ADVENTIST PROFESSOR REMUNERATION

What's Happened in 20 Years?

Jim[1] feels discouraged. For the past five years, he has taught accounting at one of our Adventist colleges in North America. His classroom and departmental evaluations have always been very good, and he has been nominated by his students for an "outstanding teacher" award the past two years. Jim has always felt that the Lord called him from industry into teaching, but now he is thinking about resigning his position. While he loves his job and enjoys working with students, he is having an increasingly difficult time meeting his financial obligations on an assistant professor's pay.

Jim and his family live in a modest three-bedroom brick house. He and his wife have decided that she will stay home with the children until their youngest enters school. They live frugally, raising a garden each year and shopping at discount stores.

Jim has four children—a two-year-old, and one at each level of Adventist education—elementary, academy, and college. Recently, Jim has begun worrying about retirement, and last week his 10-year-old car started making funny noises. Jim wonders how he will be able to buy a new car, pay his children's tuition, and put aside some money for retirement.

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Reactions to Jim's dilemma may be mixed. Some might feel Jim must not be a very good money manager; if he tightened his belt a little, he'd have no problem. Others think his spouse should take a job outside the home to supplement the family income, especially after their youngest child begins school. Some might conclude that Jim is simply envious of his colleagues at the local state university who are rumored to receive twice the pay for two-thirds of the work.

While we could speculate about the validity of Jim's concerns, a persistent theme echoes on our campuses that faculty are underpaid. Many within and outside of denominational institutions assert that faculty compensation is woefully inadequate, but little objective data has been offered as proof of these claims.

In general, Adventist colleges and universities have tried to provide compensation at a level that will allow our teachers to maintain a modest life-style. Our schools have never attempted to "pay the going rate," so comparison with external schools and colleges is probably inappropriate. But have our schools been able to maintain the modest life-style of the denominational teacher? Have our educational wages and benefits kept pace with the cost of

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living, or is inflation now taking a bigger bite out of the teacher's family budget than a few years ago? In this article we will investigate the changes that have occurred in salaries and benefits in our U.S. educational institutions since 1971-1972.

We retrieved data on salaries paid to Adventist U.S. college and university professors[2] during the 1991-1992 school year, based on the Category A[3] remuneration scales established by the North American Division. We also gathered educator salary data for 1971-1972, using the *Wage Scale* published by the North American Division for Educational Institutions. These data are shown in Table 1.

The change in purchasing power of the typical Adventist teacher over 20 years can be estimated by comparing the salary change to the U.S. consumer price index (CPI).[4] The raw CPI index for the years under study is also displayed in Table 1.

Table 1 shows that during the 20 years between 1971-1972 and 1991-1992, salaries increased by slightly more than 200 percent for assistant professors (and by lesser percentages for associate and full professors), while the CPI increased by roughly 236 percent. The assistant professor who received $1.00 in wages in 1971-1972 was paid about $3.00 in 1991-1992, but it took $3.36 in 1991-1992 to buy what cost only $1.00 20 years before. Thus, the purchasing power of a typical Adventist assistant professor dropped by roughly 11 percent over this 20-year period. Full professors experienced a more than 14 percent decline in purchasing power during this same period. Since assistant professors as a group have done the best at keeping up with the national consumer price index, we will limit further analysis to this one employment category, recognizing that other teaching personnel have probably lagged in achieving the results discussed here.

Figure 1 illustrates graphically how the salary increases for an assistant professor with a doctoral degree compared with the CPI during the 1971-1972 to 1991-1992 period.

To obtain a more complete perspective on what has happened to teacher compensation, we assessed the value of the benefits received by the typical faculty member in addition to salaries over the same time period. Medical and health insurance, educational scholarships, and retirement benefits have all increased significantly since the early 1970s. Since these costs are not standardized across our educational institutions as salaries are, we gathered representative data from Andrews University and Walla Walla College (two Category A remuneration schools) to create a pooled "Average Cost of Benefits" per faculty member. These data were combined with wages paid for each period under study to establish an "Average Total Compensation" figure.[5] Table 2 shows these data, while Figure 2 illustrates how this Average Total Compensation cost for a typical assistant professor compares with the CPI.

