overall CPI rose significantly during the period: food and beverages were up 5.8 percent, housing was up 2.4 percent, and medical care was up 3.0 percent. Among major categories, only transportation costs fell, as energy prices plummeted in the second half of the year after reaching record highs. Thus, even though the change in prices measured by the overall CPI was minuscule, faculty consumers can hardly be blamed for failing to notice that silver lining amid the darkening clouds on the horizon.

Given recent trends, it is little wonder that faculty are finding no

grounds for optimism in what will likely be a one-time bump in average salaries. Overall average full-time faculty salaries had barely kept pace with inflation in the previous six years. After adjusting for inflation, the “real” average salary for a full-time faculty member in 2007–08 was only 1.2 percent higher than it was in 2001–02. And even that modest rise was not evenly distributed across faculty at different types of institutions. The inflation-adjusted average salary for a full-time faculty member at a public institution was actually lower in 2007–08 than it had been in 2001–02. By contrast, the real average salary for faculty members at private-independent institutions rose by 3.8 percent in those six years, and the overall average at church-related institutions rose 4.5 percent after controlling for inflation.

Bad News

The further challenge we face in describing the economic status of faculty this year is that we already know that the situation is much more difficult than the data can yet document, and it is likely to get even worse before it gets better. In contrast to “real-time” economic data such as stock prices or interest rates, most of the available systematic data on faculty salaries are retrospective. Salary levels for full-time faculty were generally set for the 2008–09 academic year well before the worst of the economic news began to hit home. Thus, the AAUP survey data reflect a more positive economic picture than actually exists. In order to give a sense of the negative developments under way during this academic year, we summarize briefly here a few cases gathered from various media reports. As this report goes to press, the situation is very fluid, with new announcements

nearly every day. The coverage here is not exhaustive, but meant to illustrate the variety of actual situations.

In some states, public college and university faculty members are subject to the same salary and hiring freezes, benefit cuts, dismissals, and furloughs that are being applied to other state employees as governors and legislatures struggle to balance budgets in the face of revenue shortfalls. The problem with this shortsighted approach is that it treats faculty members and other higher education workers only as a “cost” to the state, rather than as the engine for growth they really represent. In other states, the college and university systems have more autonomy and can make their own decisions regarding which expenditures to cut and which revenue streams to expand. Private colleges and universities are projecting potential double effects of declining returns from endowment investments and expected decreases in tuition revenues. The expectation of declining tuition revenues appears to be based on projections of increased use of financial aid, however, rather than of shrinking enrollments, and faculty members should demand significant input in assessing such projections before spending decisions are finalized. In addition, some administrations appear to be taking advantage of the difficult financial situation to implement significant institutional reorganization, without meaningful faculty involvement or analysis of long-term consequences.

The *Arizona Republic* reported in early February that Arizona State University might be eliminating as many as 1,500 positions in this fiscal year and that all 12,000 ASU employees would be required to take off fifteen unpaid days before June 30. The Maryland Board of Regents

approved a plan in early December that would require employees of the state university system to be furloughed up to five days each before June 30. The plan is expected to save \$16 million in salary costs. Campuses will determine their own individual plans, and lower-paid employees might be exempted. Both Clemson University and the Medical University of South Carolina announced plans to require unpaid furloughs of all (Clemson) or some (MUSC) of their employees. The South Carolina universities were responding to their portions of a \$123 million midyear cut in state funding for public universities and technical colleges.

The *Spokesman Review* of Spokane, Washington, reported in late January on inquiries by Idaho state legislators about the possibility of using temporary salary cuts for faculty at the state’s public universities as “a way to avoid staff reductions.” University officials countered that faculty in the state are already underpaid and that in striving to fulfill the institutions’ mission of education and training, “without our faculty, we’re not there.” In Maine, Bowdoin College president Barry Mills announced in a January 22 letter to the college community that he was recommending two years of salary freezes for all faculty and most staff members earning at least \$40,000 annually. He cited weak endowment returns and a decline in charitable giving as the impetus for the freezes and argued that “given what we read in the press about other colleges and universities, it is not likely that we will find ourselves significantly disadvantaged in faculty salaries relative to our peers over this period.”

In a January letter to the Princeton University community, President Shirley Tilghman indicated that the

highest-paid faculty and staff members would be limited to \$2,000 salary increases for fiscal year 2010. A committee of three senior administrators must give approval before new positions are advertised and will review all ongoing searches. These measures are presented as necessary in light of an “unprecedented” decline in the value of the university’s endowment. In late November, the *Duke Chronicle* reported that Duke University would be seeking means other than cuts in faculty compensation or appointments to reduce expenditures. Only about a third of requested faculty searches were to be initiated for the coming year, however, and decisions on future budgeting would be heavily dependent on the performance of the university’s endowment.

Boston University implemented a hiring freeze at the end of September 2008, is seeking to reorganize some of its administrative and support services, and has frozen salaries for employees earning more than \$150,000. The fiscal year 2010 budget currently includes modest salary increases for faculty and a salary provision for current administrative employees. A salary freeze may be implemented “if economic conditions worsen,” says BU president Robert A. Brown. For employees on the University of Missouri’s four campuses, various media reports indicate that changes in benefits may be in the offing. In addition to hiring and salary freezes for 2010 and potential furloughs in the future, employees are being asked to contribute to their pension plan for the first time in the system’s history. Faculty advocates have questioned whether the financial decision-making process has been sufficiently transparent, whether faculty and staff were provided with an opportunity for input, and whether other options were considered. They have requested specific details of the

financial projections used to support the proposed measures.

