Benefits and Retirement in a Decade of Change

by Jay L. Chronister

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This year's chapter on benefits and retirement addresses five topics:

- changes in the composition and structure of the American professoriate that affect their benefit costs and retirement.
- income security for the retirement years.
- changes in federal income tax laws that affect retirement planning and retirement income plans.
- work-family options.
- costs of benefits.

THE CONTEXT

The severe financial distress of the early 1990s led colleges and universities to pay closer attention to personnel staffing and compensation. At public institutions, the growth rate in state support in 1990-91 was the lowest since 1958.[1] State government appropriations declined between 1990-91 and 1991-92—the first such decline in over three decades.[2] Meanwhile, corrections and public safety, K-12 education, Aid to Families with Dependent Children, and Medicaid gained support from state general funds.[3]

At independent institutions, a decade-long clash between increasing costs and decreasing affordability to students led to budget reductions or freezes.[4] Few institutional leaders and policy analysts foresee a return to previous support levels.

Colleges and universities attempted to reduce or control costs by imposing personnel actions, including hiring freezes on regular faculty positions (35 percent), delayed or reduced salary increases (32 percent), and no salary increases (27 percent).[5] Rising benefit costs further constrained salary increases. Increases in health coverage costs for faculty outstripped per faculty growth in retirement and Social Security costs, and the rise in the health-care component of the Consumer Price Index.[6]

More than a third of all institutions utilized incentive plans to encourage the early retirement of senior faculty.[7] These institutions used the freed-up funds to restructure the academic workforce.

Faculty Composition Changes: Full-Time vs. Part-Time

Financial stress has fundamentally changed the American professoriate. Colleges, for example, have increased the use of part-time faculty and full-time, nontenure-track faculty.[8] The number of instructional faculty and staff increased from 769,800 in 1987-88 to about 905,000 in 1991-92. But the proportion of part-timers increased from 33.1 percent to 41.6 percent.[9]

Budgetary reductions, argued academic leaders, necessitated more flexible staffing policies. "Flexible" usually meant paying lower salaries or wages on a per course basis—and providing no benefits—to part-timers.[10] In 1992-93, for example, only 42 percent of institutions offered a retirement plan for part-time faculty, 35 percent provided medical coverage, 25 percent offered dental coverage, and 25 percent provided life insurance. Institutions offering benefits for part-time faculty commonly based eligibility on a minimum number of hours per week of contracted responsibility and a minimum number of years of service.[11]

Full-Time Faculty Composition Changes: Tenure-Track vs. Term Contract

The tenure composition of the full-time faculty also changed. In 1975, 52.3 percent of the 435,000 full-time faculty members were tenured. Another 29.1 percent were on tenure-track, and 18.6 percent held full-time, nontenure-track (term appointment) positions. By fall 1993, 51.7 percent of the 545,700 full-time faculty were tenured, 20.8 percent were on tenure-track, and 27.3 percent were in nontenure-track positions.[12] Institutions again justified hiring more full-time, nontenure-track faculty by citing a desire for flexibility in program, staffing, and finances.

Many colleges hired nontenure-track faculty with lower qualifications and at lower salaries to handle less demanding roles. Full-time, nontenure-track faculty with qualifications comparable to tenured and tenure-track 1996-97 faculty salaries were lower at 36.4 percent of 88 surveyed four-year institutions, equivalent at 59.7 percent, and higher at 3.9 percent.[13] The lower salaries were a planned cost saving strategy at the majority of institutions.

Benefits for Nontenure-Track Faculty

Eligibility for benefits for full-time, nontenure-track faculty varies by institution and by type of appointment. Many institutions reserve benefits for faculty members whose term appointment extends for a year or more. The University of California system, for example, provides full benefits for full-time and some part-time, nontenure-eligible faculty who expect one or more years of employment. Here are the eligibility requirements for benefits:

- The faculty member must be a member of a UC-sponsored defined benefit retirement plan.[14]
- The faculty member must have an appointment to work at least 50 percent time for a year or more.[15]
- The average regular paid time for part-time employment must be at least 20 hours per week.[16]

Nontenure-track faculty members who meet these requirements have the same benefit access and coverage as other eligible tenured and tenure-track faculty. They become fully vested when they earn five years of UCREP service credit.[17]

Similarly, "Limited Full-Time Faculty" at the University of Rhode Island—faculty members whose appointments exceed or are expected to exceed one year—are eligible for benefits. Benefit costs—health and group insurance, and retirement contributions—of faculty members with appointments of more than 20 hours per week that exceed or are expected to exceed one year are shared in accordance with their salary distributions.[18]

In 1993, only 45 percent of colleges and universities provided health coverage for temporary full-time instructional faculty and staff; only 38 percent provided dental coverage, disability insurance, and life insurance.[19] Most colleges categorize full-time faculty members with a year or less of expected service with part-time faculty when determining eligibility for benefits.

Full-time, nontenure-track faculty expecting continued employment at 88 institutions surveyed in 1996-97 were generally eligible for the statutory and voluntary benefits received by tenure-eligible faculty, including pension plans, medical insurance plans, and life insurance.[20] The majority of campuses also provided many of the same support benefits.[21] But colleges that paid lower salaries for nontenure-track, full-time faculty incurred lower costs for pensions, Social Security, Medicare, and other salary-driven benefit payments, even when they fully covered these benefits.

AGING OF THE FACULTY

The professoriate is aging. By 2000, notes one estimate, the mean age of full-time faculty will be 48 (68 percent=age 50 or older; 50 percent=age 55 or older).[22] The higher salaries and salary-based benefit costs typical of older faculty may further increase institutional reliance on part-time and nontenure-eligible faculty, especially during periods of financial constraint.