Table 2 reveals that our educational institutions incurred heavy benefit costs between 1971-1972 and 1991-1992. At the college level, benefits represented an incremental cost of roughly 14 percent of salaries paid in 1971-1972, but ballooned to more than 30 percent of salaries paid in 1991-1992. Actual benefit costs increased by 572 percent at the institutions we studied. Remember that during this same time period, salaries increased by roughly 200 percent, and the average cost of living went up by about 236 percent. Figure 2 graphically illustrates these trends.

Table 2 and Figure 2 also show that total compensation actually kept pace with the CPI from 1971-1972 to 1991-1992. Although faculty salaries did not

FIGURE 1
Percentage Changes in Salaries, 1971-1972 to 1991-1992

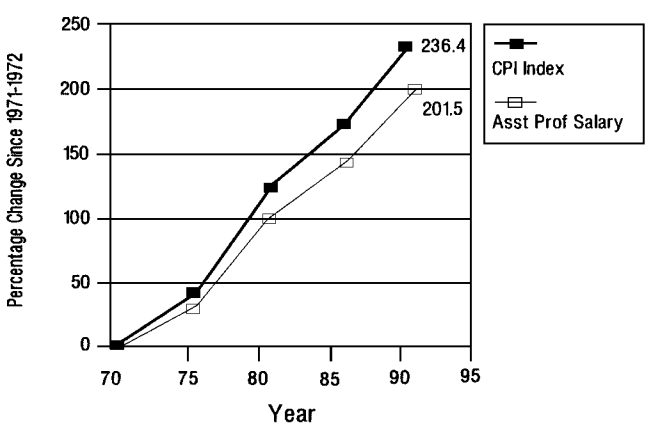


Table 1
Annual Salaries for Adventist Professors
(Maximum Amounts per Rank, Category A Remuneration Scale)

Year	College/Univ Asst Prof/Ph.D.	College/Univ Assoc Prof/Ph.D.	College/Univ Full Prof/Ph.D	CPI Index (1967=100)
1971-1972	$ 10,000	$ 10,500	$ 11,000	121.3
1991-1992	30,150	30,756	31,764	408.0
Percentage Change Since 1971	201.5%	192.9%	188.8%	236.4%

keep up with the pace of inflation, increases in benefits made up for the salary lag. During that period, the CPI increased by 236 percent, but total denominational compensation went up by 246 percent, which represents a real increase in spending of roughly 2.9 percent for the 20-year period. This means that our educational institutions found it necessary to use more of their compensation dollars for benefits, leaving less money available for salary and cost-of-living increases.

The benefit costs that most affected our educational institutions are shown in Figure 3. Note that payments to the sustentation (retirement) plan have increased by almost 850 percent, educational assistance went up by almost 560 percent, while medical costs increased by almost 660 percent between 1971-1972 and 1991-1992. Even social security payments increased by almost 300 percent, which is well above the inflation rate (CPI=236 percent) for that period.[6] These four benefits represent roughly 88 percent of total benefit expenses in the institutions we studied.

Although some might use this benefit and total compensation data to justify the meager raises given to teachers, we must not ignore the impact of the wage and benefits package on an individual faculty member like Jim. He sees only that it is getting increasingly difficult to live on his salary. Jim is grateful for the medical insurance and educational scholarships for his family, but even with those benefits, he may find himself worse off than if his situation had been identical in 1971-1972 and in 1991-1992.

Perhaps an illustration is in order. Let's assume that Jim works at Andrews University and has three children in church schools: Megan, a sophomore in college, Jim, Jr., a senior in academy; and Ryan, a sixth-grader in the elementary school, all of whom live at home. Since the children's income from part-time work could vary widely, this is not factored in. What would Jim's actual out-of-pocket educational expenses have been in 1971-1972 and 1991-1992? Table 3 illustrates the comparison.

Even though educational scholarships increased from 30 percent to 35 percent in the 1980s, Jim would have to spend more than 32 percent of his gross income on his share of the educational costs of his three children in 1991-1992. This is indeed a heavy burden when compared with the 21 percent of gross income consumed for these same services in 1971-1972. These costs (after allowances) would be 2-4 percent higher for each academy or college student who lived in the dormitory. Table 3 shows that tuition increased almost 450 percent at the college, 370 percent at the academy, and 261 percent in the elementary school. When we remember that over this same time period the CPI increased only 236 percent and wages increased by barely 200 percent, we can better understand why Jim feels financially pinched.

