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## AHFME MEMBER 1995 TOTAL ANNUAL EARNINGS SURVEY

Raymond S. Schmidgall

### ABSTRACT

This study was conducted to determine the 1995 annual earnings of hospitality financial management educators. Nearly fifty percent of AHFME's members responded. Annual base salaries ranged from \$28,000 to \$105,000. The lowest-paid member is an instructor while the highest-paid member is a full professor. Most respondents supplement their base salaries by teaching during summer school and conducting consulting. The total annual earnings of members ranged from \$30,000 to \$158,250. Hospitality financial management educators appear to be more highly compensated than hospitality industry financial executives.

### The 1995 Survey

Financial management educators are respected as teachers and researchers, but how well are they paid by their institutions? Further, how much additional income do they earn from their employers beyond their annual salaries? What are their external earnings? How have their total earnings changed over the past few years? In order to determine answers to these questions and others, a questionnaire was mailed to all 65 members of AHFME in February, 1996. This article is based on the response of 30 (46%) members who responded.

Table 1 reflects selected characteristics of the respondents. The largest groups of respondents by faculty rank were eleven professors and eight associate professors followed by seven assistant professors and three instructors. Six (17%) of the respondents are administrators of hospitality programs. The locations of the respondents' academic units were a separate college, colleges of business and human ecology and other colleges. The highest degree granted by the universities for the hospitality discipline ranged from a bachelor's degree to a Ph.D.

Other characteristics of respondents included the following:

- Seventy-seven percent of the respondents were employed by public universities while 23% were employed by private universities.
- Twenty-seven percent of the respondents were female and the remaining 73% were male.
- Seven respondents specialized in accounting (23%), eight in cost control (27%), eleven in finance (37%), and the remaining four (13%) in other areas. Other areas of expertise indicated by AHFME members were tourism, marketing, operations, and MIS. None of these other areas had more than one respondent.

Five respondents had earned their CPA, one the CMA, and seven members had other professional certifications.

Table 1  
Selected Characteristics of the Respondents

| <b>Part A<br/>Faculty Rank</b>               | <b>%</b> |
|--|----------|
| Instructor                                   | 10%      |
| Assistant Professor                          | 23       |
| Associate Professor                          | 27       |
| Professor                                    | 37       |
| Other  | 3        |
| Total  | 100%     |
| <b>Part B<br/>Department Location</b>        | <b>%</b> |
| Business College                             | 34%      |
| Separate College                             | 23       |
| Human Ecology                                | 23       |
| Other  | 20       |
| Total  | 100%     |
| <b>Part C<br/>Highest Hospitality Degree</b> | <b>%</b> |
| Bachelors                                    | 37%      |
| Masters                                      | 30       |
| Ph.D.  | 33       |
| Total  | 100%     |

### *Salaries*

The annual salaries, excluding additional university compensation, such as summer pay, of AHFME members ranged from \$28,000 to \$105,000. The mean average salary was \$54,000 and the largest group of respondents received between \$50,001 and \$55,000 as shown in Table 2. As expected, the higher the faculty rank, the higher the salary as shown in Table 3.

Table 2  
Annual Salaries of AHFME Members

| Salary Levels  | Number of Respondents | %    |
|----------------|-----------------------|------|
| <30,001        | 1                     | 3.3  |
| 30,000-35,000  | 3                     | 10.0 |
| 35,001-40,000  | 2                     | 6.7  |
| 40,001-45,000  | 2                     | 6.7  |
| 45,001-50,000  | 3                     | 10.0 |
| 50,001-55,000  | 5                     | 16.6 |
| 55,001-60,000  | 2                     | 6.7  |
| 60,001-65,000  | 4                     | 13.4 |
| 65,001-70,000  | 1                     | 3.3  |
| 70,001-80,000  | 2                     | 6.7  |
| 80,001-90,000  | 1                     | 3.3  |
| 90,001-100,000 | 3                     | 10.0 |
| >100,000       | 1                     | 3.3  |
| Total          | 30                    | 100% |

Table 3  
Average Salary by Faculty Rank

| Rank                | Number of Respondents | Range             | Mean     |
|---------------------|-----------------------|-------------------|----------|
| Instructor          | 3                     | \$28,000-\$40,000 | \$32,667 |
| Assistant Professor | 7                     | 40,000-53,000     | 47,286   |
| Associate Professor | 8                     | 32,500-80,000     | 55,298   |
| Professor           | 11                    | 58,000-105,000    | 77,864   |

The range of annual salaries between lowest and highest salary varies from \$12,000 for instructors to \$47,500 for associate professors. The average salaries of instructors, assistant professors, and associate professors were \$32,667, \$47,286 and \$55,298 respectively. The full professors clearly outdistanced all other faculty ranks, as their annual salaries average \$77,864. The six respondents who indicated they were administrators reported salaries ranged from \$30,000 to \$92,000 with an average of \$62,333.