Nearly 20 percent of all full-time faculty will have reached their expected retirement age by 2000.[23] Colleges and universities may gain financial relief and program staffing flexibility if retirements take place when expected. Two key factors will affect the plans of senior faculty for retirement—the "Third Age":[24]

- the perceived adequacy of retirement income from pension plans, Social Security benefits, and savings and investments.
- the availability of incentive retirement plans.

Income Sources for Retirement

Observers traditionally posit a three-legged financial stool for assuring income security in retirement: Social Security, pension plans, and savings and assets. But these observers often overlook a fourth leg: employment income—part of the life of retirees for decades (Table 1). In 1994, 21 percent of retirees 65 and over received employment income—18 percent of all retirement income. Only Social Security accounted for a larger proportion of retirement income (42 percent). Asset income, including personal savings, accounted for another 18 percent.

Why are employment earnings a significant proportion of income for retirees? Inadequate income—perceived or actual—from Social Security, pension funds, and personal assets is a strong motivation. But high career satisfaction and the need for continued intellectual stimulation and professional activity provide even stronger motivation.[25]

Incentive plans for early retirement encourage many faculty members to leave traditional full-time employment. But shortened employment, extended retirement, and increased life expectancy may result in at least 25 years of productivity in the Third Age.[26] How do faculty members view the potential for employment during retirement? In fall 1992, nearly 28 percent of full-time faculty members expressed a willingness to take an early retirement option if offered (45-54=30 percent; 55-59=33 percent; 60-64=35 percent).[27] When asked if they would elect to draw retirement income and work part-time at their college if given the opportunity, 46 percent of full-time faculty answered yes (55-59=51 percent; 60-64=55 percent; 65-69=59 percent).[28] Willingness to retire early increases when institutions guarantee subsequent part-time employment.

Some excellent faculty members may choose early retirement because they perceive options to begin new careers.[29] Institutions may save salary and benefits by replacing senior faculty with lower cost junior

TABLE 1

PROPORTION OF TOTAL POPULATION AGE 65 AND OVER RECEIVING RETIREMENT INCOME, AND THE PERCENT OF RETIREMENT INCOME, FROM SELECTED SOURCES: 1994

Income Source	Percent of Popullation	Percent of Retirement Income
Social Security	91.0%	42.0%
Private pensions	30.0	10.0
Government employee pensions	14.0	9.0
Asset income	67.0	18.0
Employment income	21.0	18.0
Other*		3.0

SOURCE: Y. P. Chen, "Income Security for the Third Age: Concepts and Sources," Research Dialogues *53 (TIAA-CREF, December 1997): 2.*

**Includes sources such as public assistance, Supplementary Security Income, unemployment compensation, veterans benefits, nonpension survivor benefits, child support, and alimony.*

colleagues, but the cost includes the loss of the intellectual vitality, quality, and experience of these retirees.

Baby boomers may face different issues in retirement planning. They are reportedly saving significantly less than half the amount needed to sustain their living standard in retirement.[30] Low rates of financial literacy, observers believe, lead boomers to fail to take advantage of tax-deferral opportunities, poor asset diversification, and excessive conservatism in investment decisions.[31]

But do these findings apply to baby boomer faculty? Experts disagree. If faculty members act like typical boomers and do not maximize earnings growth through tax deferred savings and investment opportunities, they may face a lower than anticipated standard of living in retirement. Other observers are more impressed by the financial acumen of boomer faculty. Boomers as a group, predicts one expert, will have higher incomes in retirement than their parents, who are now retiring.[32]

Another observer highlights existing disincentives in the Social Security program and the tax laws for working past 62 or 65:

- the earnings penalty that reduces benefits.
- the economic benefit of taking early retirement at age 62.
- a benefit formula based on 35 years of service and skewed toward lower income citizens.

Lost Social Security benefits combined with taxes paid, notes this observer, offset much of the earned income of highly skilled workers.[33]

Boomer generation faculty should factor in the potential impact of these disincentives when deciding on the age of retirement and whether to work during retirement.

Economic Security During Retirement

What objectives underlie governmental and private pension plans? Analyst Y.P. Chen posits a dichotomy: Public plans provide “social adequacy”; private retirement income plans assure “individual equity.”[34] Income from Social Security and other public programs, notes Chen, meets a socially defined, minimum subsistence base needed by retirees with low income during the employment years. The Social Security benefit formula provides the largest income replacement value to these retirees.[35] These benefits are not strictly a function of the contributions made by or on behalf of the employee. Social adequacy, Chen adds, requires that Social Security benefits serve only as a *floor* of retirement income protection.

The individual equity provided by private pension plans is a function of the actuarial relationship between benefits and contributions to the plan made by, or on behalf of, the participant. These pension plans gain increased significance as retirement income replacement strategies for higher income workers. Other sources of retirement income, such as personal savings, provide additional resources.[36]

Making Retirement Dollars Last

More early retirement options and increased life expectancy make a retirement income distribution strategy as crucial as a retirement saving strategy. When should retirees begin to receive Social Security benefits, pension annuities, and tax deferred savings? Should retirees expend personal savings prior to drawing from tax deferred accounts such as 401(k)s or 403(b)s? Maximizing use of funds earmarked for retirement may require the assistance of financial planners.

To make income meet retirement needs, faculty members must anticipate a 25-year third age and inflation-diminished purchasing power. Employment earnings, personal savings, pension plans, and Social Security determine the funds available at retirement. Cost-of-living-adjustments (COLAs) in the majority of public employee retirement plans and in Social Security hedge against inflation, but defined contribution pension plans do not generally include COLAs. Retirees must therefore provide for inflation and longevity by deciding how much retirement income to spend and how to invest their remaining funds.[37] Faculty members might, for example, defer drawing on funds accrued through 403(b) plans to hedge against inflation—a self-paced COLA adjustment—and to save on taxes.

