

INTRODUCTION

As the leading public research university in the American Southwest and one of the top 20 public research universities in the United States, the UA is creating the knowledge necessary to transform the human condition while serving as a vital economic power for the State of Arizona. UA researchers bring in more than a half a billion dollars of external funding each year, creating thousands of jobs for Arizona residents and supporting businesses throughout the state.

The UA's ranking and continued economic impact are inextricably linked to the quality of its faculty, and attending to the factors that support faculty retention has been a major priority. While we are pleased that turnover of ranked faculty has decreased since last year, there are indications that this is a function of a soft real estate market that has made relocating prohibitively expensive. Once the economy improves, we may see this situation reverse unless we take proactive measures to enhance our total compensation program.

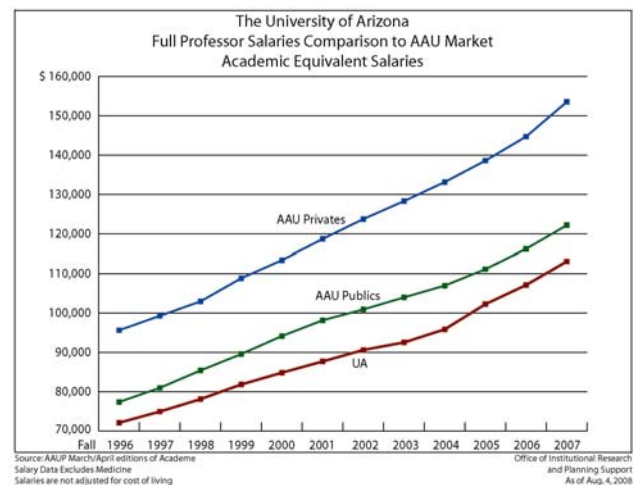
Despite a favorable legislative salary package last year, our market position for ranked faculty remains largely unchanged. Because there was no legislated salary package for FY 2009, we will see significant slippage in the year ahead. Last year ranked faculty salaries were collectively 5% below the market; but without raises to maintain or enhance our position, our faculty are being paid 11% less than their peers as they begin the new academic year.

WEALTHIER UNIVERSITIES ARE RECRUITING IN ARIZONA

The UA finds itself in a particularly vulnerable position, as noted very publicly in national higher education publications. A July 2008 *Inside Higher Ed* article on "faculty poaching" -- aggressive attempts to recruit outstanding faculty from universities in cash-strapped states -- pointed to the UA as an institution especially susceptible to faculty losses. A similar *Chronicle of Higher Education* article noted the UA's situation and described efforts other states are employing in order to bolster faculty retention at a time when we are unable to offer to provide even modest salary increases.

While the UA has long been a recruiting ground for prosperous private universities, we are increasingly threatened by better funded public institutions that are able to offer higher salaries, more significant retirement contributions, greater research support, larger travel budgets, and more generous laboratory and office space. When we compare UA salaries to those offered by our peers within the Association of American Universities (AAU), it is easy to understand why our faculty are viewed as ripe for recruitment. Our assistant professor salaries are close to our AAU public peers, but 20% below private AAU peers, while our full professors -- our most productive and distinguished faculty -- average 8% less the average salaries for AAU public peers and 36% less than AAU private peers.

Table 1: FULL PROFESSOR SALARIES COMPARED TO AMERICAN ASSOCIATION OF UNIVERSITIES PEERS



AN AGING FACULTY

More aggressive "faculty raiding" is occurring against a backdrop of an aging UA faculty. 11% of our faculty are 65 or older and 26% are at least 60 years of age. Fifty-four (54) faculty members retired this year and we stand to lose close to 500 faculty members in the next five years.

The Arizona Board of Regents adopted a phased retirement policy this year and we are hopeful that this program will enable us to delay the departure of some of our most productive senior faculty.

