To: University Senate Financial Affairs Committee
From: CFSC Finance and Policy Planning Committee
Date: March 25, 2022
Re: **Preliminary CFSC Recommendations for the Fiscal 2023 Budget**

Preface

The CFSC is pleased that the University adopted its recommendation last year that the minimum salary for continuing contract faculty be raised to $70,000. It also appreciates the University's commitment to review the minimum salary level every three years. The CFSC, however, is still concerned about salary compression and inversion, and its first recommendation relates to that problem.

Recommendation Regarding Salary Increases Based Upon Rank

Last year the CFSC requested that long serving faculty members' salaries be raised certain amounts above $70,000. The University unequivocally stated that it would not base salaries on longevity.

Presumably, however, the University has no objection to basing salaries on rank. In many settings including academia, those of higher rank make more money, reflecting their greater experience, skill, and value to the institution. Therefore, the CFSC recommends using rank to at least mitigate current compression and inversion problems and avoid acute problems in the future. The recommendation is in two parts.

First, the CFSC recommends that (i) any associate professor (or equivalent rank) making under $75,000 in base salary receive an increase in salary to $75,000 and (ii) any full professor (or equivalent rank) making under $80,000 in base salary receive an increase in salary to $80,000. Based on information provided to the CFSC, the maximum effect on the budget of increasing the salaries in this fashion is $750,000. That number assumes that the 136 associate professors making between $70-75,000, and the eight full professors making between $70-80,000, are each making only $70,000. This recommendation is to be implemented as soon as practicable and is independent of the recommendation in the next paragraph. Therefore, any increase because of promotion as recommended below should be a percentage of the higher base salary recommended in this paragraph.

Second, the CFSC recommends that each faculty member promoted to the next rank receive an increase in base salary of between 8% and 12% of their previous base salary, on top of any increase on account of AMI. Such an increase would ensure monetary recognition of the qualities that resulted in the promotion and would help ensure that higher ranked professors are not being compensated at the same level or only slightly above those ranked below them, thus helping avoid at least some measure of compression and inversion.

Recommendation Regarding AMI

The CFSC proposes that compensation increases in 2022-23 and beyond be composed of two components. This recommendation is in accord with what the CFSC understands to be the recommendation of the TFSC.

The first component should be an automatic salary increase on account of inflation based on the Consumer Price Index, and the second component should be based on performance. For example, if the CPI is 5% and faculty performance is excellent, and assuming that the merit increase is 3%, the total compensation increase would be 8%.

This recommendation is fair, just, and equitable, and will help boost both the morale of the faculty and faculty retention.

With respect to the inflation component, the CFSC proposes the use of the US Bureau of Labor Statistics index for New York-Newark-Jersey City although this CPI underestimates prices in NYC. In February 2022, this index was 5.1% higher than a year ago. Thus, for the first component of the increase of compensation for 2022-23, we propose a 5.1% increase. We are very much aware that the United States is in the early stages of an inflation spiral and by the time academic year 2022-23 starts it is very likely (almost certain) that inflation will be at a much higher level. So, the CSFC is being conservative in asking for the CPI increase of February 2022 rather than of June 2022.

For the second component of the increase, the performance component, we propose 3%. This is an increase of the usual pool for rewarding merit, which in recent years has been on the order of 1% (as it was in 2021). In addition to helping make up some of the remaining discrepancy between base pay increases and inflation, the rationale for increasing the merit component is that it (1) provides a much needed morale boost for higher-performing faculty; (2) incentivizes faculty to improve their compensation through high performance rather than by seeking outside offers; and (3) provides an ongoing opportunity for deans and other decision makers to address compensation inequity relating to gender, identity, and salary compression.

Especially regarding the issue of morale, it is worth mentioning that MIT recently announced (https://president.mit.edu/speeches-writing/special-payincrease-and-endowment-performance) a 3% base pay increase on top of the normal annual salary review increase. Likewise, Dartmouth announced a 3% bonus (https://www.vnews.com/Dartmouthendowment-grows-by-$2-5-billion-42948060) "in recognition of the challenges employees—full-time and part-time faculty, staff and researchers—faced during nearly two years of the pandemic."

NYU faculty and staff have performed heroically during the Covid years and have met similar challenges to MIT's and Dartmouth's with exceptional success. The most recent data from the US Bureau of Labor Statistics (https://www.bls.gov/regions/new-yorknew-jersey/news-release/consumerpriceindex_newyorkarea.htm) indicates that between January 2019 and January 2022, the Consumer Price Index (CPI-U) corresponding to New York, Newark, and Jersey City increased by 8.8%: 2.5% between January 2019 and January 2020; 1.2% between January 2020 and January 2021; and 5.1% between January 2021 and January 2022. During that time, the salaries of the faculty and administrative staff increased by a base rate of 4% in total: 2% in FY 2019-2020; 0% in FY 2020-2021 due to NYU's Covid mitigation measures; and 2% in FY 2021-2022, with some faculty receiving additional small merit-based increases. This means that the purchasing power of faculty salaries has not kept up with inflation, with a net shortfall of 4.8% since January 2019.

NYU can afford to restore faculty salaries to their January 2019 purchasing power. Although tuition is only one part of NYU's revenues, it is the single largest component (currently around 59%), and it is the component that is most directly connected to the value added by the contract faculty, who often are most responsible for teaching. Tuition per student has increased by roughly 2.9% in each of the past three years, for a net increase over the same period of 8.7%, which is roughly equal to the local CPI increase described above, and roughly twice the net faculty decline in purchasing power. We also note that the number of undergraduate students has not decreased.

In summary, we urge the University to automatically increase contract faculty salaries (and the salaries of tenured faculty and administrative staff) by an amount equal to the trailing local CPI as described above, with an appropriate additional amount available to distribute for superior performance, both this year and in future years.

For the upcoming fiscal year of 2022-23, this would mean a CPI-based increase of at least 5.1% before merit increases. With a performance-based increase of 3%, the total proposed compensation increase for 2022-23 is 8.1%.