US public universities: Study finds link between growth of student debt and executive pay

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21 May 2014

A study released by the Institute for Policy Studies (IPS) details the connection between the growth in executive pay, the preponderance of student debt and the reliance on low-wage adjunct faculty at public four-year universities. “The One Percent at State U: How University Presidents Profit from Rising Student Debt and Low-Wage Faculty Labor” examines the period from 2009 until 2012, in the midst of the so-called economic recovery.

“Like executives in the corporate and banking sectors, public university presidents weathered the immediate aftermath of the fall 2008 financial crisis with minimal or no reductions in total compensation,” the study notes. It finds that the compensation packages for executives at these institutions, who were already paid higher than the norm, increased by nearly a third—from $727,002 in 2009 to $974,006 in 2012.

Executive pay at these campuses outstripped that of administrators at public research universities, which saw growth in salaries of between 13 and 14 percent from 2005 to 2012. By 2012, executive pay at the top 25 highest paying universities nearly $1 million.

At the same time, the study found that the growth of student debt was concentrated at those universities notable for their generous executive compensation packages. In 2012, US student loan debt surpassed all other forms of indebtedness, standing at $1.2 trillion. The Institute for College Access and Success (TICAS) reports that more than 71 percent of all students who graduated last year had debt, averaging $29,400 in outstanding loans.

The study notes that from 2006 to 2012, student loan debt at the universities most noted for high executive pay grew 13 percent faster than the national average. Most remarkably, the authors found that student debt peaked during periods when executive pay benefited most, during the so-called recovery.

The report highlights some of the most dramatic contrasts between executive pay and student debt:

• The top executive at Ohio State University was paid $5.9 million from fiscal year (FY) 2010 to 2012, while student debt rose 23 percent faster than the national average.

• At the University of Michigan, the top executive pulled in more than $2.6 million from FY 2010 to FY 2012; average student debt rose 18 percent, to $27,815, from 2006 to 2012.

• The top executive at the University of Washington was paid $2.3 million from FY 2010 to FY 2012, while average student debt rose 26 percent faster than the national average (2009-2012)

From 2006 to 2012, spending on nonacademic administration skyrocketed by 65 percent, while fees and tuition for students rose at a similar clip. This contrasts to a a slower rise in scholarship funding, which in the same period rose by only 41 percent. From 2009 to 2012, administrative pay outstripped scholarship funding by 106 percent.

At the same time, campuses have increasingly turned to the hiring of part-time “adjunct,” non-tenured faculty as a means of cutting costs on staff. A recent study by a US congressional committee noted that the average yearly wage for such workers is $22,041, an income that falls below the federal poverty line for a family of four.

From 2009 to 2011, the campuses with the highest paid executives hired adjunct professors at a rate 17 percent above the national average. At the same time,

the hiring of full-time staff was at a virtual standstill. The report notes that as of 2012, schools with the highest paid executives employed faculties made up in the majority of adjuncts.

The study examines the role of college boards of trustees tasked with determining executive pay at public universities. “Boards are commonly made up of private-sector executives from business, law, finance, real estate, and other industries with a significant presence in a given state. Managers of wealthy philanthropic societies may also sit on some boards,” the authors write.

The study notes that trustees’ decisions are influenced by the runaway salaries in the corporate world: “Given that private-sector executive compensation has soared to astronomical levels, trustees are increasingly out of touch with notions of reasonable compensation. When determining a president’s salary, trustees may face a conflict between the cultural norms of their for-profit peer group and the public interest.”

While executive salaries continue to soar, a recent report by the National Employment Law Project (NELP) found that since the financial crash in 2008, 1.9 million high- and average-paying jobs in the private sector have been eliminated and replaced with some 1.8 million low-wage jobs.