This example suggests that the cost of

FIGURE 2

Changes in Compensation, 1971-1972 to 1991-1992

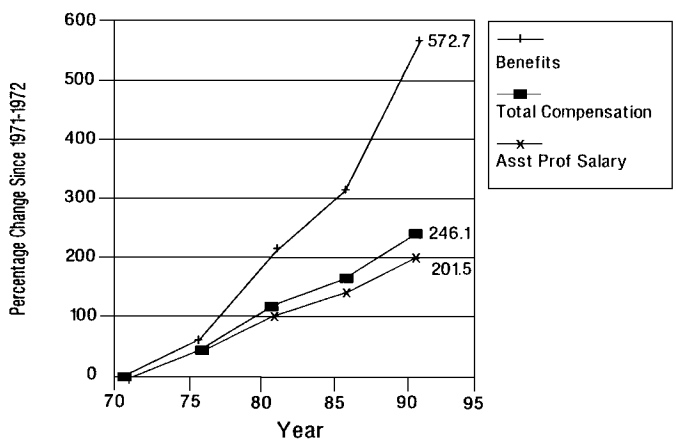


Table 2
Total Compensation for an Assistant Professor, 1971-1972 to 1991-1992
(Ph.D., Maximum Amount, Category A Remuneration Scale)

Year	Salary	Average Cost of Benefits	Average Total Compensation	Benefits as a Pctg of Salary
1971-1972	$ 10,000	$ 1,367	$ 11,367	13.7%
1976-1977	13,308	2,116	15,424	15.9%
1981-1982	20,068	4,315	24,383	21.5%
1986-1987	23,798	5,807	29,605	24.4%
1991-1992	30,150	9,196	39,346	30.5%
Percentage Change Since 1971-1972	201.5%	572.7%	246.1%	

Adventist education has increased at a much faster rate than Jim's salary. Thus, even though he is a denominational employee, it is becoming more and more difficult for him to afford to send his children to our schools.

A similar increase occurred in the area of medical insurance and allowances. Medical costs have increased at an even faster rate than the CPI. Figure 4 illustrates what has happened to average health-care costs by comparing the rate of increase of the Medical Cost Index with the national Consumer Price Index (CPI) between 1971 and 1991.

The denomination's medical assistance policy remained virtually unchanged over those years, with the employer covering 75 percent and the employee absorbing 25 percent of the cost of routine medical, dental, and optical fees. What has changed is that major medical expenses are now shared, with the employer covering 90 percent and the employee paying 10 percent. In 1971-1972, major medical expenses were fully covered by the employing organization.

These changes may seem slight, but their impact on Jim is quite significant. Table 4 illustrates how two randomly chosen medical expenses impacted a typical teacher like Jim in both 1971-1972 and 1991-1992.

If there had been a pregnancy in Jim's family in 1991-1992, the total cost would have been roughly $2,470.00, of which he would have paid $269.50. In 1971-1972, the average expense for a pregnancy was $568.50, of which Jim would have paid only $10.00. While the cost of a pregnancy escalated 335 percent in 20 years, Jim's share of that expense jumped a whopping 2,595 percent! Once again, even though the benefit package provided to teachers is good, the percentage of salary the employee pays for his or her share has risen dramatically.[7]

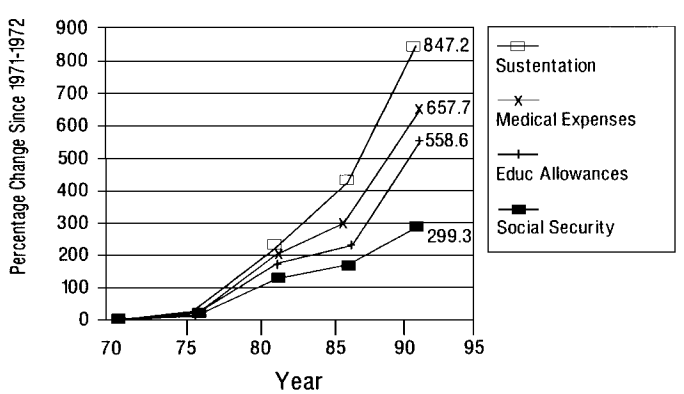
We recognize that most teachers in Adventist institutions do not teach for the money or benefits; most feel a higher calling to teach at an Adventist school. However, it is more difficult to live on a typical teacher's salary today than in the early 1970s. Our data show that total remuneration has kept pace with inflation, so one cannot simply blame educational institutions for not compensating employees adequately. Every teacher would appreciate a substantial salary increase, but the real problem seems to be the cost of benefits, particularly health care and education. The costs of these two important benefits have negatively affected both the teachers and the institutions in which they work.

