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**RECRUITMENT, RETENTION, AND RETIREMENT:  
COMPENSATION AND EMPLOYMENT POLICIES  
FOR HIGHER EDUCATION**

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This paper examines existing human resources policies and considers potential modifications that will enable institutions to recruit, retain, and retire faculty in the coming years. The analysis reviews the soaring cost of health insurance for active and retired faculty and how these plans are being amended. It also reviews the widespread adoption of phased retirement plans and the use of early retirement programs as components of HR policy. The increasing reliance on non-tenure-track faculty is also described. The analysis focuses on the challenges that universities face in the current economic and demographic conditions and the methods that administrators can adopt to fulfill their teaching and research missions.

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## >>> EXECUTIVE SUMMARY

University faculties are aging. Low retirement rates, the elimination of mandatory retirement policies, and the slow growth in total faculty size are limiting the number of new hiring opportunities. Universities face a series of common challenges that will shape higher education in the twenty-first century. In order to maintain quality faculties, universities must develop compensation policies and employment practices that are appropriate for the new economic and demographic environment. This article examines existing human resources and compensation policies and considers potential modifications in these programs.

This article focuses on the challenges that universities face in the current economic and demographic conditions and the methods that administrators can adopt to achieve their missions. The results from a national conference consisting of new research and intense discussion by scholars, administrators, policymakers, and HR consultants are examined. Recruitment, Retention, and Retirement: The Three R's of Higher Education in the Twenty-first Century was held April 1-2, 2004 in New York. The conference, sponsored by the TIAA-CREF Institute, brought together nationally prominent researchers focusing on issues that directly affect the business of higher education and senior academic administrators from around the country to discuss key challenges confronting higher education.<sup>1</sup>

The analysis reviews the soaring cost of health insurance for active and retired faculty. Few universities have totally eliminated retiree health insurance but many have amended these plans to reduce projected liabilities due to their health insurance to retirees. Universities, especially private institutions are likely to consider further modifying their retiree health plans. Institutions must be concerned about how such changes will affect the retirement rates.

The analysis also reviews the widespread adoption of phased retirement plans and the use of early retirement programs as components of HR policy. In response to faculty aging, universities have considered special retirement plans. Available evidence indicates that phased retirement plans are popular with senior faculty and increase overall retirement rates. Early retirement plans often offer attractive buy-outs to older faculty. The cost implications of these plans must be carefully considered.

Universities have also increased their reliance on non-tenure-track faculty. The proportion of faculty who are part-time has increased along with the proportion of full-time faculty who are not in tenure-track positions. These employees are paid lower salaries and often are not eligible for benefits. Many universities have increased their reliance on contract faculty in the recent adverse economic climate. Evidence also indicates that research universities are hiring more post-doctoral fellows in the areas of science and engineering.

## >>> INTRODUCTION

University faculties are aging along with the rest of society. Low retirement rates and slow growth in total faculty size limit the number of new hiring opportunities. Institutions are also confronting significant financial difficulties that are the result of substantial reductions in the growth rate of state appropriations or the absolute reductions in annual budgets, declines in endowment, and the escalating costs of employing faculty especially the increasing cost of providing health insurance to active and retired faculty. The

importance of these issues varies by type of institution; however, all colleges and universities face a series of common challenges that will shape higher education in the twenty-first century. In order to maintain high-quality faculties in the coming years, universities must develop compensation policies and employment practices that are appropriate for the new economic and demographic environment.

To examine these pressing needs of academic institutions, the TIAA-CREF Institute hosted a national conference to address the key issues associated with

**Table 1 Percentage of Full-time and Part-time Instructional Faculty in Degree-Granting Institutions**

Age	1987	1992	1998
Less than 30	1.6	1.5	1.6
30-34	8.4	6.6	5.7
35-39	14.7	12.7	10.7
40-44	16.8	17.0	14.6
45-49	18.8	18.6	17.3
50-54	15.1	18.0	18.7
55-59	12.1	12.7	16.1
60-64	12.7*	8.5	9.8
65 and older		4.5	5.5

\*This entry is for faculty aged 60 years and older.

Source: National Center for Education Statistics, Digest of Education Statistics, Washington: U.S. Department of Education, 2002. The data for 1987 was provided by Thomas Snyder of NCES. Percentages may not add up to 100 due to rounding.

recruiting, retaining, and retiring of faculty.<sup>2</sup> The symposium focused on the increasing use of non-tenure-track faculty, the importance of health insurance in attracting new faculty and retaining existing professors, the costs and benefits of retiree health insurance, and the development of pension and retirement policies that result in a smooth transition from full-time work to complete retirement. The research findings and subsequent discussion among participants provided important new evidence that appropriate employment and compensation policies are necessary to attract and retain high quality faculty. We summarize the findings of the conference in this article. The papers and presentations at the conference are being published in Clark and Ma (2005 forthcoming).