Wilberforce University in Ohio is among the institutions at which university administrations have apparently implemented actions unilaterally. In November 2008, the interim president announced to faculty and staff members a series of drastic measures, purportedly required to address a projected deficit in the current fiscal year brought on largely by the state of the economy. The reductions in employee compensation include retroactive salary cuts, involuntary furloughs of faculty and staff members, immediate cessation of retirement contributions, and the imposition of significant increases in health-insurance premiums. Faculty and staff representatives have charged that these “draconian” changes violate collective bargaining agreements and follow on years of financial mismanagement by the previous university administration.

In California, Governor Arnold Schwarzenegger’s administration has proceeded, despite legal challenges, to implement a plan to furlough state workers well into 2010. Although it became clear that the plan does not apply to employees of the state’s public colleges and universities, the furloughs and other budget cuts to higher education have added to the climate of uncertainty California faculty members face. In addition, the funding for thousands of students who rely on state tuition grants remains insecure.

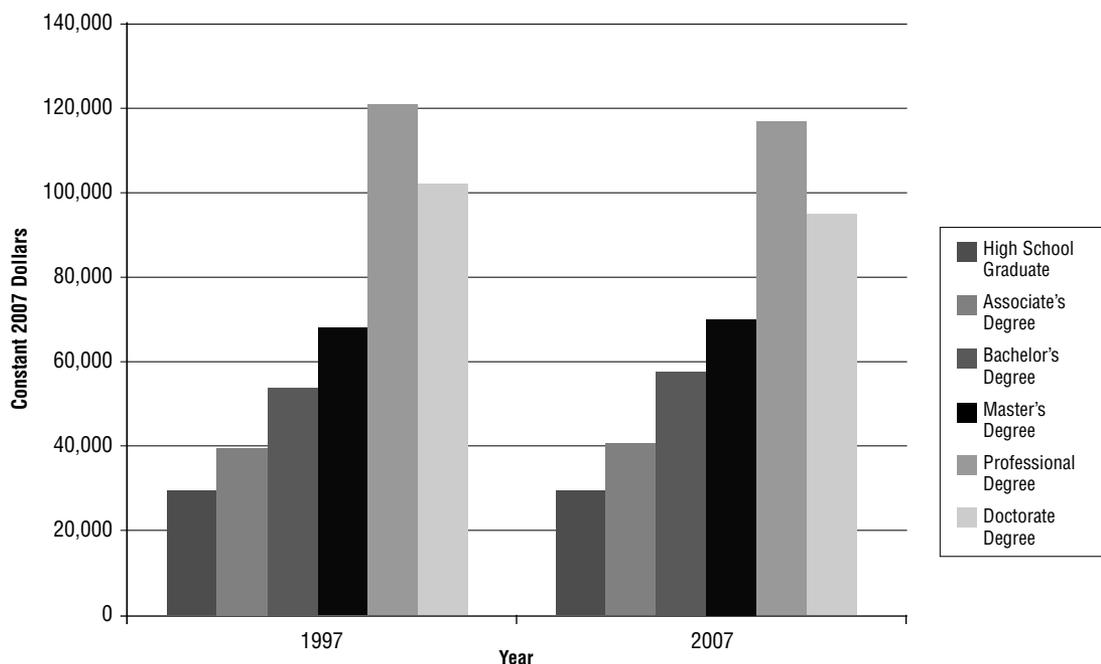
The *Chronicle of Higher Education* reported in early February on threats to shared governance resulting from the economic downturn, citing the cases of the Tennessee Board of Regents institutions, the University of South Florida, and Ohio University. Also in February, Clark Atlanta University announced layoffs of at

least seventy full-time faculty and approximately thirty full-time staff members; these layoffs, mandated by an “enrollment emergency,” took effect in the middle of a semester. The university’s official statement asserted that the institution “is not declaring financial exigency, . . . is not in financial trouble, [t]here is absolutely no financial emergency . . . , and the University is not in a cash-marginal position.” The layoffs, however, represent nearly one-third of the university’s full-time faculty.

Value Added

Higher education’s contribution to an individual’s earning power is well known (see figure 2). The rewards of higher education are one reason why so many families and individuals make sacrifices to obtain a college degree. Data reported by the U.S. Census Bureau show that, on average, a person who had completed a bachelor’s degree earned almost twice the income of a person with only a high school diploma in 2007. Going on to earn a master’s degree raises income again by more than 20 percent, and obtaining a professional degree doubles the salary of a four-year college graduate. While doctoral education typically takes several more years than professional education, the monetary return to the doctoral degree is substantially less. As people increasingly recognize the enormous economic benefits higher education confers, more and more are obtaining college degrees. Between 1997 and 2007, the number of individuals with bachelor’s or higher degrees increased by more than fourteen million and the proportion of individuals with this level of educational attainment rose from a quarter of the population to almost a third. Although we cannot quantify the nonmonetary rewards of higher education, the monetary rewards unquestionably are substantial.

FIGURE 2
Mean Income by Educational Attainment, 1997 and 2007



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, table P-18.

