



# Compensation at the University of Minnesota

February 17, 2004

## Major Findings:

- The University of Minnesota spent \$1.1 billion on salaries and \$308 million on fringe benefits for faculty, staff, and student workers in fiscal year 2003—about 67 percent of total expenditures.
- The groups of higher education institutions that the University uses to compare faculty compensation at the Morris and Twin Cities campuses are appropriate, but groups for the Crookston and Duluth campuses are not.
- The University does not use a comparison group to examine academic staff salaries and, while it has an appropriate group for non-academic staff, it has seldom used it to make overall salary comparisons.
- In 2002-03, the average compensation of faculty at the Twin Cities campus was 3 to 11 percent below the average of its comparison group, depending on faculty rank; average compensation was similar to the averages of the public institutions in the group and significantly below the averages of the private institutions.
- After adjusting for cost of living, average compensation of Twin Cities faculty compared more favorably with the overall averages of a subset of its comparison group.
- At the Morris campus, faculty compensation ranged from 3 to 6 percent above its comparison group averages in 2002-03; average compensation at the Crookston and Duluth campuses was 8 to 31 percent higher than the average compensation of the comparison groups that we developed.
- The average salary of high-level academic administrators and professionals at each campus was close to the average of similar higher education institutions in 2002-03. The average salary of non-academic positions at the Twin Cities campus was within 1 percent of the average of local employers in 2002.



**U of M faculty salaries vary significantly by discipline and campus, and reflect national market patterns.**

## Report Summary

Because the *State Constitution* gives the University of Minnesota special legal status, the Legislature has limited authority over University policies and practices related to employee compensation. Over the last several years though, the Legislature has supported the University's efforts to help ensure that faculty and staff compensation is competitive with that offered by other employers. Employee compensation consists of base salaries and fringe benefits, which include employer contributions for retirement and health insurance, among others.

### In FY 2003, the University of Minnesota Spent \$1.4 Billion on Employee Compensation

The University of Minnesota classifies employees into two groups: academic and non-academic. Academic employees consist of *faculty*, who are primarily responsible for classroom instruction, and *administrative staff* and *professional staff*, who develop policies, oversee University activities, or provide instructional support. Non-academic employees, who are responsible for a variety of activities ranging from building maintenance to auditing information systems, consist of *collectively bargained staff* and *civil service staff*.

Between fiscal years 1993 and 2003, the number of full-time equivalent employees at the University increased 3 percent, from 16,484 to 17,012. But the number of academic administrative and professional staff increased 74 percent and grew from 14 to 23 percent of the University's workforce. In addition, the number of non-traditional faculty increased 67 percent to 714. In contrast, the number of tenured and tenure-track faculty decreased 4 percent to 2,755 and the number of collectively bargained and civil service employees declined 12 percent to 9,570.

Some of these changes in workforce composition are due to the University's increased use of teaching specialists and

lecturers, who are classified as academic professionals rather than faculty, to provide classroom instruction. This gives the University more flexibility in staffing and saves money. Also, colleges and departments have hired more staff into academic rather than non-academic positions, especially lower-level administrative positions. (The number of higher-level administrative positions has remained about the same since 1993.) Academic positions provide more flexibility than those governed by civil service rules or collective bargaining agreements.

The State of Minnesota is the largest source of funding for the University, accounting for roughly 31 percent of its revenues. State funds generally represent the most flexible part of the University's budget, and the University uses these funds to pay for 40 percent of employee compensation costs. To help address the state's budget problems though, the 2003 Legislature significantly reduced University appropriations for the 2004-05 biennium. Part of the University's response was to freeze salaries, impose layoffs, and pass more health-related costs on to employees.

### Faculty Comparison Groups for the Morris and Twin Cities Campuses Are Appropriate, but Those for Crookston and Duluth Are Not

The University of Minnesota compares its faculty compensation with that paid by groups of employers that it considers comparable. For faculty, it uses campus-specific groups consisting of "similar" institutions of higher education. The University's comparison groups for the Morris and Twin Cities campuses are appropriate because the groups largely consist of institutions with a similar mission and program mix. The comparison group for the Twin Cities campus consists of 29 large public and private research universities, while the group for the Morris campus contains 13 small public and private institutions, most of which are liberal arts colleges.

---

**The U of M uses state funds to pay for the largest share of its employee compensation costs.**

---

**At 13 percent of salary, the U of M's rate of contribution toward faculty retirement accounts is relatively generous.**

The University's comparison groups for the Crookston and Duluth campuses are not appropriate, largely because the institutions in each group generally have different missions, measured by their commitment to graduate education. Four of the five institutions in Crookston's group award master's degrees, which the Crookston campus does not. Similarly, the Duluth campus is classified as a master's institution, but 13 of the 16 institutions in the comparison group are classified as doctoral institutions.

### **The University Should Use Comparison Groups to Examine Overall Staff Salaries**

The University has not established comparison groups for academic staff and, while it has an appropriate group for non-academic employees—Twin Cities metropolitan area employers—the University has done few overall salary comparisons using it. The University should establish a comparison group (or groups) for academic staff so that it can use the group to periodically examine and report on the overall salaries it pays relative to those paid by other employers. Also, because *Minn. Stat.* (2003), §137.02, subd. 4 says that salaries of non-academic employees at the University should be comparable to those of similar classified staff in state government, the University should include such comparisons in its report on non-academic staff.