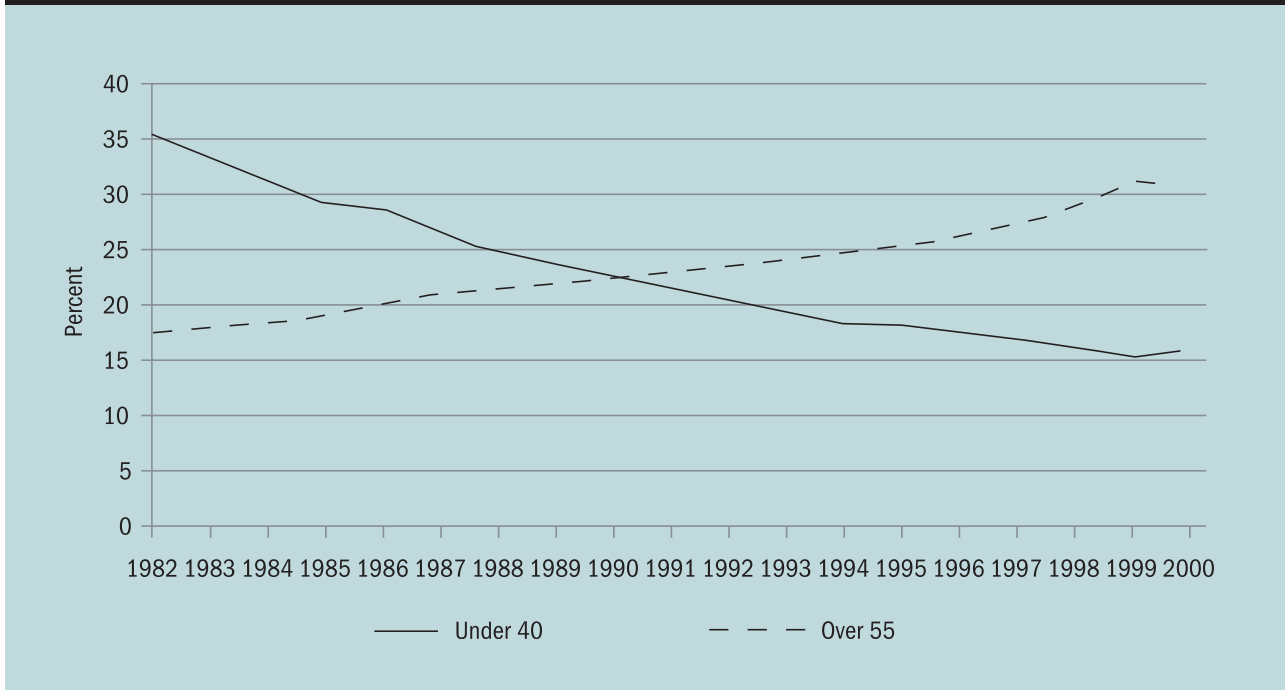
### >>> AN AGING FACULTY

Most colleges have experienced an aging of their faculty over the past two decades.<sup>3</sup> Table 1 illustrates the rapid pace of aging among the American professoriate. These data are for full-time and part-time instructional faculty and staff in two- and four-year degree-granting institu-

tions.<sup>4</sup> In 1987, 25 percent of the full-time instructional staff were less than 40 years old, 25 percent were 55 years or older, and 50 percent were between the ages of 40 and 54. By 1998, only 18 percent of faculty was less than age 40 while over 31 percent were 55 years or older. This faculty aging was due to past hiring patterns, relative low turnover rates, low retirement rates, and the ending of mandatory retirement.

A relatively large number of new professors were hired in the 1960s and 1970s. Only a small fraction of these professors have since left the academic labor market. These low exit rates along with slow growth in the number of new faculty positions produced the aging of university faculties. As the large cohort of older faculty now approaches traditional retirement ages, many academic leaders have expressed concerns over the elimination of mandatory retirement policies a decade ago and the prospects that senior faculty will remain at the institution well into their 70s. Ultimately these relatively large cohorts of older faculty will retire creating a unique opportunity for institutions of higher education to restructure their faculties. The extent of population aging varies substantially by academic

**Figure 1 Aging of the Tenure-Track Faculty at the University of North Carolina**



discipline. Thus, institutions may need to consider policies that address the unique problems of specific disciplines with alternative policies.