Unfortunately, we haven't yet resolved Jim's problem. Teachers like Jim cannot afford to pay a 6 percent or 7 percent tuition increase for their chil-

Table 3
Out-of-Pocket Educational Costs for Jim
(Assuming All Children Live at Home)

	1971-1972	1991-1992	Change (%) 1971-1972 to 1991-1992
College Tuition/year	$1,644.00	$8,985.00	446.5%
Less Tuition Assistance (30/35%)	-493.20	-3,144.75	
Balance Jim pays	1,150.80	5,840.25	
Balance as % of income	11.5%	19.4%	
Academy Tuition/year	$ 900.00	$4,230.00	370.0%
Less Tuition Assistance (30/35%)	-270.00	-1,480.50	
Balance Jim pays	630.00	2,749.50	
Balance as % of income	6.23	9.1%	
Elementary Tuition/year	$ 496.00	$1,791.00	261.0%
Less Tuition Assistance (30/35%)	-148.80	-626.85	
Balance Jim pays	347.20	1,164.85	
Balance as % of income	3.5%	3.9%	
Total out-of-pocket educational expenses paid by Jim	$2,128.00	$9,753.90	
Jim's gross salary as an assistant professor	$10,000.00	$30,150.00	
Percentage of Gross Income Consumed by Education Costs	**21.3%**	**32.4%**	

FIGURE 3
Changes in Benefits, 1971-1972 to 1991-1992



dren in a year when their salaries increase by only 2 percent or 3 percent. Since it is unlikely that our institutions can afford to give significant salary increases in the immediate future, perhaps a partial answer lies in the willingness of college administrators to consider newer, more innovative approaches to benefits. We offer three possibilities to consider in addressing the "benefits" problems in our schools:

1. *Capping Total Educational and Medical Expenses.* If the costs of educating Jim's children were capped at a set percentage of his income (perhaps at 25 percent), it might be easier for him to continue teaching in Adventist institutions. Medical expenses could also be capped at some specific percentage of gross income (say 10 percent). All medical costs beyond this ceiling would be reimbursed in full (both major medical and routine office procedures). This approach acknowledges that a denominational employee has a limit to what he or she can reasonably afford to pay for educational and medical expenses, given the current salary structure of our educational organizations. However, it also recognizes that employees need to bear a fair share of their family educational and medical costs.

2. *Full Educational Scholarships.* Many private and public schools grant full scholarships to the children of their employees. Several have suggested that full educational scholarships really do not cost the organization as much as the "lost" tuition revenue would seem to indicate, because no money is paid out by the institution. These scholarships become more problematic when the employee's children are granted scholarships to attend institutions other than the one where their parents are employed. Thus, full scholarships in the local educational institution may not cost as much as partial scholarships to external educational organizations. Perhaps a plan to grant full educational scholarships for children who enroll in the parent's institution, and the standard 35 percent reimbursement for educational expenses outside of the employing organization would be a creative way of addressing the needs of faculty like Jim.