CHANGES IN FEDERAL LAWS

Major changes to key laws and regulations have affected the ability of individuals, private pension plans, and social insurance plans to prepare for and meet retirement income objectives. In 1983, legislation changed the normal age for providing unreduced Social Security benefits.[38] Eligibility for full benefits will increase gradually from 65 to 66 and to 67 for participants reaching 62 by 2005 and 2022, respectively. The same legislation increased the penalty for retiring at 62 from the current 20 percent to 30 percent as the normal retirement age rises. The delayed retirement credit (DRC) will increase at a .05 percent rate every two years until it reaches 8 percent by 2008.[39] Most recipients of Social Security benefits must report some of their benefits as income if their provisional income exceeds a threshold.[40]

Changes in the normal retirement age for full Social Security benefits, the increased value of the DRC, and concerns about health care coverage and eligibility for Medicare may encourage faculty members to delay retirement. Changes in Social Security legislation may directly affect the plans of lower income faculty and staff members with lower pension accumulations, since Social Security benefits are a significant portion of their retirement income. Conversely, changes in these laws may have less effect on faculty with higher incomes or larger pension plan accumulations.

1997 Federal Legislation

Changes in Medicare included in the Balanced Budget Act of 1997 will affect institutions that provide medical benefits for retirees 65 or older.[41] The act provided a new capitated alternative, Medicare+Choice (Part C), and permitted physicians to treat patients outside Medicare.

Part C allows Medicare beneficiaries to receive Medicare benefits under Parts A and B through private coverage, instead of through traditional Medicare indemnity coverage. The new options include existing Medicare HMOs and newly authorized provider-sponsored plans, preferred provider organization plans, and private fee-for-service coverage. Medicare may better meet the health coverage needs of retirees with these additional coordinated care choices.[42]

The 1997 legislation also allows physicians and patients to negotiate charges falling outside the scope of Medicare. Medicare limits do not apply to these charges, and beneficiaries may not submit claims to Medicare for their reimbursement.[43]

The Taxpayer Relief Act of 1997 (TRA) affected 401(k) and pension plans by repealing the 15 percent excise tax on excess distributions from pension plans and the excise tax on excess accumulations in an individual's retirement plan at death.[44] The 1997 TRA also increased the options for tax deferred retirement investing by raising the income limits applying to active participants in employer sponsored IRAs, establishing the Roth IRA, a tax-free nondeductible savings vehicle, and allowing penalty-free IRA withdrawals for qualified higher education expenses and first-time home purchases.[45]

Contributions to the Roth IRA are not tax deductible, but earnings are tax deferred. Withdrawals are tax free if the account is held for at least five years, and if the holder is at least 59 1/2, dies, or becomes disabled.[46] Holders of Roth IRAs do not face the minimum distribution requirements required by traditional IRAs; they may therefore contribute to the fund after reaching 70 1/2. Contributions to Roth IRAs have caps of $110,000 adjusted gross income (AGI) for individuals, and $160,000 AGI for joint filers.

Education IRAs, designed to meet needs for higher education saving, permit parents, grandparents, and others to contribute up to $500 per year per beneficiary to a student's account until the student reaches 18. These IRAs are not vehicles for retirement savings. Contributions to an Education IRA are not deductible, but the earnings accrue tax-free. At withdrawal, the funds are tax-free if used for qualified college expenses.[47] Roth IRA income caps on contributions also apply to Education IRAs.

Beginning January 1, 1998, the maximum annual elective salary deferral under 401(k) and 403(b) plans increased from $9,500 to $10,000.[48]

WORK-FAMILY PROGRAMS REVISITED

Changes in workforce demographics led corporations and universities to develop work-family policies, plans, and programs that may affect family life.[49] Here are the key demographic changes:

- Women constitute 46 percent of the labor force.
- Half of all working families have more than one wage earner.
- About half the labor force has responsibility for children under 18.[50]

Women make up 44.8 percent of all professional staff and 64.5 percent of nonprofessional staff at colleges and universities.[51] Nearly 76 percent of higher education faculty are married, including 78 percent of males and 62 percent of females in their first seven years of employment.[52]

Employers are shifting their view of work-family issues from problems encountered by women with children to family-oriented problems going beyond child care. Approximately 40 percent of all workers, notes one study, report problems in managing work and family life.[53]

The 1998 *NEA Almanac* discussed measures addressing family issues that may affect faculty and staff productivity and morale, especially dependent care initiatives.[54] Here, we discuss wellness initiatives, employee assistance programs (EAPs), counseling services, and work schedule modifications.

About 88 percent of "leadership" campuses and 66 percent of other surveyed institutions, notes a 1996 report on work-family initiatives in higher education, offered wellness or health promotion programs designed to improve employee health and morale and to reduce health insurance costs.[55] These programs include health screening, sponsored physical fitness activities, and workshops or counseling on nutrition, smoking cessation, weight control, and stress management. Some programs only distribute printed materials, but proactive initiatives may involve large investments of resources and time.

About 90 percent of leadership institutions and 55 percent of other surveyed colleges offered employee assistance programs.[56] EAPs were established to assist with alcohol and drug abuse issues, but most surveyed programs also included counseling for family or marital problems (94 percent), stress management (92 percent), and concerns about downsizing and reorganization (73 percent).[57] Some campuses added preretirement counseling to prepare faculty and staff for typical lifestyle changes.

Corporate EAPs help to manage health care costs, improve employee productivity, morale, and job satisfaction, and reduce absenteeism and turnover.[58] EAPs cost employers about $25 per employee; the programs recover an estimated $4 to $5 in productivity for each dollar spent.[59] Colleges and universities may provide EAPs internally—generally at no cost to employees—or through contracts with external agencies, which may involve a cost.