TABLE 2: FACULTY AGE DISTRIBUTION AS OF SPRING 2008

Age	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
Number	11	122	197	218	261	315	312	279	205
Percentage	1%	6%	10%	11%	14%	16%	16%	15%	11%

A ROADMAP FOR GREATER COMPETITIVENESS

The UA is committed to maintaining a world-class faculty and we are confident that the Governor and State Legislature appreciate the vital link between a strong university system and Arizona's long-term success. We are encouraged that they will support our efforts to retain our exceptional faculty and attract new talent required to fill vacancies left by those who choose to retire. We believe a multi-pronged approach is required.

*STRATEGY: REGULAR SALARY INCREASES

While the Arizona Legislature allocated increases during the last two years, there is no salary package this year. There have been several years in which increases have been nonexistent or well below those offered by our peers, which have programs in place and funding available to provide annual salary increases.

We have traditionally cannibalized faculty lines to offer retention packages, but repeated budget cuts have eliminated this option. We can no longer hope to compete for talent when our annual increases are 50% or less than those offered by our peers.

Because there is no salary package this year, our unmet salary need has moved from \$48.2 million to \$67 million for all state-funded employees. A legislative commitment to market equity is essential for us to establish and maintain a competitive market position.

*STRATEGY: COMPETITIVE BENEFITS

With the exception of our retirement programs, our benefits package is particularly compelling. Health insurance premiums are very affordable and faculty and staff are largely satisfied with access to providers. The UA's Life&Work Connections programs are nationally recognized and thousands of faculty and staff take advantage of our services ranging from nutritional counseling to eldercare referrals. The UA also launched a long-term care insurance program and enrolled 700 individuals in its first 60 days. We view these programs as strategic retention tools.

*STRATEGY: ADEQUATE SPACE

The Chronicle of Higher Education and the Great Places to Work Institute partnered to produce a

national study on faculty satisfaction earlier this year and the results were published in July. A finding that surprised study analysts was the degree to which office and lab space are correlated with faculty satisfaction.

The UA has long recognized that adequate and well-designed research and office space are essential to attract and retain productive faculty. Our investments in creative design, exemplified by spaces such as the expansion of the Meinel Optics Building and Thomas W. Keating Bioresearch Building that houses BIO5 reveal our commitment to creating spaces that fuse aesthetic appeal with exceptional functionality. While our space constraints are considerable and include a deficit of 1.1 million square feet, resources available from the Stimulus Plan for Economic and Educational Development (SPEED) will alleviate some of our most acute issues.

* STRATEGY: RESEARCH SUPPORT

We cannot overstate the power of research support to nurture and sustain faculty research agendas. An increasingly tight and competitive federal funding environment makes it all the more important for the UA to provide seed money to support new projects, offer matching funds to attract research grants, and fund the lab renovations and equipment necessary to support faculty success. When we consider that a new assistant professor in the experimental sciences typically requires several hundreds of thousands in start-up costs and a senior recruit can often command more than a million dollars, it is clear that modest investments in existing faculty are a prudent and cost effective strategy to manage both costs and retention.

CLASSIFIED STAFF AND SERVICE PROFESSIONAL RETENTION

Classified staff and appointed professionals contribute significantly to The University of Arizona's mission and there is a correlation between adequate staffing and faculty productivity and satisfaction. We view competitive compensation for our staff as an essential strategy for reducing turnover and supporting faculty success.

While the Arizona Legislature's FY 2007 and FY 2008 salary packages increased our competitiveness, the lack of dollars for FY 2009 has compromised our market position and we worry that our success in reducing turnover will be reversed. Among classified staff, turnover dropped from 17.7% in FY 2006 to 14.1% in FY 2008 and we credit more competitive salary packages for this positive trend. Still, salaries for classified staff lag the market by 14.2% and are especially behind in academic and student support positions.

Recently announced budget reductions will impact these employee groups most significantly, increasing workloads as layoffs occur and vacancies are left unfilled. The promise of competitive compensation will be required for us to retain these employees who provide critical teaching, research and student support.