The contributions of college and university faculty to national economic well-being are equally dramatic. Commonly cited indicators of economic health such as unemployment, gross domestic product, and personal income are all affected by national levels of educational attainment. College graduates have unemployment rates substantially below those of individuals with less education—during both economic expansions and recessions. Figure 3 shows December unemployment rates in the United States between 1999 and 2008. During and after the 2001 recession, the unemployment rate of college graduates rose less than that of people with lower levels of educational attainment. And in the current recession, while the unemployment rate of college graduates has increased in line with the overall trend, it remains well below

the unemployment rates of individuals with less education. A college degree is not insurance against being unable to find work, but it provides insulation from the pain of an economic downturn.

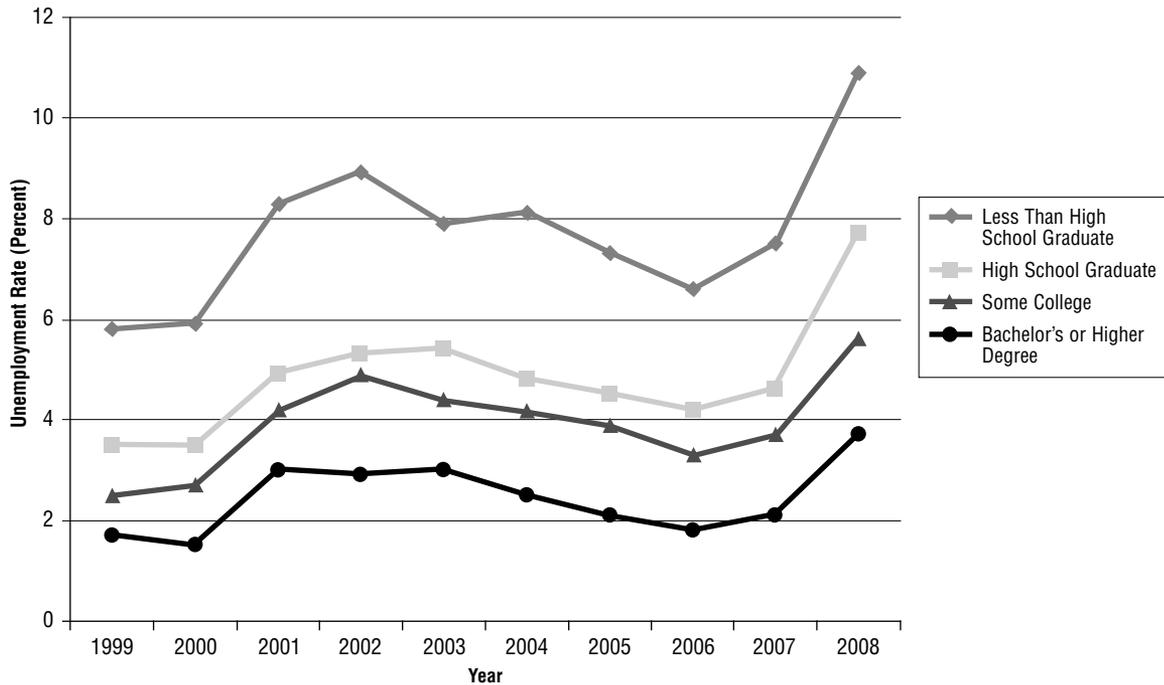
College professors are also responsible for generating an enormous amount of our national income. Census Bureau data indicate that between 1997 and 2007, the proportion of total individual income earned by people with associate's or higher degrees rose from 49 to 57 percent. Given that individuals with high school diplomas or less are taught by individuals who have earned at least bachelor's degrees, virtually all of the individual income earned in the United States is tied at least indirectly to the work of college and university faculty—the teachers of the college graduates and the teachers of everyone's teachers. That

is why the secretary of education is correct to argue that we need to increase our investments in higher education—and, we would argue, especially in the faculty members who provide that education.

Crashing Endowments

Faculty members brave enough to open their recent quarterly statements from TIAA-CREF or other investment companies understand the meltdown in the value of their institutions' endowment portfolios. Just as smaller retirement nest eggs mean lower standards of living for future retirees, smaller endowment portfolios mean lower levels of spending for those colleges and universities that rely on their endowments for a significant proportion of their operating budgets—with the difference that the effects on those colleges and universities are immediate.

FIGURE 3
December Unemployment Rate by Educational Attainment, 1999–2008



Source: U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey.

The effects are immediate because higher education institutions increasingly use endowment income to fund current operating expenses. Standard operating procedure is to determine the average size of the endowment during the prior three fiscal years and spend approximately 4.5 percent of that amount each year. So if XYZ University had an endowment worth \$110 million in fiscal year 2008, \$100 million in fiscal year 2007, and \$90 million in fiscal year 2006, in fiscal year 2009 it would put about \$4.5 million from the endowment into the general operating budget. While spending rates vary across institutions, the range is remarkably small, from about 4.2 to 5.0 percent.

Because the inflation-adjusted average return on the stocks included in the Dow Jones Industrial Average was about 10 percent a year between 1929 and 2007, an institution spend-

ing 4.5 percent of its endowment each year could expect to see its total nest egg continue to grow, even without seeking new gifts.