The range and average salary by the location of respondents' academic units are shown in Table 4.

Table 4  
Salaries by Location of Academic Unit

| Location              | Number of Respondents | Range             | Mean     |
|-----------------------|-----------------------|-------------------|----------|
| Human Ecology College | 7                     | \$28,000–\$72,000 | \$55,000 |
| Business College      | 10                    | 32,500–105,000    | 69,039   |
| Separate College      | 7                     | 40,000–99,000     | 57,929   |
| Other colleges        | 5                     | 30,000–63,000     | 48,200   |

Based on the above tabulation, the range of average salaries by academic unit is \$20,839. AHFME members "located" in business colleges earn the highest average salaries while those faculty whose hospitality programs are located in other colleges have the lowest average salaries. Average annual salaries of faculty in separate colleges and human ecology colleges fall between these two.

The salary range and average by highest degree offered by members' school is shown in Table 5. There is little difference between the average salaries based on highest degree offered. However, surprisingly programs offering a bachelor's paid AHFME members more than those members working at institutions which offers either a master's or a doctorate.

Table 5  
Salary by Highest Degree Offered

|            | Number of Respondents | Range             | Mean     |
|------------|-----------------------|-------------------|----------|
| Bachelor's | 10                    | \$32,500–\$92,000 | \$60,239 |
| Master's   | 9                     | 35,000–105,000    | 58,000   |
| Ph.D.      | 11                    | 28,000–99,000     | 58,500   |

The ranges and averages of salaries by specialization are shown in Table 6. AHFME members reported three major specializations — accounting, cost control, and finance. Only four respondents identified other areas. Of the three major areas of specialization, the highest average salary is paid to faculty specializing in cost control.

Table 6  
Salaries by Specialization

|              | Number of Respondents | Range              | Mean     |
|--------------|-----------------------|--------------------|----------|
| Accounting   | 7                     | \$30,000–\$105,000 | \$55,198 |
| Cost control | 8                     | 47,000–92,000      | 67,438   |
| Finance      | 11                    | 35,000–99,000      | 56,000   |
| Other        | 4                     | 28,000–100,000     | 59,000   |

In addition, the level of education appears to be significant, as the 22 members possessing a Ph.D. earn an average of \$63,790 while the 6 members with a master's (as their highest degree) earn an average of \$48,917. Respondents (7) employed by private institutions reported an average salary of \$52,929 compared to \$54,341 for those members (22) from public institutions. Male (21) respondents' average salaries were \$55,095 compared to \$51,125 reported by eight female members of AHFME.

Finally, respondents were queried regarding their level of satisfaction with their annual salaries. Four (13%) indicated they were satisfied while 17 (57%) revealed that they were reasonably satisfied. The remaining 9 (30%) indicated some degree of dissatisfaction — five were dissatisfied while four indicated they were very dissatisfied. Clearly the majority of AHFME respondents are satisfied with their salaries.

#### *Additional Compensation*

Twenty of the respondents (67%) indicated they received additional compensation from their universities. This compensation generally was for individuals on a 9-month contract who were paid for teaching summer school. The compensation ranged from \$1,000 to \$20,000. The average (mean) additional compensation was \$9,411 while the median amount was \$9,250. The average by faculty rank ranged from \$6,280 for assistant professor to \$11,222 for full professors. Associate professors averaged \$10,207.

#### *External Earnings*

Respondents were further queried regarding their earnings from sources external to their institutions. Choices included on the questionnaire were honorariums, royalties, consulting fees, and other. Table 7 contains a summary of members' responses. Other than as consultants, a minority of responding AHFME members receive honorariums, royalties, and other income. Consulting was the most common source of noninstitutional income, as 16 members (53%) earn an average of \$5,000 per year. Five members reported being paid honorariums and seven reported royalties. Four members have other income sources. In total, two-thirds of the reporting AHFME membership earn income from external sources, which ranges from \$1,000 to \$60,000. The average external earnings for respondents reporting external earnings is \$12,803.

