

November 17, 2011

**MEMORANDUM**

TO: Members of the Senate Financial Affairs Committee

FROM: The University Faculty Senators Council (UFSC)

RE: 

Recommendations to the Administration On Matters Pertaining to Faculty Compensation For the Academic Year 2012-2013
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**On Matters Pertaining to Faculty Compensation**

The Faculty Senators Council is mindful of the many demands that the University faces, for example, the expansion of the faculty. While we applaud the administration's efforts in addressing these needs, we are very concerned about the significant erosion of the faculty's standard of living.

For a number of years the merit pool for faculty salary increases has failed to keep pace with cost of living in the New York Metropolitan Area. During the last nine years 2002-2011, continuing faculty salaries increased at an average compounded rate of 2.38% yearly (compounded). At the same time period, inflation averaged 2.91% yearly (compounded). Thus, as the data in Table 1 below shows, the standard of living of faculty at NYU (salaries adjusted for inflation in the NYC metropolitan area) has deteriorated by 6.20% since 2002.

In comparison with NYU tuition increases, the relative decline in NYU faculty salaries is much more pronounced. In the period 2002-2011, tuition increased at an average rate of 5.08% per year (compounded), approximately 214% faster than the average yearly (compounded) rate of increase of continuing faculty salaries, which was 2.38%.

Additionally, the administration has shifted much more of the burden of health care costs onto its employees, while raising rents on faculty housing. Faculty housing rents have increased on the average between 6 and 7 percent yearly, almost three times as fast as faculty salaries. After a number of increases in health care premiums and deductibles repeatedly over a number of years, faculty are asked to pay 8% higher premiums in 2012-13 on top of a 10% increase in 2011-12.

We fear that these circumstances will have a very adverse effect on faculty morale, retention, and recruitment.

To offset the real income declines for continuing faculty, the UFSC recommends an increase of 6.20% in this year's faculty salary pool, of which all faculty will receive a minimum corresponding

to the amount of the NYC cost-of-living index. The Council notes that the full 6.20% increase to the pool is quite conservative and will only restore continuing faculty to their real earnings of year 2002.<sup>1</sup>

**Table**

<b>ACADEMIC YEAR</b>	<b>NEW YORK CONSUMER PRICE INDEX<sup>2</sup></b>	<b>NYU CONTINUING FACULTY SALARY INDEX</b>	<b>FACULTY MERIT SALARY INCREASE</b>	<b>NYU TUITION INDEX</b>	<b>NYU TUITION INCREASE</b>
2002-3	100	100		100	
2003-4	103.11	100	0.00%	106.9	6.90%
2004-5	106.53	103	3.00%	112.89	5.60%
2005-6	110.88	106.09	3.00%	118.87	5.30%
2006-7	116.05	109.27	3.00%	125.29	5.40%
2007-8	118.24	114.74	5.00%	132.18	5.50%
2008-9	124.57	118.75	3.50%	139.98	5.90%
2009-10	123.40	118.75	0.00%	145.37	3.85%
2010-11	125.10	120.53	1.50%	150.45	3.50%
2011-12	129.50	123.55	3.00%	156.17	3.80%
2012-13 <sup>3</sup>	131.20				

Percentage salary merit pool increase in year 2012-13 required to restore faculty to their standard of living in academic year 2002-13 is 6.20% =  $131.20/123.55 - 1$ . That is, a merit pool increase of 6.20% would bring the faculty salary index in 2012-13 to 131.20 and match the CPI.

<sup>1</sup> Despite talk about deflation or lack of inflation, the New York-Northern New Jersey-Long Island Consumer Price Index as reported by the US Bureau of Labor Statistics increased at a rate of 3.51% in year 8/1/2010 to 8/1/2011. This is a significant inflation acceleration.

<sup>2</sup> We use the New York-Northern New Jersey-Long Island NY-NJ-CT-PA Consumer Price Index (CUUSA101SA0) as reported by the US Bureau of Labor Statistics. As the USBLS notes, “The New York-Northern New Jersey-Long Island, NY-NJ-CT-PA consolidated area comprises the five boroughs of New York City, Nassau, Suffolk, Westchester, Rockland, Putnam, Dutchess, and Orange Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Mercer, Monmouth, Middlesex, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; Fairfield County and parts of Litchfield, New Haven, and Middlesex Counties in Connecticut; and Pike County in Pennsylvania.” This area is wider than where NYU faculty live, and there is some evidence that price increases have been higher in NYC, which would have resulted in higher CPI increases. The CPI is calculated September to August to correspond to NYU budget years.

<sup>3</sup> The predicted inflation rate for 2012-13 is the average of the inflation rates of the last three years. We note that this is a very conservative prediction since inflation has increased significantly from 1.38% in the year 8/1/09 to 8/1/10 to 3.51% in year 8/1/2010 to 8/1/2011. If we were to use this year’s inflation rate (8/1/2010 to 8/1/2011) as a projection for 2012-13 inflation rather than the three year average, the predicted consumer price index for 2012-13 would be 134.05 (instead of 131.20) and the percentage salary merit pool increase in year 2012-13 required to restore faculty to their standard of living in academic year 2002-13 would be 8.50% =  $134.05/123.55 - 1$  instead of the 6.20% that we very conservatively ask for.