In the last few decades, as colleges and universities increasingly emphasized fund-raising and professional management of institutional investment portfolios, dozens of endowments have increased dramatically. The *Chronicle of Higher Education* lists seventy-nine institutions that have engaged in fund-raising campaigns of \$1 billion or more with closing dates between 1992 and 2015, forty-seven of which have already achieved their goal. And while the skills of investment managers vary dramatically, in the year ending June 30, 2007, colleges and universities with endowments valued at \$1 billion or more experienced average gains of 21.3 percent in their market value.

Between 1997 and 2007, charitable contributions to colleges and universities increased by an average of 6.5 percent a year, according to the Council for Advancement and Support of Education. And data collected by the Council for Aid to Education show that the combination of rising personal income and rising stock values allowed U.S. colleges and universities to raise \$29.8 billion in the 2007 fiscal year, the highest total ever recorded. Additionally, the proportion of total university budgets covered by state appropriations has declined, pushing public institutions to join private colleges and universities in making concerted attempts to increase their endowments. Indiana University, Ohio State University, the University of Kentucky, the University of Michigan, the University of North Carolina at Chapel Hill, and the

University of Virginia have all been engaged in capital campaigns of \$1 billion or more.

The current economic downturn and financial crisis have weighed heavily on endowment returns, bringing long-term growth trends to a halt. The Dow Jones Industrial Average peaked in October 2007 with a market close above 14,000 points. Thirteen months later, the Dow Jones closed well below 8,000 points, and it has dipped even lower this spring. According to the 2008 endowment survey conducted by the National Association of College and University Business Officers, the average return on the endowments of the 791 responding colleges and universities was -3.0 percent in the year ended June 30, 2008, still months before some of the most significant declines in investment returns. A preliminary follow-up survey of 435 institutions found that endowment values dropped an average of 22.9 percent between July and December 2008. Extrapolated to the entire sample, this represents a disappearance of \$94.5 billion in col-

lege and university wealth, which at an average spending rate of 4.5 percent amounts to lost revenues of more than \$4.25 billion.

The effects of lost endowment revenues will be most concentrated at private institutions, which typically have the largest endowments per full-time-equivalent (FTE) student. Additionally, private colleges and universities typically do not have access to direct state funding and so rely more heavily on their endowments to finance spending. Table B includes data on the size and contribution to the operating budget of endowments at some of the institutions with the largest endowments (measured by endowment per FTE student). While some public universities have enormous endowments (for example, the University of Texas system at \$16.3 billion), they also have large student bodies. As table B illustrates, the endowments at top private universities are typically ten times the size of those at the largest public universities when measured in the context of the number of FTE students.

At these wealthiest private institutions, endowment income makes up between 18 and 51 percent of the operating budget. Even though the majority of the institutions reporting endowment losses since June 30 have indicated they are not planning to reduce spending rates from their endowments, at current spending rates, each \$10 million loss in endowment income translates into \$450,000 of lost operating funds. These are losses for which there will be few sources of replacement. The small consolation for institutions that missed the opportunity to ratchet up their fundraising operations between the recessions of 2001 and 2007–09 is that endowment spending made up a tiny portion of their operating budgets, so they will not be much affected by the market meltdown as they move through their budget planning processes in the next few fiscal years.

Contingency

This annual economic report, along with numerous other AAUP statements and reports, has regularly

TABLE B
Institutions with the Largest Endowment Value per Full-Time-Equivalent Student, as of June 30, 2008

Institutions	Average Endowment per FTE Student	Average Contribution of Endowment and Gifts to Operating Budget
Public: Virginia Military Institute;* University of Virginia; University of Michigan; University of Texas system;* University of California, San Francisco; University of North Carolina at Chapel Hill;* College of William and Mary; Texas A&M University;* University of Pittsburgh; Georgia Institute of Technology*	\$123,921.70	8.93%
Private: Princeton University; Yale University; Harvard University;* Pomona College; Stanford University; Massachusetts Institute of Technology; Swarthmore College; Rice University; Grinnell College; Williams College	\$1,313,077.60	40.52%

*Data on contribution of endowment and gifts to operating budgets are from 2007–08. For other institutions, data are for 2008–09.

Sources: National Association of College and University Business Officers, 2008 Endowment Study, tables 47 and 48; individual institutional financial statements and fact books.

documented—and decried—the increasing use (and abuse) of contingent faculty appointments. The most recent comprehensive figures on faculty employment status from the U.S. Department of Education, for fall 2007, are depicted in figure 4. These data show that the proportion of faculty members employed in contingent categories—those in part- or full-time non-tenure-track positions—has expanded dramatically over the last three decades.

The overuse of contingent faculty appointments deprives students of the highest-quality learning experience. The academic freedom of contingent instructors is compromised by the nature of their appointments, and the low wages these instructors receive often mean that they are unavailable to students outside of class time. Although they are qualified, competent, and caring teachers, contingent faculty members generally are not compensated for participation in discussions about curriculum or pedagogy and are not provided with funding to enable them to keep current with developments in their disciplines—let alone to support their own development as scholars. With more than two-thirds of the faculty now in insecure and temporary academic employment, who will lead the future innovation so critical to our national economy and society? The question for the moment, however, is what impact the current economic recession is having on faculty employment.