Table 1 shows the aging of the American professoriate. However, employment decisions are made by individual institutions. As an example of a specific university, we considered the aging of the faculty at the 15 degree-granting campuses of the University of North Carolina (UNC). Overall, the UNC faculty aged considerably from 1982 to 2001. There were substantial decreases in the proportion of faculty in each age category younger than age 40 and large increases in the proportion of all faculty who were in each age group above age 55. For example, the proportion of the faculty aged 35 to 39 fell from 20.2 percent in 1982 to 10.2 percent in 2000. During the same period, the proportion of faculty aged 55 to 59 increased from 10.0 percent to 17.9 percent. The trend in faculty aging is dramatically shown in Figure 1 as the proportion of the faculty under age 40 declined from 35.4 percent 1982 to 16.1 percent in 2000 while the proportion of faculty over age 55 increased from 17.6 percent to 30.9 percent. The picture reveals what might be described as an “aging cross” of university faculty. The aging cross was observed for each

class of institutions (research, doctoral, masters, and baccalaureate) in the UNC system. Examining each of the campuses separately revealed a similar crossing pattern in the age distribution of faculty. Interested readers might examine their respective institution to see if a similar pattern of faculty aging is occurring.

Amendments to the Age Discrimination in Employment Act ended the use of mandatory retirement by academic institutions in 1994. At that time, the faculties were already rapidly aging; however, most institutions had only a small proportion of their total faculty aged 60 and older. The elimination of mandatory retirement has the potential of exacerbating faculty aging if older faculty choose to remain on the job instead of retiring at the traditional ages. Continued employment beyond age 70 also has the potential of slowing promotional prospects, reducing the number of new hires, and increasing labor costs.<sup>5</sup> The importance of delayed retirement should be carefully examined for its implications on university productivity, labor costs, and faculty diversity. Many institutions are now revising retirement policies in response to the ending of mandatory retirement and other cost pressures.

Studies by Ashenfelter and Card (2002) and Clark, Ghent, and Kreps (2001) found that age-specific retirement rates at age 70 and older declined after the ending of mandatory retirement.<sup>6</sup> Initially, this had a relatively small effect on faculty age structures, as the number of faculty still working in their late 60s was comparably small. However, in the coming decade, large numbers of professors will be aging into this group. If their average age of retirement is substantially higher than that of previous cohorts, institutions will confront the prospect of a growing number of faculty remaining on the job past age 70. Thus, an important question is how will colleges and universities respond to low retirement rates, aging faculties in general, and the emergence of an increasing number of faculty in excess of age 70.

In the next decade, the age structure of faculties will be influenced by the expected retirements from the relatively large cohort of faculty currently age 60 and older. The retirement of senior faculty will provide many institutions with an opportunity to reshape their faculty for the future. While many universities are concerned with the orderly retirement of older faculty, some institutions may seek to retain senior faculty because of an expected growth in enrollment and the difficulty in attracting new scholars. It is important to remember that higher education is composed of many different types of institutions that are facing different challenges in recruiting, retaining, and retiring faculty. Appropriate compensation and employment policies vary depending on the economic and demographic conditions and also differ by academic discipline. Academic administrators must evaluate their own circumstances and adopt the best human resource policies to achieve their desired objectives.

### >>> RECRUITING NEW FACULTY

A priority of any institution of higher education must be to recruit high-quality faculty. While the emphasis institutions place on teaching and research varies, an appropriately qualified faculty is necessary if the university is to be competitive in the academic marketplace. Competitive compensation and desirable working conditions are needed to attract a new generation of scholars. In the present economic environment, institutions must assess the various options of having

sufficient instructors to staff needed classes for both undergraduates and graduates, have the right mix of faculty to provide required service to the institution, and have faculty who are at the forefront of their disciplines who can demonstrate state-of-the-art research to their students. The generation of new knowledge and the transfer of existing knowledge to students are at the heart of any college or university. The supply of and demand for faculty differs across disciplines and administrators must consider how to address shortages in some areas in the presence of surplus faculty in others.