Some institutions modify traditional work schedules to accommodate faculty and staff family needs. These modifications include flextime, part-time work, job sharing, and compressed work weeks. Flextime allows employees to vary the beginning and ending of the work day and the time worked per day or per pay period. Most flextime plans include a required core time each day or on specified days.[60] About 97 percent of leadership campuses and 74 percent of other surveyed institutions feature flextime.[61]

Part-time employment may be permanent or continuous, or may accommodate a full-time faculty or staff member with a family need for a specified period of time. Continuous part-time employees may receive partial or full benefits, and personnel moving from full-time to part-time with a defined time for returning to full-time status may retain full benefit support.

Job sharing between two or more workers, often with different strengths, may or may not create the equivalent of a full-time position.[62] Job sharing is an employment option at 76 percent of the leadership campuses and at 34 percent of other colleges.[63] Some colleges and universities provided for position-sharing couples—faculty members who do not desire full-time positions because of other professional or personal interests. These colleges treated the positions as full-time appointments, thereby providing the couple with full benefits.

Compressed work weeks give employees an additional day per week to meet family responsibilities by including several long, fixed or rotating work days. This scheduling is especially popular among nursing personnel at medical centers and hospitals, and at colleges that provide support services during day and evening hours, or that can compress faculty teaching schedules to less than five days per week.

The industrial-era employment model that viewed family and work as two separate, distinct gender-based systems no longer accommodates the needs of higher education or its faculty and staff.[64] Demographic changes in the workforce and changing societal expectations about relationships between family and work necessitated family-work adjustments and support services that assist faculty and staff to meet their responsibilities in both areas.

BENEFIT COSTS

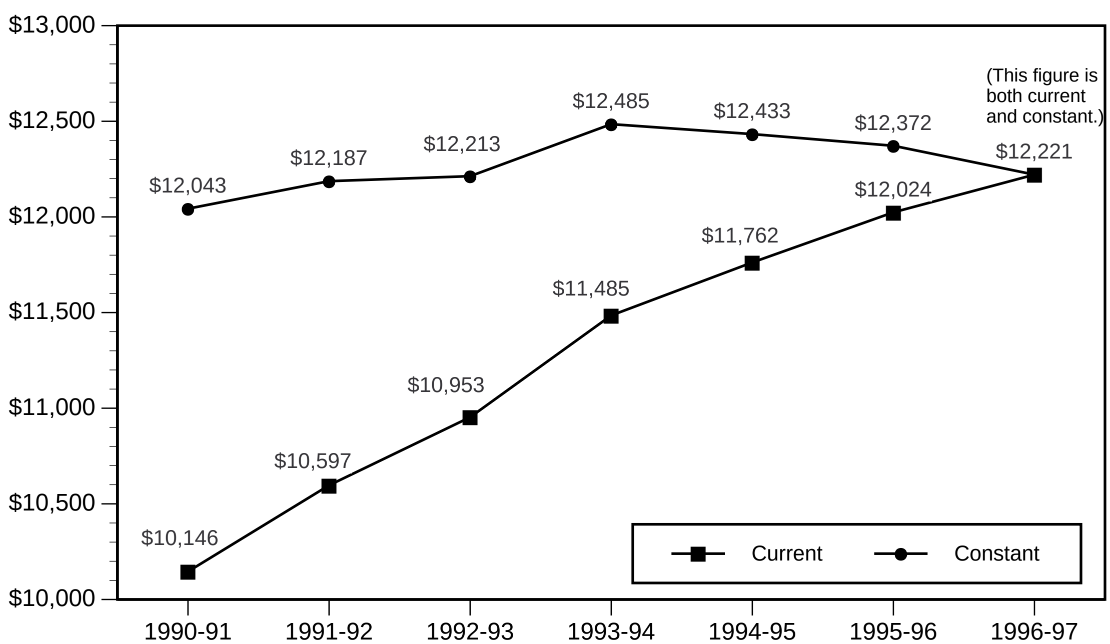
Between 1990-91 and 1996-97, average compensation costs for faculty on 9-10 month contracts increased by 20.3 percent in current dollars and by 1.3 percent in constant dollars across all institutions. That growth included current dollar increases of 20 percent in average salaries and of 22 percent in average benefit costs (1 percent and 3 percent increases, respectively, in constant dollars). Figures 1 and 2, respectively, show changes in the average costs of benefits in current and constant dollars for public and independent institutions. The $2,075 and $2,831 current dollar increases at public and independent institutions, respectively, become real increases of $178 and $818 when adjusted for inflation.

Benefit costs increased by 20 percent and 1 percent, in current and constant dollars respectively, at public colleges and by 26 percent and 6 percent, in current and constant dollars respectively, at independent colleges (Table 2). These average figures mask significant variations in the growth of costs by level of institution. Among public institutions, growth in benefit costs in constant dollars varied from -2 percent at BA+ institutions to 4 percent at doctorals. Among independents, growth in benefit costs in constant dollars ranged from 4 percent at doctorals to 10 percent at BA colleges. The constant dollar increase was higher for benefits than for average salary costs in all categories except public BA+ institutions, where the increases were comparable.

Benefit costs consumed 25 percent of the average institutional compensation budget in 1996-97 for faculty members on 9-10 month contracts—a negligible .01 percent increase over 1995-96 (Table 3). Benefits as a percent of salary increased by .02 percent over 1995-96 for public institutions and declined .03 percent for independents. Independent AA colleges