At the same time that colleges and universities are seeking to trim their spending in response to decreases in state funding or endowment income, many institutions are facing increasing enrollments. In early February, the Associated Press reported spring semester enrollment increases at community colleges in New Hampshire, Maine, South

Carolina, Pennsylvania, and Idaho. The *Los Angeles Times* reports that cutbacks and enrollment caps at California public universities “are shifting thousands of applicants into a community college system already swamped by newly unemployed adults and students priced out of other schools.” Applications for next fall also appear to be surging. Both Duke University and the University of California system reported record numbers of applications, and a popular college-application Web site experienced unanticipated delays as a result of increased traffic on December 30 and 31, ahead of a January 1 deadline. Even selective private institutions are seeing increased applications: the *New York Times* reported in November on increases in early-decision applications at Bowdoin College, Dartmouth College, Haverford College, the Massachusetts Institute of Technology, Middlebury College, Northwestern University, Pomona College, Saint Olaf College, Stanford University, and Wesleyan University.

College and university administrators are taking divergent approaches to addressing this combination of decreasing revenues and increasing demand for instruction: some are focusing on cutting expenditures, others on meeting the increased demand as cheaply as possible. Institutional administrators whose focus is on cutting costs are taking advantage of the *contingent* aspect of contingent appointments by dismissing or not renewing part-time faculty members. Although the insecurity of contingent positions has always been a problem, the effects of reliance on contingent faculty are redoubled in this time of widespread economic distress. On the other hand, college and university administrators focusing on the demand posed by rising enrollments

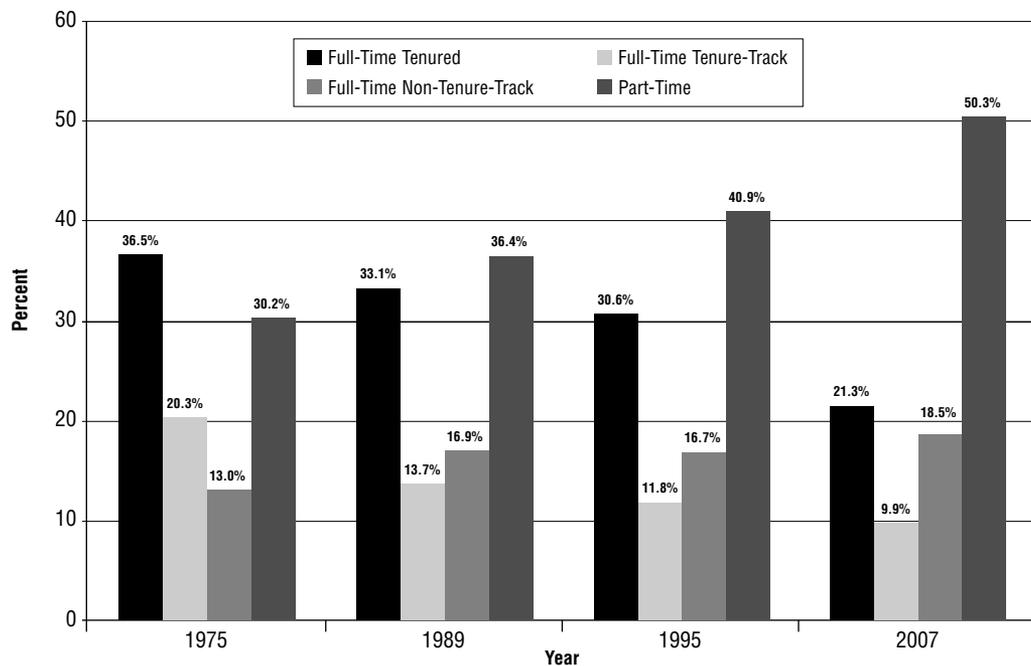
may still be in the position of freezing or slowing their hiring of full-time tenure-track faculty and consequently may be increasing their use of part-time faculty. In some cases, this means asking current part-time faculty to teach more courses; in others, it means appointing more part-time faculty.

Institutions releasing contingent faculty members now may very well move next to limit their instructional costs by replacing permanent faculty with lower-paid and less secure contingent workers. To the extent that they do so, their approach will have the same negative effect as the approach of institutions that are decreasing their use of tenure-track faculty: continuing and even accelerating the trend depicted in figure 4 toward increased use of contingent faculty appointments. Both approaches are based on the same fundamentally flawed premise mentioned earlier: that faculty members represent only a cost, rather than the institution’s primary resource. Both are bad for academia and represent a disinvestment in the nation’s intellectual capital precisely at the time when innovation and insight are most needed.

The following sampling of media reports illustrates the varying impacts of the current economic situation on contingent faculty.

An early February article in the *Tucson Citizen* reported on the paradoxical situation at Arizona’s three public universities, which are facing both “record enrollment and budget cuts.” The institutions are responding with a combination of larger classes, heavier teaching loads for existing faculty, and increases in contingent faculty hiring. The newspaper quoted Fred Boice, president of the board of regents, as saying, “With the ever-increasing student body and with declining state

FIGURE 4
Trends in Faculty Status, 1975–2007
 (All Degree-Granting Institutions, National)



Source: U.S. Department of Education, Integrated Postsecondary Education Data System, Fall Staff Survey.

support, we are restricted in the numbers of quality faculty that we can provide to those students. We will therefore at some point either have to restrict enrollment in order to maintain quality of the educational process or we will be forced to reduce the quality of that product.”