Each time a faculty member retires, an institution must decide whether it will hire a new full-time tenure-track faculty member or fill the vacancy by employing a full-time contract instructor, a post-doctoral fellow, or part-time lecturers. This choice will be a function of the current funding status of the institution and its longer-range staffing plan. Recently there has been a trend toward greater reliance on part-time staffing choices and the use of non-tenure-track faculty. The American Association of University Professors reported that 44.5 percent of all faculty are now part-time and in total, non-tenure-track positions account for more than 60 percent of all faculty appointments (AAUP, 2004). Between 1998 and 2001, the number of part-time and full-time non-tenure-track appointments grew by 35.5 percent.<sup>7</sup>

Research presented at the conference identified two changes in how universities are hiring new faculty.<sup>8</sup> First, there was an increase in the proportion of full-time, non-tenure-track faculty to total full-time faculty between 1989 and 1999. This trend was greater among private institutions. Second, the ratio of part-time faculty to full-time faculty increased even more rapidly. A major reason for the increased use of non-tenure-track faculty has been the decline in the relative compensation of non-tenure-track faculty to that of tenure-track faculty. As these instructors became relatively less expensive, colleges and universities decreased their reliance on tenure-track faculty. This shift was influenced by budgetary pressures that emphasized teaching students today over the longer-term contributions of research and service that tenure-track faculty provide. While cost savings are apparent, the impact of this change in the mix of faculty on university productivity is less visible. Additional

research is needed to determine the impact on student learning, graduation rates, and interest in research as the proportion of tenure-track faculty erodes.

In addition to the reactions of universities to changes in economic and demographic conditions, we must also consider how new PhDs and current faculty respond to these changes. There has been a growing tendency for PhD recipients in the sciences and engineering to accept post-doctoral positions instead of finding faculty positions. In addition, the average length of post-doctoral appointments has increased.<sup>9</sup> The average duration of a post-doc increased from two years for PhDs awarded in 1965 to three years for PhDs awarded between 1982-1992. Post-doctoral positions have become a major source of research at many universities. They are now an important component in the careers of many PhDs in science and engineering.

Labor market conditions influence the supply of and demand for post-docs. When a greater number of individuals receive PhDs in a specific discipline, the supply of graduates seeking faculty positions rises. When the number of new faculty positions is relatively stable, an increase in the number graduates means that many new PhDs will not immediately find faculty positions. Therefore, they will tend to accept post-doctoral positions that pay much lower salaries. Similarly, when research funds are cut, the demand for new faculty declines and more new PhDs will tend to accept post-doctoral appointments.

These findings indicate that labor market conditions and general economic conditions affect employment policies of institutions. In adverse economic times, colleges and universities must decide how to continue to provide teaching and research services with reduced budgets. Budgetary restrictions clearly influence employment choices. New graduates seeking employment ultimately must decide whether to remain in academe as contract employees, post-docs, or part-time instructors or choose some other career. Recent trends suggest that colleges and universities will have fewer full-time tenure-track faculty in the future than in the past. The impact of a change in the composition of university faculties remains to be seen.

## >>> **RETAINING QUALITY FACULTY**

Having recruited a high-quality faculty, each college and university must attempt to retain them by offering competitive salaries and benefits. Many institutions are having their best faculty bid away by peer universities while others will find their faculty leaving the academy entirely for more lucrative employment in other sectors of the economy. In her conference keynote address, Molly Corbett Broad, President of the UNC, noted the difficulty of retaining high-quality faculty after three consecutive years without a salary increase due to shortfalls in state budgets (Broad, 2005 forthcoming). She also expressed the need for competitive health benefits when these costs are rising more rapidly than inflation and the need to develop creative human resource policies to support the faculty.

Understanding the preferences and attitudes of faculty is central to the adoption of appropriate employment and compensation policies to retain productive faculty. To build our knowledge base concerning faculty attitudes, the TIAA-CREF Institute funded a series of surveys of senior faculty.<sup>10</sup> Respondents expressed an interest in flexible workload policies and they were very concerned about the cost of their health insurance plans. In addition, senior faculty were worried about the ability to maintain university-provided health insurance if and when they leave the university.

Surveys of faculty combined with other data and information could provide the basis for developing future compensation and employment policies. It is important that organizations provide their employees with the most value for each dollar of compensation. With faculties continuing to age, understanding the preferences of senior faculty for flexible assignments, phased retirement, and their willingness to continue to contribute to their university is very important.

Recently, Syracuse University addressed the rising cost of health insurance and the need to alter rigid employment rules to be more consistent with faculty preferences.<sup>11</sup> A significant aspect of the review process was substantial faculty participation in assessing existing policies, determining the need to amend them, and developing new benefit plans. Financial pressure of rapidly escalating health care costs is requiring many institutions to reduce the generosity of their health plans and to shift more of the cost to

faculty participants. The inclusion of faculty in the developmental phase of policy changes enhances the chances that such modifications will be accepted. Small or no salary increases and the rising cost of health insurance paid by employees have made total compensation at many institutions less competitive. The lure of less costly contract instructors is also influencing employment policies. The obvious challenge is to provide competitive compensation for the desired number of faculty while living within the university budget.