FIGURE 1

CHANGES IN AVERAGE BENEFIT COSTS AT PUBLIC INSTITUTIONS IN CURRENT AND CONSTANT DOLLARS,* 1990-91 TO 1996-97



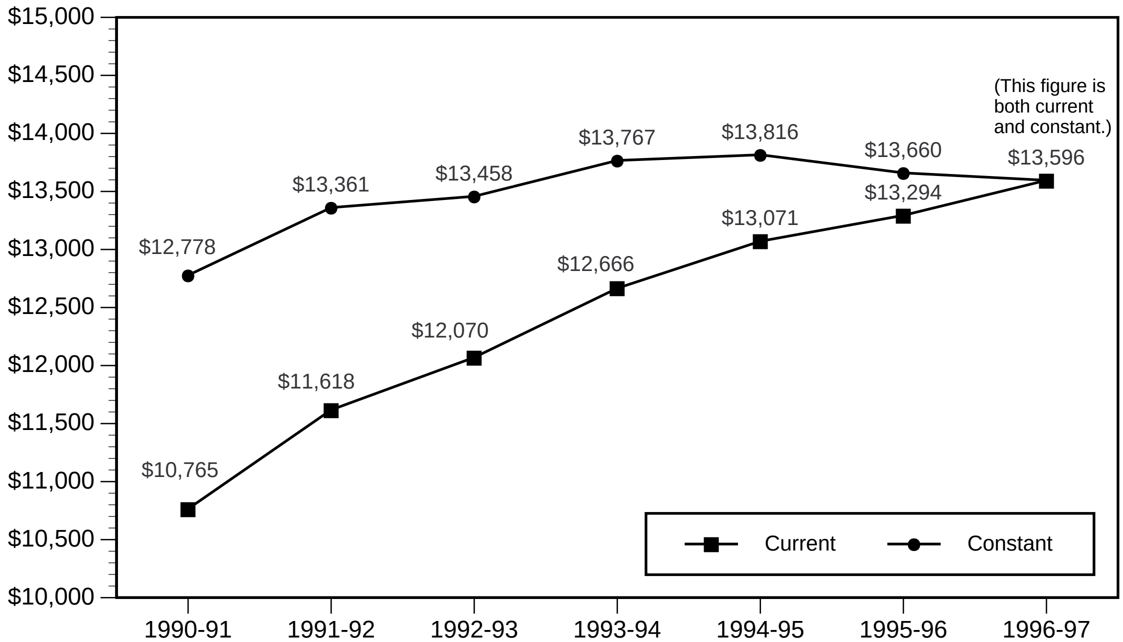
SOURCE: NCES, IPEDS Salary Surveys*, 1990-91 through 1996-97.*

NOTE: Based on 42.25 percent of the NEA national faculty salary universe reporting data in all years.

** In constant 1996 dollars.*

FIGURE 2

CHANGES IN AVERAGE BENEFIT COSTS AT INDEPENDENT INSTITUTIONS IN CURRENT AND CONSTANT DOLLARS.* 1990-91 TO 1996-97



SOURCE: NCES, IPEDS Salary Surveys*, 1990-91 through 1996-97.*

NOTE: Based on 42.25 percent of the NEA national faculty salary universe reporting data in all years.

** In constant 1996 dollars.*

showed the highest benefit costs as a percent of salary (27.0 percent); public doctorals, the lowest (24.0 percent). Independent AAs showed a large change from 1995-96, when they reported relatively low benefits as a percent of salary (23.9 percent). Independent institutions reported the highest and lowest average dollar expenditures for benefits (doctorals=$15,636; AA=$9,364).

The average cost of benefits as a percent of salary for faculty on 11/12 month contracts at all institutions in 1997-97 (24.0 percent) was .06 percent higher than the 1995-96 average (Table 4). Public BA colleges reported the highest average costs as a percent of salary (29 percent); independent AAs, the lowest (21 percent). Average dollars expended were highest for public doctorals ($15,912) and lowest for independent AAs ($7,704).

Tables 5 and 6 show average costs of specific benefits for faculty members on 9/10 month and 11/12 month contracts, respectively. This disaggregated data permits comparisons of average costs on specific benefits within and across sectors. Public AA, BA, and BA+ colleges, for example, incurred greater average costs for retirement and medical and dental benefits for faculty on 9/10 month contracts than independents. But the opposite pattern appeared at doctorals. With minor exceptions, independents reported higher average expenditures for Social Security, tuition plans, housing, group life insurance, disability income protection, and other in-kind benefits.

The costs of retirement, medical and dental plans, and Social Security ranged from 90.7 percent (AA colleges) to 94.0 percent (BA+ colleges) of total average benefits expenditures for 9/10 month faculty at public institutions in 1996-97. Average expenditures for retirement as a percent of total average benefit expendi-

TABLE 2

PERCENT CHANGE IN AVERAGE SALARY AND AVERAGE BENEFIT COSTS FOR FACULTY ON 9/10 MONTH CONTRACTS, BY INSTITUTIONAL TYPE AND CONTROL, 1990-91 TO 1996-97

		Current Dollars		Constant 1996 Dollars	
Control	Institutional Type	Average Salary (%)	Average Benefits (%)	Average Salary (%)	Average Benefits (%)
Public	AA	21	19	2	0
	BA	18	21	–1	2
	BA+	16	16	–2	–2
	Doctoral	18	23	–1	4
	AVERAGE	19	20	0	1
Independent	AA	21	25	2	5
	BA	24	30	5	10
	BA+	23	26	4	6
	Doctoral	21	23	2	4
	AVERAGE	24	26	4	6
AVERAGE		20	22	1	3

SOURCE: NCES, IPEDS Salary Surveys, *1990-91 through 1996-97.*

NOTE: Based on 42.25 percent of NEA's faculty salary universe reporting in all years.

tures ranged from 38.8 percent at AAs to 42.5 percent at doctorals.

Average costs for the same three benefits for 9/10 month faculty at independent institutions ranged from 82.3 percent (BA) to 86.0 percent (AA) of benefit expenditures. Retirement plan costs consumed the largest proportion of benefit dollars at these institutions. Public and independent colleges showed significant differences in expenditures for tuition plans for dependents of faculty. Among doctorals, for example, independents spent 10 times more than publics for 9-10 month faculty, and nearly nine times as much for 11-12 month faculty.