The County College of Morris, in New Jersey, will raise its tuition prices by 6 percent in the fall to help offset cuts in state and county aid for the 2009–10 academic year. The college’s budget also leaves vacant four needed full-time faculty posts, although a 2 percent increase in enrollment this semester is already pushing the college to appoint more part-time faculty members.

In the Atlanta area, in addition to the troubles at Clark Atlanta University, Emory University’s undergraduate College at Oxford is elimi-

nating thirteen staff positions and cutting \$2 million in nonpersonnel expenses and \$2 million from the temporary faculty budget. It will also eliminate or reduce funding for some specialized programs and institutes. No full-time faculty members will be laid off, officials told the *Atlanta Journal-Constitution*. The same newspaper reported that Morehouse College officials had confirmed that twenty-five adjunct professors, about a third of the part-time faculty members employed there, did not have their contracts renewed for the spring semester. Full-time Morehouse faculty and staff members were not affected. Elsewhere in Georgia, the *Athens Banner-Herald* reported that the University of Georgia increased its cadre of part-time faculty members by 40 percent between 2002 and

2008—as a result, UGA students now spend less than half their class time in courses taught by full-time professors. University administrators say the move toward more part-timers will continue, at least until the state’s budget picture improves. Governor Sonny Perdue has cut state appropriations to UGA and other state universities by about 10 percent and proposes to do the same next year.

The independent student newspaper at Northern Kentucky University, the *Northerner*, reported the following in early February:

Northern Kentucky University is preparing for another round of budget cuts. In response to a request from the Council on Postsecondary Education, President James Votruba proposed how NKU

would deal with a 6.7 percent state-funding cut. . . . According to Votruba's proposal, NKU will have fewer faculty and staff than comparable universities and a higher percentage of part-time and adjunct faculty.

In 2008, NKU trimmed \$8.3 million from its budget to compensate [for] a \$3.3 million loss from the commonwealth and increases in fixed expenses due to new buildings such as the BOKC and new Student Union. The university eliminated 24 positions, closed five university departments and the Covington Campus, implemented hiring freezes and reduced base operating expenses by \$1.25 million.

Fourteen part-time faculty members at Wichita State University's Elliott School of Communication received letters in February telling them that they probably would not be needed for the next academic year, according to a report in the *Wichita Eagle*. The university has not yet received appropriation figures for the coming academic year but is preparing for cuts of 7 to 11 percent in state assistance. University planners are looking at everything from larger class sizes to a hiring freeze.

Carroll Community College and Frederick Community College in Maryland are considering tuition rate increases and are freezing full-time faculty hiring and salaries for the coming fall semester. Governor Martin O'Malley announced in early February that his proposed \$14.4 billion budget will not allocate any increases for community colleges. Although both colleges are expecting increases in enrollment, they plan to keep class sizes con-

stant by hiring more adjunct faculty members. Carol Eaton, Frederick Community College's president, told the *Gazette*, "We have outstanding faculty and staff, who are being very supportive. Students can still expect to see the same excellent service."

The increasing use of contingent appointments demonstrates that higher education institutions are not willing to make a commitment to support their faculties. When administrators and legislators alike are nonetheless calling on their colleges and universities to commit to doing more with less, it is hard to see how students will not lose out in the bargain.

Women's Advancement

As we regularly observe in this annual report, the economic status of faculty members varies tremendously. Faculty members at private colleges and universities tend to earn higher salaries, on average, than do faculty members at public institutions. Compensation also varies substantially across institutional type, with faculty members at doctoral universities (defined broadly) earning the highest salaries. Disciplinary differences are equally sharp, with business faculty paid substantially more than humanities professors.

As earlier editions of this report have noted, the economic status of faculty members also varies tremendously by gender, with men typically faring much better than women. Economic studies of the variables that influence individual faculty salaries (such as quality of graduate program, publication record, and discipline) indicate that the most important variable for predicting faculty compensation is faculty rank. As a faculty member moves up the ladder ranks from assistant to

associate to full professor, his or her salary increases.

Thus, comparing the promotion experiences of women and men is a meaningful way to evaluate their relative opportunities for advancement. An advantage of focusing the comparison on trends in promotion rather than trends in salary is that disciplinary salary differences are less likely to be a confounding variable. In the absence of institutional or other hurdles to women's advancement, we would expect that female assistant professors would be promoted just as rapidly as male assistant professors within the same institutional category, without regard to discipline. To the extent that they are not, higher education as a social institution has not succeeded in achieving gender equity over the last three decades.