### >>> RETIRING SENIOR FACULTY

In many colleges and universities, retirements of older faculty are the primary mechanism by which faculty positions become available.<sup>12</sup> Retirements provide universities with the opportunity to reallocate positions across disciplines and thus, increase the number of faculty in areas of high student demand or respond to opportunities to develop programs in emerging areas.<sup>13</sup> In addition, retirement provides the institution with increased flexibility to hire a more diverse faculty by increasing the number of women, African-Americans, and other underrepresented groups.

Some analysts argue that academic administrators are using retirements as an opportunity to reduce costs by replacing retiring faculty with part-time instructors or fixed-term lecturers instead of new tenure-track assistant professors. Still others believe that retirements do not result in cost savings because institutions replace retiring professors with similar, high-salaried senior professors from other institutions. The impact of retirements and new hiring on faculty age structure and labor costs varies across institutions and depends on the objectives and cost constraints facing individual campuses.

The importance of retirements to the age distribution of faculty is greater in institutions that have stable or declining enrollments. Such institutions do not have the opportunity to restructure their faculties through net new hiring but must rely on retirements to create vacancies. Successful academic administrators must assess the potential for enrollment growth and determine how this translates into demand for faculty. Transitions from full-time work to full-time retirement

are influenced by basic retirement plans, whether the institution offers phased or early retirement incentives to senior faculty, and whether the university provides some type of retiree health insurance.

Virtually all institutions offer basic retirement plans to their full-time faculty. An increasing number of universities are providing phased retirement plans to assist faculty transition into retirement. Periodically, institutions have offered early retirement plans in an effort to reduce faculty size and to reduce labor costs. Cost pressures are forcing many institutions to carefully review their retiree health plans with some universities reducing or eliminating these plans. Planning for the faculty of the future requires that academic policy makers understand both the cost and benefits of these retirement programs and how they affect faculty retirement decisions.

### basic retirement plans

Retirement rates differ among faculty members enrolled in defined benefit plans and those who are participating in defined contribution plans. Defined benefit plans have specific retirement incentives such as those associated with the ages of eligibility for early and normal retirement. Studies examining retirement decisions by participants in defined benefit plans find that retirements are clustered around these ages.<sup>14</sup> Defined contribution plans are more age neutral in their retirement incentives. In general, we expect that retirement rates will be greater for participants in defined benefit plans.<sup>15</sup> Among institutions of higher education, public colleges and universities typically offer state-provided defined benefit plans. In addition, many public institutions offer their faculty the choice of participating in a defined contribution pension plan. Private colleges and universities tend to offer only defined contribution plans. Even public employers are now considering shifting to defined contribution plans.

The future seems clear. More and more individuals will be included in defined contribution plans and fewer will be in defined benefit plans. When given the choice between the state defined benefit plan and a defined contribution plan, faculty overwhelmingly tend to select the defined contribution plan.<sup>16</sup> Thus, colleges and universities must be prepared for a future that for the most part will include faculty covered by defined contribution plans and without any required or

**Table 2 Percent of Universities Offering Phased Retirement Plans**

Category	Private	Public	Total
Research and Doctoral Institutions	50%	31%	35%
Masters Institutions	38%	23%	29%
Baccalaureate Institutions	30%	24%	29%
All Colleges and Universities	35%	26%	30%

Source: Ronald Ehrenberg, 2003. "Survey of Changes in Faculty Retirement Plans." <http://www.aaup.org/Issues/retirement/retirepg.htm>.

mandatory retirement age. Without the retirement incentives that are embedded in defined benefit plans, faculty who are participating in defined contribution plans tend to retire at later ages. In this context, many universities have adopted or are now considering the establishment of phased retirement plans and early retirement incentives.

### phased retirement plans

Recently, many colleges and universities have introduced phased retirement programs. Table 2 shows the incidence of phased retirement plans from the Survey of Changes in Faculty Retirement Policies (Ehrenberg, 2003). This survey reported that about one third of responding institutions had phased retirement plans, that phased retirement plans were most common in private institutions, and that phased retirement plans were most prevalent in research and doctoral institutions. These were also the institutions that have been most concerned about the impact of ending mandatory retirement and the aging of their faculties. These plans provided senior faculty with new employment/retirement options. Many plans provided prorated compensation for faculty who gave up tenure and accepted a fixed term contract for part-time employment. The value of phased retirement plans to institutions is that they provide certainty of information regarding when senior faculty will finally leave the university. The value to faculty member is that they have a new option, typically half-time work instead of full-time.<sup>17</sup>