### **Average Faculty Compensation at the Twin Cities Campus Is Lower Than That of the Private Universities in its Comparison Group, but Similar to That of the Public Institutions**

In 2002-03, the average compensation of faculty at the Twin Cities campus was 3 to 11 percent below the average of its comparison group, depending on faculty rank. It ranged from 1 percent below to 6 percent above the averages of the group's public institutions, and 9 to 17 percent below the averages of the private institutions. However, after adjusting for

cost-of-living differences, average faculty compensation at the Twin Cities campus was above the average of a subset of its comparison group, with the greatest improvements occurring relative to private institutions. Average compensation of faculty at the Crookston, Duluth, and Morris campuses (without adjusting for cost-of-living differences) was higher than that of their respective comparison groups.

Faculty compensation at the University of Minnesota compares as well as it does with comparison institutions due to the value of its fringe benefits. When looking at average salaries alone, each University campus compared less favorably to its comparison group. The better relative position of University compensation is partly due to its contribution rate to faculty retirement; at 13 percent of salary, it is relatively generous.

Higher pay at private rather than public institutions is a national phenomenon. In a subset of the comparison group for the Twin Cities campus, private institutions paid about 28 percent of their full professors salaries of \$150,000 or more, while the comparable figures for the Twin Cities campus and other public institutions were less than 10 percent. Also reflecting national phenomena, salaries varied greatly by discipline. At the Twin Cities campus, the differences between the highest and lowest paying disciplines ranged from nearly \$52,000 to over \$80,000 in 2002-03, depending on faculty rank.

In general, deans and administrators at the Twin Cities campus said that they are not overly concerned about the University's current level of faculty turnover. They indicated that, while recruiting and retaining faculty are challenging, compensation is only part of the issue. Other factors, such as employment opportunities for significant others and research facilities and support, are also important. Deans indicated that in some cases they are able to offer a level of compensation or other inducements to attract or retain faculty, while in other cases they are not.

### Average Salaries of Academic and Non-Academic Staff at the University Are Similar to Those of Other Higher Education Institutions and Twin Cities Area Employers Respectively

The average salary for a sample of high-level academic administrative and professional positions at each of the University's four campuses ranged from 1 percent below to 4 percent above the average salary of other higher education institutions with a similar mission and budget in 2002-03. Average salaries for 40 to 49 percent of the individual positions examined at each campus were more than 5 percent above the averages of similar institutions nationwide, while 20 to 31 percent were more than 5 percent below.

The average salary for a sample of collectively bargained and civil service positions at the University of Minnesota-Twin Cities in 2002 was about 1 percent below the average of the University's comparison group. Average salaries for 27 percent of the positions examined at the Twin Cities campus were more than 5 percent below the averages of Twin Cities metropolitan area employers

while another 27 percent were more than 5 percent above.

There are only limited data available on staff compensation relative to other employers. Fringe benefits at the University of Minnesota averaged about 31 and 34 percent of salary for non-academic and academic employees respectively in 2003, with University contributions for health insurance and retirement comprising the largest shares of costs. According to studies, the University paid a higher percentage of employees' health care premiums than did private employers in 2003, and the University's cost of retirement plans for its employees was higher than private sector employers' cost.

As with faculty, salaries and benefits are not the only factors that staff consider when weighing University employment. Other factors, such as the University's national reputation and the ability of staff to participate in campus life, likely make the University of Minnesota an attractive place to work for some employees.

**Compensation is not the only factor that can affect faculty and staff recruitment and retention.**

The full evaluation report, *Compensation at the University of Minnesota* (#pe04-02), includes the University's response and is available at 651/296-4708 or:

[www.auditor.leg.state.mn.us/ped/2004/pe0402.htm](http://www.auditor.leg.state.mn.us/ped/2004/pe0402.htm)

### Summary of University Response:

**I**n a February 6, 2004 letter, President Robert Bruininks wrote that the major findings of the report "are broadly consistent with the analyses of salaries and compensation that the University conducts annually and reports publicly to the Board of Regents." The University's "only significant disagreement" concerns the report's finding that the comparison groups used to examine faculty compensation at the Crookston and Duluth campuses are not appropriate. He wrote, "We do not agree that these peer groups are inappropriate, but we will review them" and "[i]f they can be improved, we will try to do so."

The President made two other points. First, concerning the report's finding that average faculty salaries on the Twin Cities campus looked somewhat better relative to its comparison group after adjusting for cost of living, President Bruininks agreed that cost-of-living analyses are very difficult to do and noted that the finding is based on a slightly different comparison group that excludes five institutions. "Our own experience in recruiting and retaining faculty is that cost-of-living is rarely a major consideration when talented faculty make a decision to join the University of Minnesota's Twin Cities Campus or decide to stay or leave in relationship to competitive offers." Second, although the President agreed that the University should try to define a comparison group for academic staff, he pointed out that "it is not possible because of very significant differences in how staff are classified at other campuses and also because the market for these employees is national in some cases, while local in others." However, President Bruininks added, "whenever the University has occasion to join in such comparisons we do certainly take part and will make every effort to build appropriate comparisons in the future."