The rates at which women enter the academic pipeline have risen over the last several decades. Prior to the passage of the Education Amendments of 1972, it was legal to discriminate based on sex in graduate education. Graduate programs in various disciplines could, and did, discriminate against potential female PhD candidates by holding them to much higher admissions standards and by denying them financial support in the form of fellowships and assistantships. In the 1972–73 academic year, it became unlawful under Title IX to discriminate against women in graduate education, and consequently, the percentages of women earning graduate degrees began to increase. According to the National Center for Education Statistics, between 1960–61 and 2005–06 the proportion of doctorates earned by women rose from just over 10 percent to nearly 50 percent. Women's share of professional degrees, primarily law and medicine, rose from only 3 percent to 50

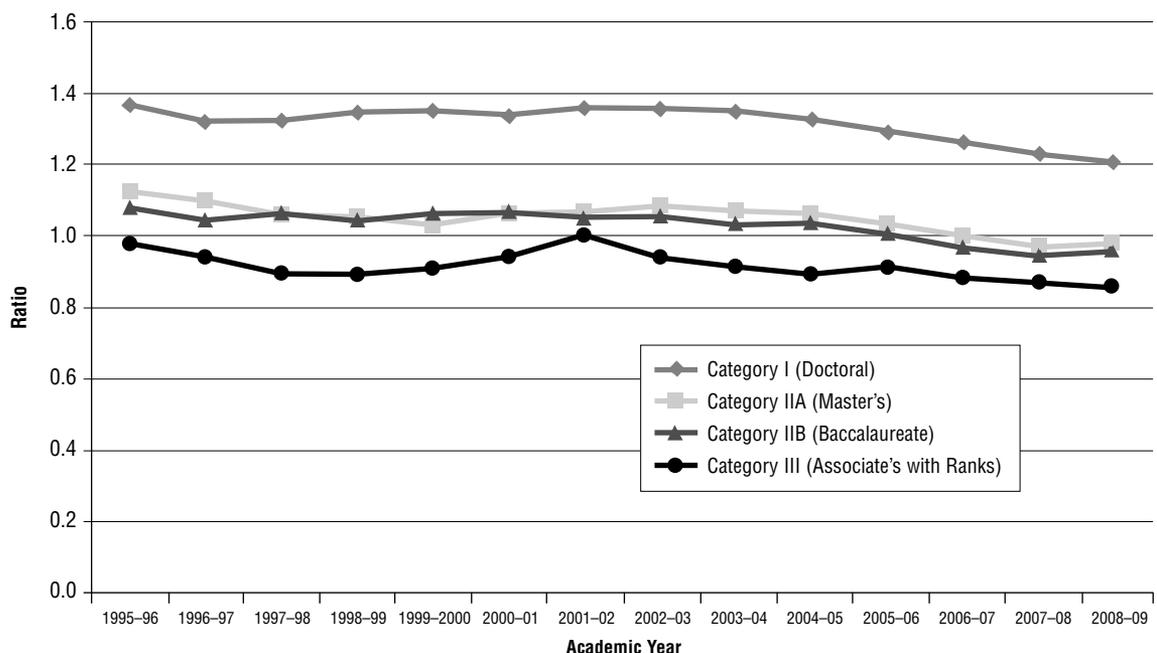
percent. And women now earn more than half of all master's degrees.

Larger numbers of women have also been entering the ladder ranks of academe, but data from the last decade show that they have been more successful at some types of institutions than others. Figure 5 shows the ratio of men to women faculty at the rank of assistant professor. (A ratio of 1.0 indicates that the proportions of men and women are equal. A ratio greater than 1.0 indicates that there are more men than women: a ratio of 2.0 means that twice as many men as women are in a given rank, and so on.) Gender equity for assistant professors is most advanced at associate's degree colleges (category III institutions) and least at doctoral universities (category I). Indeed, at associate's degree colleges, women have

been entering the assistant professor ranks at higher rates than men for most of the last decade. Just recently women attained parity—entering the ranks of assistant professor at roughly the same rates as men—at both baccalaureate colleges (category IIB) and master's degree universities (category IIA). At doctoral universities, thirteen years ago one woman entered the ladder ranks for every 1.4 men. Currently, one woman enters the ladder ranks for every 1.2 men. Women are making progress in getting onto the bottom rung of the ladder at doctoral universities but have yet to achieve parity. Although doctoral universities have improved their records, the representation of women in their faculty ranks is not yet anywhere near the level of representation among PhD recipients.

Similarly, a woman's likelihood of advancing to the rank of tenured full professor has improved over the last decade—with significant variation between institutional categories—but women are still less likely than men to reach the top rank. The AAUP collects and annually publishes data on the proportion of male and female faculty at each rank. An examination of these data shows that the percentage of men typically is greater in the upper ranks. By contrast, there are fewer women at each successive stage of the faculty career. University of California researchers Mary Ann Mason and Marc Goulden have documented in two previous *Academe* articles how issues related to family formation impede women's opportunities to be promoted at the same rates as men.¹

FIGURE 5
Ratio of Men to Women at Assistant Professor Rank,
by Institutional Category, 1995–96 to 2008–09



Source: AAUP Faculty Compensation Survey.

Figure 6 illustrates the impact of men's and women's differing rates of promotion on the gender ratio among full professors during the last decade. In the 1995–96 academic year, there were approximately seven men full professors for every woman full professor at doctoral universities. This year, there are fewer than four men full professors for every woman full professor. Between 1995–96 and 2008–09, master's degree universities and baccalaureate colleges both improved their records in promoting women: the ratio of male to female full professors dropped during the period by half, from four men for each woman to just over two. Women have experienced the greatest levels of equity in full professor rank at community colleges. In the 1995–96 academic year, there were two men full professors for each

woman full professor in community colleges. Thirteen years later, women have achieved virtual parity with men.