Recent research indicates that phased retirement plans have increased the total number of faculty retiring from the university. The majority of the increase in retirements has been attributable to individuals that

would have remained on the job full time if phased retirement was not an option. In many instances, it is also less productive faculty who select to enter phased retirement.<sup>18</sup> Surveys and case studies indicate that phased retirement programs have been popular with senior faculty; however, some department heads expressed concern about their ability to manage phased retirees and their ability to staff classes.<sup>19</sup>

We anticipate that phased retirement plans will become increasingly popular in the future and that a larger proportion of retiring faculty will choose to be part of these programs. It is even possible that phased retirement will become the normal or preferred transition to retirement among university faculty.<sup>20</sup> With the emergence of phased retirement, new financial products may be needed to assist in the transition from full time work to part time employment to complete retirement. New and better retirement planning and greater financial education is also needed so that faculty of all ages will be better able to manage their own retirement accounts (Clark and d'Ambrosio, 2003).

### early retirement plans

Over the years, a number of institutions have adopted early retirement plans in an effort to reduce the size of their faculty and reduce costs. These plans tend to offer specific incentives to qualified faculty to retire within a specified time period. These plans are often linked to defined benefit plans in those public institutions that have these types of pension plans. Faculty are often treated as if they were older thus reducing early retirement penalties and they are often given credit for extra years of service to increase their annual retirement benefit. Certain institutions, such as Stanford University, have integrated early retirement

bonuses within the context of their defined contribution retirement plans (Shoven, 2005 forthcoming). To take advantage of an early retirement offer, faculty must retire during the enrollment window. Such plans are often successful at attracting many older faculty to enroll in the early retirement plan. The more generous an early retirement plan is, the greater the number of faculty that will accept the offer.

The Survey of Changes in Faculty Retirement Policies showed that almost half of all reporting institutions had adopted at least one early retirement incentive program since 1995 (Ehrenberg, 2003). The survey showed that among four-year institutions, private colleges and universities were more likely to have established these programs and that doctoral institutions were most likely to have offered early retirement plans to their faculty. Unfortunately, relatively few institutions reviewed or evaluated these plans after they have been completed.<sup>21</sup>

Generous early retirement plans can induce many senior faculty members to retire. Administrators always worry that it will be the best professors who accept generous buyout offers; however, evidence from the University of California indicated that the most productive faculty were less likely to have accepted an early retirement offer.<sup>22</sup> Universities should consider the costs as well as the benefits of early retirement programs. If the objective is to permanently reduce faculty size, early retirement plans can be a cost effective method of achieving this result allowing faculty to self select retirement rather than having the institution resort to layoffs. If however, the institution quickly replaces the retiring faculty, the university ends up paying higher retirement benefits and still must pay the salary of the new professor.<sup>23</sup> In such circumstances, less costly phased retirement plans may be more cost effective.

### retiree health insurance

After the passage of Medicare in 1965, many large companies and public employers adopted retiree health insurance plans. Medicare is the primary payer for retirees covered by employer-provided health insurance. Thus, the adoption of Medicare significantly reduced the cost of offering these plans. Economic research has shown that retiree health insurance provides an important inducement for early

retirement to those younger than 65 and who are not yet eligible for Medicare.<sup>24</sup>

Retiree health insurance is a disappearing benefit in the private sector. This decline began in the 1990s with the introduction of new accounting rules, the rapid increase in health care costs, and the increase in the ratio of retirees to workers in many companies. According to a survey by Mercer Human Resource Consulting, only 36 percent of companies with 500 or more workers provided retiree health insurance to current workers in 2003. This was down from 50 percent of surveyed firms that offered retiree health insurance in 1993 (Freudenheim, 2004). All indications are that this trend will continue.<sup>25</sup> In addition, those employers that continue to offer retiree health insurance are requiring greater worker contributions or are converting their plans to medical savings accounts that typically require worker contributions.

Educational institutions are also facing the rising cost of health insurance for their retirees. How will they respond? Findings from a new Watson Wyatt Worldwide survey of colleges and universities and their retiree health plans showed that many colleges and universities were engaged in revising and eliminating their plans.<sup>26</sup> How will this affect retirement decisions of older faculty? The added cost of purchasing health insurance after retirement will be one of the economic determinants of the age that older faculty will retire. University administrators must understand that changes in benefit programs will affect faculty behavior and changes such as delayed retirement may have unintended cost and productivity effects.