Average Costs for Faculty Receiving Benefits

Table 7 analyzes average costs of benefits—average dollar expenditures, and expenditures as a percent of average salary—for faculty members who receive specific benefits. Dollars expended for benefits across all faculty averaged $12,795 (24.3 percent of salary). But the average cost for faculty receiving the specific benefits was $17,967 (34.2 percent of salary). Average costs and costs as a percent of salary increased for all benefits. Tuition (+5.2 percent) and benefits in kind (+1.7 percent) experienced the most significant increases. Average costs for faculty receiving the benefits were $16,057 at publics (30.6 percent of average salary), $21,669 at private/independents 41.2 percent of salary), and $19,540 at church-related colleges (37.2 percent of salary).[65]

Disaggregating total average costs of benefits and benefit costs as a percent of average salary shown in Table 7 by type of institution reveals important differences among institutions (Table 8). This table shows increases in dollar value of the costs and large increases in benefits as a percent of salary, especially at comprehensive and general baccalaureate institutions. The costs of medical insurance (+0.9 percent), tuition benefits (+3.9 percent), dental insurance (+1.0 percent), and benefits in kind (+1.3 percent) account for most of the increase at comprehensives. Tuition (+8.3 percent) and benefits in kind (+1.3 percent) account for most of the nearly 12 percent increase in average costs at baccalaureates.

TABLE 3

AVERAGE SALARIES AND BENEFITS, AND BENEFITS AS A PERCENT OF AVERAGE SALARIES FOR FACULTY ON 9/10 MONTH CONTRACTS, BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional Type	Compensation Category	Public	Independent	Average Benefit
AA	Salary ($)	43,887	34,433	43,746
	Benefits ($)	11,082	9,364	11,056
	Benefits (% of Salary)	25	27	25
BA	Salary ($)	42,794	43,257	43,132
	Benefits ($)	10,961	11,421	11,297
	Benefits (% of Salary)	26	26	26
BA+	Salary ($)	48,245	45,453	47,194
	Benefits ($)	12,379	11,516	12,054
	Benefits (% of Salary)	26	25	26
Doctoral	Salary ($)	54,919	63,139	57,163
	Benefits ($)	13,032	15,631	13,742
	Benefits (% of Salary)	24	25	24
AVERAGE	Salary ($)	50,149	53,473	51,063
	Benefits ($)	12,302	13,457	12,620
	Benefits (% of Salary)	25	25	25

SOURCE: NCES, IPEDS Salary Survey*, 1996-97.*

NOTE: Based on 74.1 percent of NEA's faculty salary universe (2,275 institutions) reporting benefits.

TABLE 4

AVERAGE SALARIES AND BENEFITS, AND BENEFITS AS A PERCENT OF AVERAGE SALARIES FOR FACULTY ON 11/12 MONTH CONTRACTS, BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional Type	Compensation Category	Public	Independent	Average Benefit
AA	Salary ($)	43,785	36,620	43,448
	Benefits ($)	10,924	7,704	10,773
	Benefits (% of Salary)	25	21	25
BA	Salary ($)	49,249	42,492	43,602
	Benefits ($)	14,076	10,927	11,445
	Benefits (% of Salary)	29	26	26
BA+	Salary ($)	60,624	44,506	51,939
	Benefits ($)	15,303	12,089	13,571
	Benefits (% of Salary)	25	27	26

TABLE 4 (CONTINUED)

AVERAGE SALARIES AND BENEFITS, AND BENEFITS AS A PERCENT OF AVERAGE SALARIES FOR FACULTY ON 11/12 MONTH CONTRACTS, BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional Type	Compensation Category	Public	Independent	Average Benefit
Doctoral	Salary ($)	70,412	64,312	69,045
	Benefits ($)	15,912	15,279	15,770
	Benefits (% of Salary)	23	24	23
AVERAGE	Salary ($)	62,427	56,268	60,982
	Benefits ($)	14,505	13,766	14,332
	Benefits (% of Salary)	23	24	24

SOURCE: NCES, IPEDS Salary Survey*, 1996-97.*

NOTE: Based on 74.1 percent of NEA's faculty salary universe (2,275 institutions) reporting benefits.

TABLE 5

AVERAGE BENEFITS FOR FACULTY ON 9/10 MONTH CONTRACTS,* BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional Type	Benefit	Public	Independent	Average
AA	Retirement plans	$4,252	$2,690	$4,220
	Medical/Dental plans	3,405	1,757	3,372
	Group life insurance	147	84	146
	Other insurance benefits	192	178	192
	Disability income protections	112	87	112
	Tuition plan	48	202	51
	Housing plan	0	77	2
	Social Security taxes	2,282	2,534	2,287
	Unemployment compensation	123	238	125
	Worker's compensation	307	250	306
	Other benefits in kind	83	3	82
	TOTAL	$10,952	$8,101	$10,894
BA	Retirement plans	$4,255	$3,293	$3,528
	Medical/Dental plans	3,040	2,399	2,556
	Group life insurance	83	180	156
	Other insurance benefits	41	106	90
	Disability income protections	62	189	158
	Tuition Plan	166	792	639
	Housing Plan	7	103	80
	Social Security taxes	2,630	3,117	2,998
	Unemployment compensation	70	126	113

TABLE 5 (CONTINUED)

AVERAGE BENEFITS FOR FACULTY ON 9/10 MONTH CONTRACTS,*
BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional Type	Benefit	Public	Independent	Average
BA (cont.)	Worker's compensation	272	301	294
	Other benefits in kind	82	96	92
	TOTAL	$10,709	$10,703	$10,704
BA+	Retirement plans	$4,896	$3,369	$4,285
	Medical/Dental plans	3,474	2,614	3,130
	Group life insurance	126	176	146
	Other insurance benefits	61	114	82
	Disability income protections	92	163	120
	Tuition plan	79	810	372
	Housing plan	0	57	23
	Social Security taxes	3,221	3,266	3,239
	Unemployment compensation	87	159	116
	Worker's compensation	272	333	296
	Other benefits in kind	13	51	28
	TOTAL	$12,320	$11,111	$11,836
Doctoral	Retirement plans	$5,538	$5,687	$5,579
	Medical/Dental plans	3,184	3,354	3,231
	Group life insurance	136	197	153
	Other insurance benefits	191	167	184
	Disability income protections	121	174	135
	Tuition plan	103	1,062	366
	Housing plan	3	47	15
	Social Security taxes	3,229	4,062	3,458
	Unemployment compensation	107	154	120
	Worker's compensation	307	329	313
	Other benefits in kind	99	236	137
	TOTAL	$13,018	$15,470	$13,691
AVERAGE		$12,229	$12,957	$12,438

SOURCE: NCES, IPEDS Salary Survey, *1996-97.*

NOTE: Based on 89.2 percent of NEA's faculty salary universe (2,741 institutions) reporting benefits data.

