THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Summary of Budget Study Committee's 2007 Report

At the May 14 Senate Assembly Meeting the SACUA-appointed Budget Study Committee (BSC) presented its annual report. This year the report has two sections. One section is an update to previous annual reports on the changing cost of instruction. The other section contains early results from a new and ongoing study of cumulative changes in administrative and professorial salaries over the 17-year period from 1989 to 2006. (The complete text of the BSC report can be found at http://www.umich.edu/~sacua/BSC/reportbudgetcmt2007.pdf.)

Briefly, the results on the changing cost of instruction show continued and now-familiar trends from 2001 to the present toward higher student tuition, higher salary costs, and lower state appropriation. The growth in salary costs is driven more by increased numbers of employees than by increases in salary levels. Strong growth in non-tenure-track faculty also continues. You are, no doubt, familiar with these trends.

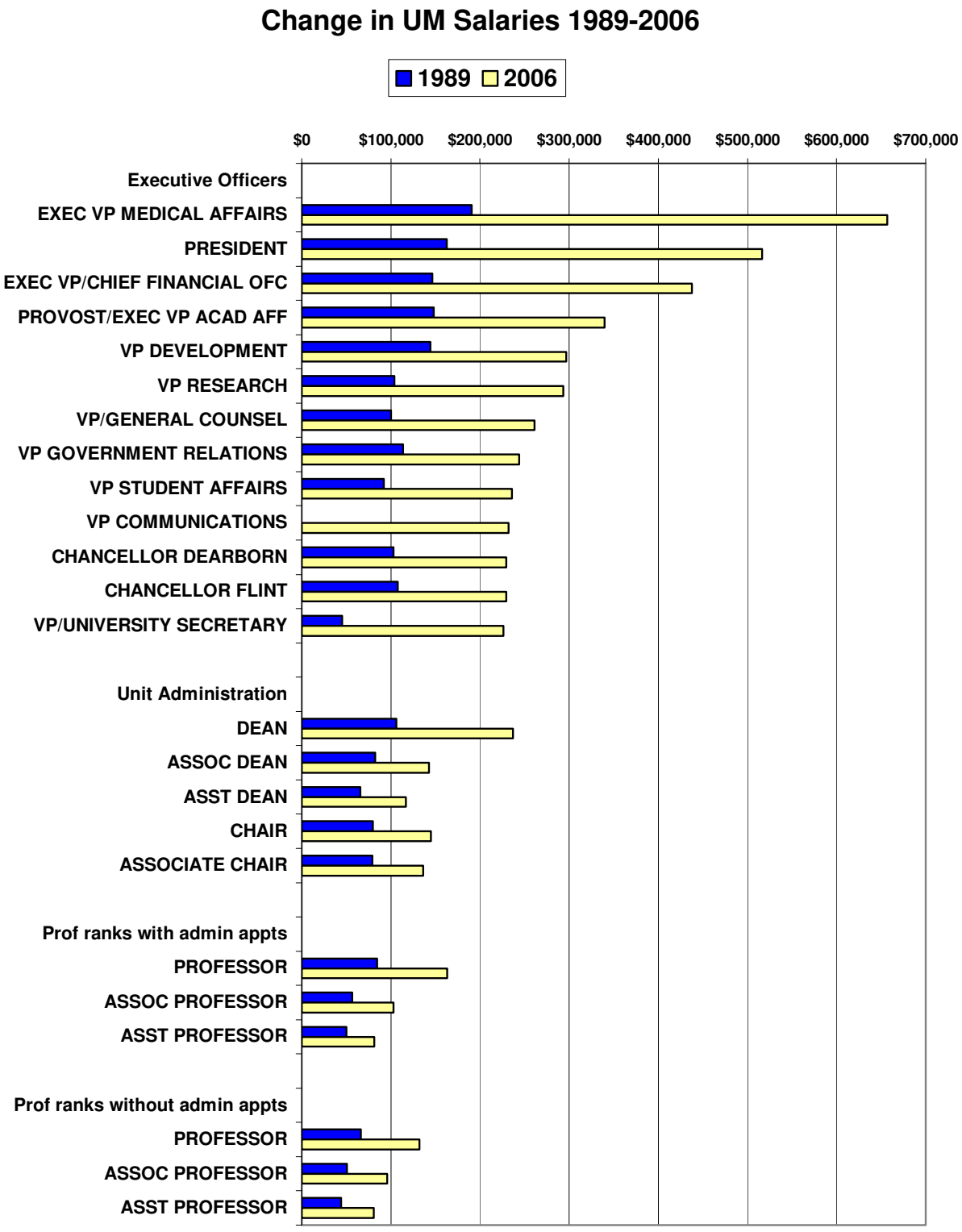
We will focus in the rest of this summary on the BSC report's new section on cumulative salary changes since 1989, with which you may be less familiar. The chart below (see full report for numerical table) shows the average annual salaries along with changes in 1989 and in 2006 for various administrative levels and professorial ranks: Executive Officers, School and College Administration, Department Administration, and Full, Associate and Assistant Professor. The professorial ranks are divided into two groups: those with part-time administrative positions, even if 0% funded, and those without. It should be noted that several executive officer positions in 2006 were not classified as such in 1989 (Medical Affairs, General Counsel, Secretary).

According to these data, the perception reported by many faculty that the salary gap between regular faculty and administrators has been increasing (in absolute and percentage terms) is well grounded. It is fair to ask why the salary gap has increased so much. Does the increased gap reflect an increase in the relative difficulty of administrative work? Is it a response to real market forces? Or does the increase merely demonstrate a salary-setting system without adequate controls? When the university hires or promotes an administrator, what mechanism is used to ensure the university is not overpaying?

The BSC plans to carry out a follow-up study in the coming year to understand better the variances in salary percentage increases across the different colleges and to quantify the "ratchet effect" of administrative appointments on the salaries of those faculty members who later return to full-time teaching and research.

The extreme differences in salary between regular faculty and executive officers have provoked some serious concerns among many faculty, and at a time when corporate executive compensation is becoming a serious national issue.

(Submitted, June, 2007)


Change in UM Salaries 1989-2006
1989
2006
$0
$100,000
$200,000
$300,000
$400,000
$500,000
$600,000
$700,000
Executive Officers
EXEC VP MEDICAL AFFAIRS
PRESIDENT
EXEC VP/CHIEF FINANCIAL OFC
PROVOST/EXEC VP ACAD AFF
VP DEVELOPMENT
VP RESEARCH
VP/GENERAL COUNSEL
VP GOVERNMENT RELATIONS
VP STUDENT AFFAIRS
VP COMMUNICATIONS
CHANCELLOR DEARBORN
CHANCELLOR FLINT
VP/UNIVERSITY SECRETARY
Unit Administration
DEAN
ASSOC DEAN
ASST DEAN
CHAIR
ASSOCIATE CHAIR
Prof ranks with admin appts
PROFESSOR
ASSOC PROFESSOR
ASST PROFESSOR
Prof ranks without admin appts
PROFESSOR
ASSOC PROFESSOR
ASST PROFESSOR