The good news here is that women are achieving greater rates of success in moving up the faculty career ladder. The sad news is that more than thirty-five years after sex discrimination in graduate education was made unlawful, women have achieved parity with their male peers at the highest academic ranks only in community colleges. Women can succeed in the senior faculty ranks, but substantial impediments to their advancement still exist.

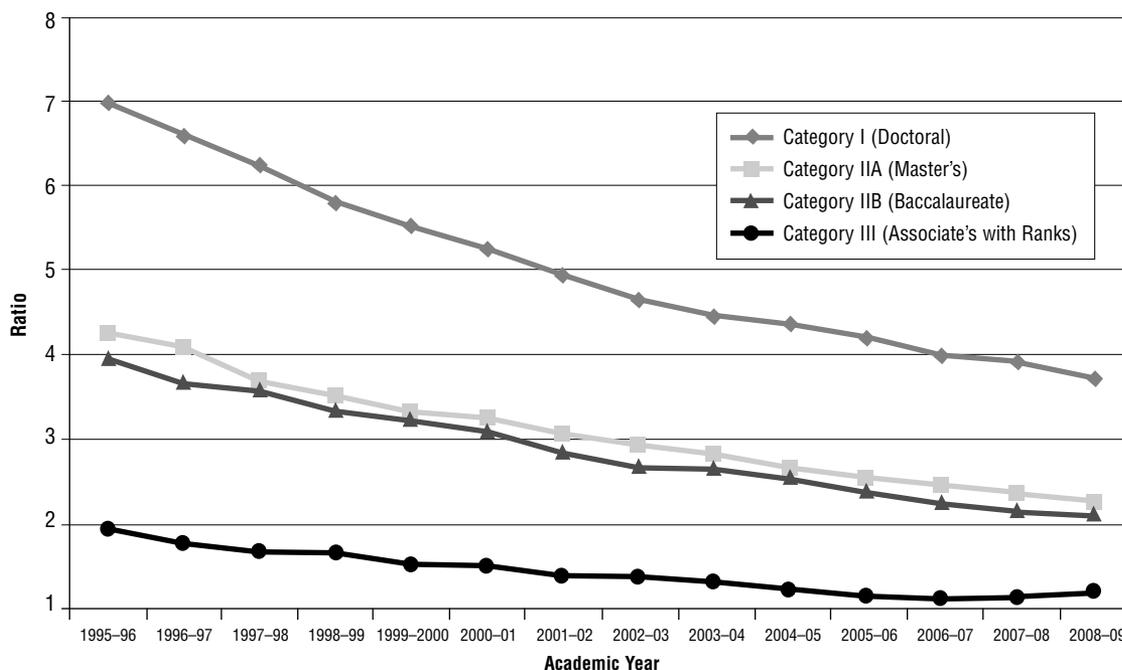
Conclusion

The U.S. economy is experiencing its worst contraction in twenty-six years. President Obama has characterized the current economic situa-

tion as a “continuing disaster.” Although higher education has sometimes benefited from minor economic downturns that raise college enrollments without producing substantial declines in other sources of revenue, the current situation is an economic “tsunami” for academia.

Academia is a low-lying island amid the current economic turbulence. Yet even in this difficult situation, spending priorities must reflect our institutional mission to provide a societal benefit. Like the larger economy, we are on the brink, and it will be critically important for faculty members to participate fully in the difficult budget decisions to come. They must insist on full access to information, and take a critical look at claims about the need for immediate actions that will

FIGURE 6
Ratio of Men to Women at Professor Rank,
by Institutional Category, 1995–96 to 2008–09



Source: AAUP Faculty Compensation Survey.

result in further demands on already strained human resources. Decisions about salaries, reductions in faculty positions and academic programs, and changes in the employment conditions of contingent faculty will affect the quality of the education we can offer for years to come, and we must ensure that the choices we make are good ones.

Acknowledgments

This report is possible only because of the team efforts of numerous people. Faculty compensation data were collected, compiled, and tabulated by the AAUP research office. John W. Curtis, director of research and public policy, is responsible for the data collection and was the primary author of the sections on the current fiscal crisis and the continuing increase in use of contingent faculty appointments. His ability to focus on key economic issues of importance to faculty, meticulous analysis of data, and good cheer through the writing of multiple drafts of this report were essential to the process. Research assistant Michael Kinsella provided invaluable aid in the collection of faculty salary data. We also are extremely grateful to the hundreds of institutional representatives who take the time each year to respond to our annual survey. Current members of the AAUP's Committee on the Economic Status of the Profession also weighed in with helpful comments and suggestions regarding this report. Committee members are Steven London (Political Science), Brooklyn College, City University of New York; Ann Mari May (Economics), University of Nebraska–Lincoln; James Monks (Economics), University of Richmond; Ronald L. Oaxaca (Economics), University of Arizona; Richard Romano (Economics),

Broome Community College, State University of New York; and Ronald G. Ehrenberg (Labor Economics), Cornell University, consultant and former chair. ☞

SARANNA THORNTON
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Hampden-Sydney College, and
Chair, Committee on the Economic
Status of the Profession

Note

1. Mary Ann Mason and Marc Goulden, "Do Babies Matter? The Effect of Family Formation on the Lifelong Careers of Academic Men and Women," *Academe* 88 (November–December 2002): 21–27, and "Do Babies Matter (Part II)? Closing the Baby Gap," *Academe* 90 (November–December 2004): 10–15.