## >>> CHALLENGES AND OPPORTUNITIES

Considerable challenges are confronting institutions of higher education as their faculties age, budgets stagnate, retirement rates decline, and employment costs rise. In this climate, academic administrators must reconsider their personnel policies and engage in strategic planning. The primary objective of this article is to highlight many of the changes that are occurring in the academic labor market and to identify possible solutions and opportunities. We have summarized the research findings presented at Recruitment, Retention, and Retirement, a national research confer-

ence, whose objectives were to determine what is known about the current academic labor market, to consider emerging economic and demographic trends, and to highlight opportunities and policies that will assist colleges and universities in the development of better compensation and employment policies. An important observation is that universities must engage in more institutional research. Pooling of data from similar universities is necessary if we are to understand the complexities of employment and compensation policies (Baer et al, 2005 forthcoming).

If American universities are to remain the best in the world, they must continue to attract and retain the best and the brightest faculty members. Competitive salaries are a must along with a well-constructed benefit package. Academic administrators must understand what motivates individuals to select a career in higher education, what factors will keep them in the academy, and what are the major incentives for older faculty to retire. These are significant challenges in an era of fiscal restraint and an aging workforce. We have identified a series of important trends and outlined possible methods of maintaining a high quality faculty.

Institutions have begun to diversify their workforce by offering non-tenure-track appointments to a larger component of their faculties. The primary objectives of this change in employment policy have been lower costs and greater flexibility. These benefits are fairly obvious. However, the impact on student learning, academic research, and faculty dedication to the institution have yet to be measured. New research on the cost and benefits of these policies is urgently needed.

Employee benefits are also changing rapidly in response to cost pressures. Administrators must strive to understand not only the impact on cost of a change in benefits but also how new policies will affect faculty behavior. The movement toward defined contribution pensions may further delay retirements unless other policies are adopted. Phased retirement programs offer the potential of being a win-win policy for universities and their faculty. If phased retirement becomes the norm, universities should ensure that senior faculty understand their work and retirement options and how part-time work can influence lifetime financial security. More, better, and earlier financial

education and retirement planning is a must for faculty in the twenty-first century and institutions need to work closely with financial services companies to develop appropriate retirement options for this new transition from full-time work to complete retirement.

A significant challenge confronting most colleges and universities is the rapid increase in health care cost, especially for retirees. In the coming years, many institutions will modify their health plans and shift costs to their faculty and other employees. Some will try to cap the cost of retiree health insurance. The development of health plans that provide sufficient health insurance to retired faculty at affordable cost to universities will be an important component of human resource policy in the next decade.

The discussion at the conference on which this article is based indicated chancellors, presidents, provosts and deans are very concerned about these issues. They recognize the need for greater institutional research that can guide the development of new and innovative employment and compensation policies. There are professors at many institutions with the skills, talents, and interests in conducting such research. A challenge for the future is to merge the research needs of the university with the research talents of its faculty in order to develop the needed policies for the future.

The global leadership of American higher education is being challenged by international institutions of higher education and tested by financial and demographic pressures at home. To remain the best in the world, American universities must address these challenges. An important component of national educational policy must be the development of innovative compensation and employment policies for faculties in the twenty-first century. Recruitment, Retention, and Retirement provided an opportunity for debate of these important issues. More discussion and research is needed to provide the basis for the development and adoption of new human resource policies in higher education.