CONCLUSION

Reduced state and political support, lowered public trust, competition for shrinking tax revenues, and sharply increased tuition rates characterized the condition of higher education during the early 1990s. Changes in the characteristics of college students, the rise of new technology, and the growth of for-profit sector competitors compounded the stress brought on by financial constraints and by the loss of public confidence.

Colleges and universities responded by significantly increasing the number of part-time faculty and full-time nontenure-eligible faculty. Hiring these faculty members saved compensation dollars and created flexibility in current and future staffing by reducing the proportion of the professoriate with tenure. But the growth in the number of faculty with

TABLE 6

AVERAGE BENEFITS FOR FACULTY ON 11/12 MONTH CONTRACTS,*
BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional ype	Benefit	Public	Independent	Average
AA	Retirement plans	$4,371	$962	$4,184
	Medical/Dental plans	2,897	2,127	2,855
	Group life insurance	84	82	84
	Other insurance benefits	159	61	153
	Disability income protections	73	66	73
	Tuition plan	21	17	21
	Housing plan	1	0	1
	Social Security taxes	2,514	2,406	2,508
	Unemployment compensation	75	542	101
	Worker's compensation	202	216	203
	Other benefits in kind	65	273	77
	TOTAL	$10,461	$6,755	$10,258
BA	Retirement plans	$4,386	$2,123	$2,558
	Medical/Dental plans	2,788	2,580	2,620
	Group life insurance	132	145	143
	Other insurance benefits	5	72	60
	Disability income protections	80	125	116
	Tuition Plan	71	292	250
	Housing Plan	0	79	64
	Social Security taxes	2,417	2,736	2,675
	Unemployment compensation	45	193	165
	Worker’s compensation	199	285	268
	Other benefits in kind	31	154	131
	TOTAL	$10,154	$8,785	$9,048
BA+	Retirement plans	$6,010	$3,158	$4,426
	Medical/Dental plans	2,739	2,542	2,630
	Group life insurance	181	328	262
	Other insurance benefits	73	48	59
	Disability income protections	153	153	153
	Tuition plan	53	430	262
	Housing plan	0	171	95
	Social Security taxes	3,485	3,161	3,305
	Unemployment compensation	95	155	129
	Worker’s compensation	261	330	300
	Other benefits in kind	41	84	65
	TOTAL	$13,092	$10,561	$11,666
Doctoral	Retirement plans	$7,365	$5,045	$6,755
	Medical/Dental plans	2,910	3,136	2,969
	Group life insurance	150	172	155
	Other insurance benefits	328	247	307
	Disability income protections	130	154	136

TABLE 6 (CONTINUED)

AVERAGE BENEFITS FOR FACULTY ON 11/12 MONTH CONTRACTS,* BY INSTITUTIONAL TYPE AND CONTROL, 1996-97

		Control		
Institutional ype	Benefit	Public	Independent	Average
Doctoral (cont.)	Tuition plan	105	909	317
	Housing plan	3	143	39
	Social Security taxes	3,975	3,949	3,968
	Unemployment compensation	104	116	107
	Worker's compensation	338	279	322
	Other benefits in kind	227	428	280
	TOTAL	$15,633	$14,579	$15,355
AVERAGE		$13,923	$12,613	$13,566

SOURCE: NCES, IPEDS Salary Survey*, 1996-97.*

NOTE: Based on 89.2 percent of NEA's faculty salary universe (2,741 institutions) reporting benefits data.

TABLE 7

AVERAGE INSTITUTIONAL COSTS OF BENEFITS PER ALL FACULTY VERSUS AVERAGE COST OF BENEFITS PER FACULTY RECEIVING THE SPECIFIC BENEFIT, ALL INSTITUTIONS,1996-97

	Average per Faculty		Average per Faculty Receiving Benefits	
Benefit	Dollars	Percentage of Salary	Dollars	Percentage of Salary
Retirement	$5,096	9.7	$5,403	10.3
Medical insurance	3,137	6.0	3,407	6.5
Disability	135	0.3	220	0.4
Tuition	342	0.7	3,078	5.9
Dental insurance	147	0.3	447	0.9
Social Security	3,256	6.2	3,662	7.0
Unemployment	113	0.2	164	0.3
Group life	147	0.3	191	0.4
Worker's compensation	299	0.6	372	0.7
Benefits in kind	124	0.2	1,024	1.9
ALL COMBINED	$12,795	24.3	$17,967	34.2

SOURCE: American Association of University Professors, "Not So Good," Academe *83 (March-April 1997), 32.*

more tenuous relationships to their colleges challenged institutions to develop appropriate benefits policies.