3. *Flexible Benefit Plans.* Flexible benefit plans have become an attractive way to allow employees to adjust their benefits to suit their family needs. The employee is allowed to trade some benefits for others. For example, Jim might be offered the following benefit choices:

- He could opt to receive full (100 percent) educational assistance for all of his children, but only 25 percent assistance on his medical expenses,
- He could opt to receive 70 percent educational assistance for all of his children, but only 50 percent assistance on his medical expenses,
- He could choose to retain the usual 35 percent educational assistance and medical benefits of 75 percent,
- He could choose to have full major

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FIGURE 4
Medical Costs and CPI Changes 1971-1972 to 1991-1992

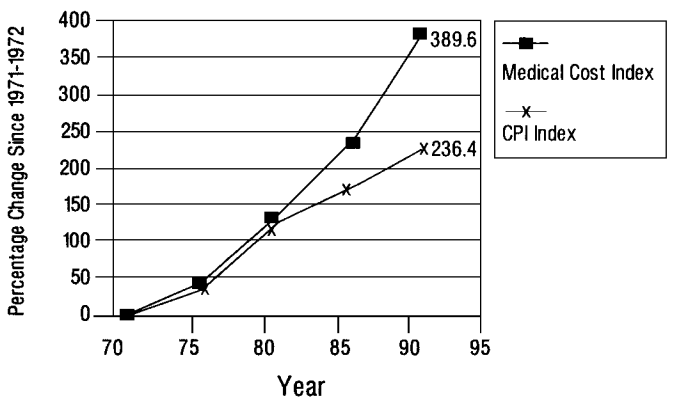

Table 4
Out-of-Pocket Medical Expenses for Jim

	1971-1972	1991-1992	Percentage Change 1971-1972 to 1991-1992
Pregnancy (normal delivery) Cost of hospital and doctor	$568.50	$2,470.00	334.5%
Less insurance and medical benefits	-558.50	-2,200.50	
Balance paid by Jim	$ 10.00	$ 269.50	+2,595.0%
Dental Care (for family of 5) Cost of exams, x-ray, & cleaning	$ 85.00	$ 285.00	235.3%
Less medical benefits	- 63.75	- 213.75	
Balance paid by Jim	$ 21.25	$ 71.25	+235.3%

medical coverage and 90 percent medical assistance coverage, but no educational benefits.

A flexible benefits plan would be especially attractive to single employees, whose cost of living is higher, relatively speaking, than that of a two-income couple. It would allow a single employee, who does not need educational assistance, to opt for better medical coverage or other benefits instead.

The flexible benefits approach usually allows employees to change their coverage annually. Not only would this innovation give employees some real choices and benefit flexibility, but it would also control the costs of benefits by not trying to give everybody everything. The various benefit package options represent roughly equivalent costs to the organization.

None of these approaches is ideal. There is not enough space here to detail their implementation. They are merely presented as creative suggestions.

Church and school administrators must recognize the importance of addressing the needs of teachers like Jim. If they do not control tuition increases and benefit costs, they will not only lose good teachers like Jim, but fewer and fewer students will be able to afford a Christian education. If our school administrators and faculty work together to seriously address the salary and benefits compaction programs described in this article, teachers will feel that their institutions do care about them, and excellent teachers like Jim will be retained.

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NOTES AND REFERENCES

1. Not a real person.
2. Because of the differences in funding and benefits for Canada, teachers there were not included in the analysis.
3. Some of our colleges are located in very high-cost areas, and those institutions use remuneration scales higher than Category A to pay their workers. Our study selected two known standards, Category A remuneration scale and the Consumer Price Index national (average) scale on which to base a comparison.
4. Consumer Price Index information was taken from "CPI for All Urban Consumers," *Monthly Labor Review* 116:11 (November 1993), Table 31, p. 125. *Monthly Labor Review* is a publication of the U.S. Department of Labor, Bureau of Labor Statistics.
5. Benefits, of course, "benefit" employees only when they take advantage of them. A person with no children in school and who is rarely ill, for example, will have a lower rate of total compensation than someone who utilizes tuition and medical benefits, but who in turn has higher expenses.
6. These changes emerged after controlling for the effects of a changing employment base.
7. Whether an employee is expected to pay a deductible or copayment for major medical expenses varies by institution. Currently, most of our educational institutions cover only 90 percent of major medical expenses. In any calendar year, if an individual's 10 percent share exceeds the monthly remuneration factor ($1,675 in 1991-1992), all further major medical expenses for that individual are fully covered. Since this limit is applied to each family member, Jim could have been theoretically liable for up to $10,050 of major medical expense ($1,675 times six family members), before the institution would have helped him with his 10 percent share. In 1971-1972, most major medical expenses were fully covered, with no deductibles or copayments expected.