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## &gt; &gt; &gt; ENDNOTES

- <sup>1</sup> We would like to thank Jennifer Ma for her work in organizing the “Recruitment, Retention, and Retirement: The Three R’s of Higher Education in the 21st Century” along with all of the authors, discussants, and participants who attended this national conference on which this article is based. This paper is an edited version of an article that was published in a special issue of *Educational Gerontology* titled “Pre- and Post-Retirement Issues Affecting College and University Faculty” edited by Lorraine Dorfman.
- <sup>2</sup> “Recruitment, Retention, and Retirement: The Three R’s of Higher Education in the 21st Century,” was held in New York on April 1 and 2, 2004. The conference was attended by approximately 100 senior academic administrators, national prominent scholars, employee benefit managers, and other interested parties. Papers that were presented at the conference are available on the TIAA-CREF Institute website at <http://www.tiaa-crefinstitute.org/Programs/pe040104/pe040104.htm> and click on conference agenda.
- <sup>3</sup> For an in depth discussion of faculty aging, see Clark (2005 forthcoming).
- <sup>4</sup> The data are from NCES (2002) Table 234 and unpublished data provided by Thomas Snyder of NCES. Full-time, tenured and tenure-track faculty tend to be older than part-time and full-time, non-tenure-track faculty. Anderson (2002) reported that the average age of full-time tenure-track faculty was 50 compared to 48 for part-time faculty and 46 for full-time, non-tenure-track staff. Thus, data for only full-time tenure track faculty would indicate an even older professoriate.
- <sup>5</sup> Ehrenberg, Matier, and Fontanella (2001) provided a useful description of these effects using Cornell as an example.
- <sup>6</sup> Ashenfelter and Card (2002) found a sharp decline in the probability of retiring at age 70 after mandatory retirement policies were eliminated in their sample of 104 colleges and universities. They estimated that retirement rates at age 70 were 45 percentage points higher prior to 1994 than in the post mandatory retirement. Clark and Ghent (2004) estimated retirement equations using UNC faculty employment data for years before and after the ending of mandatory retirement. They found that after the ending of mandatory retirement, the probability UNC faculty retiring at age 70 dropped sharply.
- <sup>7</sup> Benjamin (2002) found that “the proportion of all faculty who teach part-time virtually doubled from 22 percent in 1970 to 43 percent in 1997.”
- <sup>8</sup> See Ehrenberg and Zhang (2005 forthcoming).
- <sup>9</sup> See Ma and Stephan (2005 forthcoming).
- <sup>10</sup> Faculty aged 50 and older at members of the Associated New American Colleges, the University of North Carolina, and the University of Minnesota were asked about their work patterns, professional interests, institutional relationships, and compensation preferences. New career faculty were also surveyed at UNC. Preliminary findings from these surveys are described in Berberet, et al (2005 forthcoming).
- <sup>11</sup> See Palmer, Flusche, and Johnson (2005 forthcoming).
- <sup>12</sup> Of course, some younger faculty are terminated when they are denied tenure and others leave voluntarily for employment at other institutions.
- <sup>13</sup> Ehrenberg, Matier, and Fontanella (2001) provided a thorough discussion of the impact of delayed retirement on annual hiring rates.
- <sup>14</sup> The incentives inherent in most defined benefit plans were clearly illustrated in Kotlikoff and Wise (1989) and Quinn, Burkhauser, and Myers (1990).
- <sup>15</sup> Ashenfelter and Card (2002) found that among faculty who were participants in defined contribution plans, those with larger account balances were more likely to retire. Thus, we can expect retirement rates to fluctuate with economic conditions. The proportion of older faculty retiring will be higher when equity markets have been rising but retirement rates are likely to decline during periods when stock prices have fallen. UNC provides a choice of pension plans to all new employed faculty members. Clark and Ghent (2004) found that faculty in the defined contribution plan had significantly lower age-specific retirement rates than comparable faculty who were participants in the defined benefit plan. Higher retirement rates for those in the state

plan reflect the economic incentives to retire that are part of the defined benefit state retirement plan.

<sup>16</sup> Clark, Ghent, and McDermed (2004) reported that 85 percent of all new hires age 45 years or younger by UNC between 1983 and 2000 selected a defined benefit plan instead of the state plan. Among faculty hired in 2000, 91 percent opted for the defined contribution plans.

<sup>17</sup> There have been relatively few studies of the effects of phased retirement plans. Ghent, Allen and Clark (2001) and Allen, Clark, and Ghent (2004 forthcoming) provide the best available evidence to date on the response to phased retirement plans. They have studied the impact of a phased retirement program at UNC. Their results indicated that about one in every four retirees chose to enter phased retirement.

<sup>18</sup> See Allen (2005 forthcoming).

<sup>19</sup> See Leslie and Jansan (2005 forthcoming), Berberet et al (2005 forthcoming), Switkes (2005 forthcoming), and Allen (2005 forthcoming).

<sup>20</sup> A survey by Watson Wyatt (1999) provided information on the incidence of phased retirement plans throughout the economy and found that educational institutions were at the forefront of introducing phased retirement plans.

<sup>21</sup> Perhaps the most studied early retirement program in higher education was the one instituted by the University of California in the 1990s. This was a three-part program that generated a substantial increase in faculty retirements. Switkes (2001) and Pencavel (2001) provided statistical evidence on response to this early retirement plan.

<sup>22</sup> See Pencavel (2005 forthcoming).

<sup>23</sup> Shoven (2005 forthcoming) reviews the costs and benefits of early retirement plans.

<sup>24</sup> See Rust (2005 forthcoming).

<sup>25</sup> A survey by Hewitt Associates found that in 2003, 10 percent of companies with retiree health plans were eliminating coverage for future retirees and 71 percent were increasing retirees' contributions for coverage. A separate Hewitt survey found that 57 percent of employers with 1,000 or more employees offered health insurance to Medicare eligible

retirees, down from 80 percent in 1981 (News and Observer, 2004).

<sup>26</sup> See Schieber (2005 forthcoming).

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