The large proportion of faculty at or near the normal retirement age created more challenges since personnel budgets are often tied up in faculty at senior ages and senior ranks. Institutions must assist senior faculty and staff to plan for lifestyle and career changes and for financial security; otherwise, the fear of inadequate long-term retirement income will prompt these faculty members to remain employed well

TABLE 8

AVERAGE TOTAL INSTITUTIONAL COSTS OF BENEFITS PER ALL FACULTY VERSUS AVERAGE TOTAL COST OF BENEFITS PER FACULTY RECEIVING THE SPECIFIC BENEFIT, BY INSTITIONAL TYPE,1996-97

	Average per Faculty		Average per Faculty Receiving Benefits	
Institutional Type	Dollars	Percentage of Salary	Dollars	Percentage of Salary
Doctoral	$14,656	24.5%	$19,657	32.8%
Comprehensive	12,284	20.5	18,106	30.3
Baccalaureate	11,015	18.4	18,063	30.2
Two-year college with ranks	11,601	19.4	14,737	24.6
Institutions without ranks	9,321	15.6	11,797	19.7

SOURCE: American Association of University Professors, “Not So Good,” Academe *83 (March-April 1997), 32.*

beyond their desired retirement age.

Constant dollar costs of faculty benefits have finally stabilized, mainly by constrained health service costs. But colleges are increasingly reticent to undertake new benefit initiatives, unless they are cost neutral. Faculty members must learn how the 1997 tax law changed the rules for tax-deferred investment and savings; they must also monitor future changes in federal legislation affecting retirement planning, including Medicare and Medicaid.

Today’s academic labor force is increasingly populated by women and by two wage earner families; the industrial era model of work and family as separate systems no longer exists.[66] Colleges are offering more work-family initiatives to help faculty and staff balance employment and family responsibilities. The growth of these initiatives will continue as colleges try to compete with alternative employment opportunities for faculty and staff.

NOTES

[1] Jaschik, 1990, A1.

[2] Jaschik, 1991, A1.

[3] Leslie and Fretwell, 21.

[4] El-Khawas, 1992, 2.

[5] Ibid, 21.

[6] Hammermesh, 1994, 9.

[7] El-Khawas, 1995, 48.

[8] El-Khawas, 1994, 41.

[9] Kirshstein, et al., 1997, 14.

[10] Gappa and Leslie, 1993.

[11] Chronister, 1997, 119.

[12] Benjamin, 1997, 3.

[13] Harper, 1997, 11.

[14] Nontenure-track faculty automatically become members of the University of California Retirement Plan (UCREP) when they are appointed to work at least 50 percent time for a year or more.

[15] An exception: when the ending date is for funding purposes only and employment is intended to continue for more than a year.

[16] University of California, 1998, B1.

[17] Ibid., C1.

[18] University of Rhode Island contract with AAUP, Appendix F. The Kent State University collective bargaining agreement provides full benefits to full-time, nontenure-track faculty: “The University shall provide members of the bargaining unit hospitalization, medical and life insurance benefits as are provided to other full-time University employees” (Kent State University-AAUP Collective Bargaining Agreement, 27). KSU pays the employee contribution to the State Teachers Retirement System (Ibid., 25).

[19] Kirshstein, et al., 1996, 32.

[20] Statutory benefits include Social Security, unemployment compensation, and workers compensation. Voluntary benefits include pension plans, health coverage, disability insurance, and life insurance. Support benefits include parking, housing, and tuition benefits for dependents (Chronister and Kepple, 1987, 15).

[21] Harper, 17.

[22] Bland and Berquist, 6.

[23] Ibid.

[24] "Third Age" designates the time of harvest and retirement in life cycles. It follows the Second Age, the period of responsibility, maturity, purposeful earnings, and savings (Chen, 1997, 1).

[25] Dorfman, 1997, Kellams and Chronister, 1987.

[26] Advances in medical science and increased longevity provide a productivity period that may last past age 80 (TIAA-CREF, October, 1995, 4).

[27] Chronister, Baldwin, and Conley, 1997, 29.

[28] bid., 32.

[29] Bland and Berquist, 110.

[30] Bernheim and Kotlikoff in King, 1995, 3.

[31] Ibid.

[32] CUPA News, 1997, 1.

[33] Ibid., 12.

[34] Chen, 1.

[35] Ibid., 2.

[36] Ibid., 1.

[37] Richards, 1997, 6-7.

[38] Public Law 98-21, 1983.

[39] TIAA, August 1989, 3. The delayed retirement credit (DRC) increases future benefits to compensate workers for foregoing old-age Social Security benefits when they defer retirement beyond the normal eligibility age (now 65). The DRC will become actuarially fair when it reaches the eight percent rate (Chen, 1997, 7).

[40] Arthur Anderson and Co., 1997, 13.

[41] Public Law 105-33, Balanced Budget Reconciliation Act of 1997. Most changes became effective in 1998.

[42] *Monitor Update*, 3.

[43] *The Mercer Report*, 1-2.

[44] Public Law 105-34; Vanguard Group, August 1997.

[45] Ibid., 4. There is a $10,000 lifetime cap on penalty-free IRA withdrawals for first-time home purchases.

[46] Chen, 4.

[47] TIAA-CREF, 1998, 15.

[48] WTR Consulting Group, 1.

[49] Gappa and MacDermid, 2.

[50] Ibid., 2 and 3.

[51] National Center for Education Statistics, 1997, 237.

[52] Finkelstein, Seal, and Schuster 1995, Table 9.

[53] Raabe in Gappa and MacDermid, 3.

[54] Chronister, 1998, 93-96.

[55] Friedman, et al., 44, Employee Benefit Research Institute, 1997, 277. Leadership campuses were the 25 percent of responding institutions that scored the highest on available work-family initiatives (Friedman, et al., 24).

[56] Friedman et. al., 44.

[57] Employee Benefit Research Institute, 286.

[58] Ibid., 285.

[59] 59 Ibid., 287.

[60] Employee Benefit Research Institute, 346-347.

[61] Friedman, Rimsky, and Johnson 1996, 40.

[62] Ibid.

[63] Friedman, Rimsky, and Johnson, 40.

[64] Gappa and MacDermid, 1.

[65] Bell, 1997, 32.

[66] Gappa and MacDermid, 1.

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