THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION
ITEM FOR INFORMATION

Subject: Report on the Economic Status of the Faculty

Working conditions and benefits are key factors in this year's CESF report on the economic status of the faculty (and hence its quality). In both areas we recognize that the University faces unprecedented challenges over the next decade. The University underwent a burst of growth and hiring of academics and staff in the 1960's, and these people are now of retirement age. This demographic shift will strain the University's ability to maintain excellence at a time of fiscal challenge. This challenge is not unique to Michigan—it is shared by all major research universities—but the University's ability to find creative and effective solutions to this problem will determine its standing for the future.

We stress the term working conditions because the issues with which we are concerned go beyond simple compensation to include the overall campus environment for faculty. Michigan has an outstanding faculty with a history of academic accomplishment that fosters research, education, scholarship and service while addressing the emerging issues of our constantly evolving milieu. Many of Michigan's successes have evolved from a tradition of "bottom up" flow of innovation, programs and ideas. Michigan is a highly regarded breeding ground for future leaders, which leaves it vulnerable to predatory external recruitment efforts for its faculty. Frequently, this has led to the departure of distinguished faculty to pursue their careers elsewhere. The University needs to be proactive in to combating this process through its salary and benefit policies, as well as policies that reward faculty involvement in activities that promote economic growth.

The University's success in maintain its intellectual stature has direct consequences for our ability to make the optimal contribution to the state's economic catharsis. The CESF supports strategic efforts to hire and retain the best faculty to proactively address the retirements forthcoming in the next decade, as well as to anticipate development in new areas of research that are, virtually by definition, underrepresented on the campus at the present time. Ongoing collaborations with the administration to ensure that hiring and tenure processes become even more transparent and effective are critical for the University to continue to thrive in this increasingly competitive environment.

Crucial in this regard is the University's benefit package. To ensure that faculty feel that they are receiving the best possible package, it is necessary for faculty to perceive that the process through which each year's benefits package is generated in transparent and credible, especially as the University seeks creative responses to the rapid increase in health care expenses. The best way for this to happen is to include members of elected faculty governance in the process. We are therefore extremely pleased to report that this past year did in fact see exactly this sort of involvement.

In looking ahead, we feel that it is especially important for the administration be conscious of the issue of affordability for those employees whose compensation packages are on the lower end of the scale (often younger faculty and staff with new families or retirees living on fixed incomes) who are especially vulnerable to sudden changes in policy. This issue is of direct concern when it comes to recruiting younger faculty, which, according to long-standing University practice is the way that we must rebuild the faculty in coming years, meaning that the health care package must remain competitive with those offered by our major reputational competitors, especially in an economic-social environment that might give faculty pause when considering a move to the state. One solution to the issue of affordability might lie in an assessment of co-premiums so that they are proportional to salary; we also note that there is a national trend towards undermining health care benefits by imposing punitive costs for drugs needed to treat rare illnesses. We applaud the fact that the University has avoided becoming a "leader" in this regard.

While the University has so far matched or exceeded many of our competitors in the area of health care, it has not chosen to match its reputational peers is in the establishment of a dependent tuition support program. It is

often noted that faculty who chose to remain at the University or who are prohibited by family circumstance from making creditable applications for external offers face a loyalty tax. A dependent tuition program might both help to attract faculty, but also serve as a reward for loyal service. In the near future we recommend a pilot program whereby scholarship support should be transferred to the Dearborn and Flint campuses for the dependents of Ann Arbor faculty and staff.

Michigan is fortunate to have diverse sources of revenue feeding its missions, and it is important to acknowledge the impressive record of the administration in building the endowment, while reflecting on the further changes needed to maintain excellence in the future. While investments in infrastructure are critical, investments in human resources are even more important: some of our most robust competitors enjoy advantages of much larger endowments, and smaller student bodies with lesser teaching commitments.

If the University and its faculty are to become even better partners in the economic development of the state, there needs to be a change of University culture to encourage more entrepreneurship, and better emulate our highly successful peer institutions. The fiscal policy of the University is by its nature risk averse, yet development of novel intellectual property by its nature involves a higher degree of risk than the University is generally accustomed. This risk can have terrific rewards, as partnerships between Stanford faculty and business leaders in with Silicon Valley have shown. We support ongoing investments and shared reward with faculty to foster intellectual property development. This too can assist in the recruitment as well as the retention of the best new faculty.

In summary, the University needs to improve compensation and benefits to hire and retain faculty of the highest quality during a period of unusually brisk turnover. The faculty should lead efforts to enhance strengths in core disciplines while promoting interdisciplinary collaboration and entrepreneurial growth around the campus, and advise on policy issues connected with their welfare. We thank the administration for its increasing openness to faculty input, and look forward to continuing to work with the Regents to ensure the University's continuing strength.

Action items:

1) Proactively recruit and retain the best faculty by improving competitive pay and benefits
2) Continue to provide competitive academic support while fostering interdisciplinary collaboration
3) Improve pay and benefits for all faculty to address the issue of diversity through exemplary recruitment and retention of all faculty
4) Foster entrepreneurship by supporting Technology Transfer and Intellectual Property development
5) Representatives chosen by the faculty should continue to be included in all discussions of future benefit changes
6) In making changes to current health care benefits, the University must grapple with affordability for those employees more poorly recompensed and the quality of the health coverage
7) Sufficient advance warning be made for all significant changes in health care cost to employees; when support is grand-parented, employees of retirement age be allowed to retire with the benefit in force
8) Pilot dependent tuition support for those serving on the Ann Arbor campus by transferring scholarship support to the Dearborn and Flint campuses to accompany Ann Arbor dependents accepted at those campuses.

(Submitted June, 2008)

Regents' Bylaw 4.04. The Senate Assembly shall serve as the legislative arm of the senate…The assembly shall have power to consider and advise regarding all matters within the jurisdiction of the University Senate which affect the functioning of the University as an institution of higher learning, which concern its obligations to the state and to the community at large, and which relate to its internal organization insofar as such matters of internal organization involve general questions of educational policy.