Table 7  
External Earnings

| Type of Income | Number of Respondents | Range of Income | Median | Mean     |
|----------------|-----------------------|-----------------|--------|----------|
| Honorariums    | 5                     | \$105-\$6,000   | \$ 200 | \$ 1,910 |
| Royalties      | 7                     | 1,000-25,000    | 4,000  | 6,000    |
| Consulting     | 16                    | 1,000-60,000    | 5,000  | 10,250   |
| Other          | 4                     | 1,000-5,500     | 4,500  | 3,875    |
| All sources    | 20                    | 1,000-60,000    | 7,850  | 12,803   |

### *Total Earnings*

The average annual total earnings of AHFME members is \$74,105. The range of total earnings is \$30,000 to \$158,000. Five individuals reported total earnings in excess of \$100,000. Table 8 reveals the total average earnings of AHFME members by faculty rank. As expected, full professors have the highest total earnings of the four faculty rankings. The difference between the average total earnings for assistant professors of \$54,000 and full professors' average earnings of \$99,745 is \$45,745. AHFME members who are full professors earn 85% more than assistant professors. However, this research also suggests as assistant professors earn their rank, much larger paydays will come!

Table 8  
Total Earnings of AHFME Members

|                     | Number of Respondents | Range of Total Earnings | Mean     | Median   |
|---------------------|-----------------------|-------------------------|----------|----------|
| Instructor          | 3                     | \$30,000-\$42,000       | \$37,333 | \$40,000 |
| Assistant Professor | 7                     | 47,000-61,000           | 53,086   | 54,000   |
| Associate Professor | 8                     | 42,500-115,000          | 73,795   | 70,832   |
| Professor           | 11                    | 70,000-158,000          | 99,745   | 88,000   |

Six respondents who indicated they are administrators reported total earnings ranging from \$30,000-\$92,500. The mean average was \$72,750 while the median was \$85,000. It is interesting to note that full professors, who are AHFME members, earn considerably more than administrators who are AHFME members.

A comparison of the average salary by faculty rank (including administrators) and total earnings by rank is shown in Table 9.

Table 9  
Comparison of Average Salaries and Total Earnings by Faculty Rank

|                     | Average<br>Base Salary | Average<br>Total Earnings | Diff. \$ | Diff. % |
|---------------------|------------------------|---------------------------|----------|---------|
| Instructor          | \$32,667               | \$37,333                  | \$ 4,666 | 14%     |
| Assistant Professor | 47,286                 | 53,086                    | 5,800    | 12      |
| Associate Professor | 55,298                 | 73,795                    | 18,497   | 33      |
| Professor           | 77,864                 | 99,745                    | 21,881   | 28      |
| Administrator       | 62,333                 | 72,750                    | 10,417   | 17      |

The higher the faculty rank, the larger the difference between the base salary and total earnings. The differences as shown above are in both absolute and relative terms. Assistant professors on the average earn \$5,800 more than their base salaries which is a 12% difference, while the full professors' annual total earnings are \$21,881 or 28% greater than their average base salaries of \$77,864. Administrators, who have twelve month contracts, generally have less time than the tenured professors to increase their total earnings beyond their salaries, and the difference was only \$10,417 or 17% compared to larger amounts for the associate and full professors.

The average nonsalary earnings and average total annual earnings by area of specialization are shown in Table 10. The average total annual earnings by area of specialization differed significantly. The average nonsalary earnings is only for the number of recipients in each category.

Table 10  
Nonsalary Earnings and Total Earnings by Area of Specialization

|              | Average<br>Nonsalary Earnings | Average Total<br>Annual Earnings |
|--------------|-------------------------------|----------------------------------|
| Accounting   | \$25,030                      | \$83,238                         |
| Cost Control | 9,550                         | 76,513                           |
| Finance      | 6,814                         | 66,673                           |
| Other        | 10,800                        | 81,250                           |

The average nonsalary earnings of accounting specialists exceeded those of respondents specializing in cost control, and finance as shown in Table 6, and they also have greater average total annual earnings than their colleagues in these specializations.



*Comparisons to Prior Years*

Similar studies of total annual earnings of AHFME members were conducted for 1989–1994.<sup>1</sup> A brief comparison of the results are shown in Table 11.

Table 11  
Comparative Salaries and Total Earnings  
1989–1995

|  | 1989     | 1990     | 1991     | 1992     | 1993     | 1994      | 1995     |
|--|----------|----------|----------|----------|----------|-----------|----------|
| Average Annual Salaries                        | \$43,000 | \$50,820 | \$51,613 | \$51,491 | \$51,428 | \$57,390  | \$59,263 |
| Average Total Annual Earnings                  | 65,415   | 69,106   | 68,642   | 66,479   | 70,460   | 75,128    | 74,106   |
| <b>Average total earnings by faculty rank:</b> |          |          |          |          |          |           |          |
| Instructor                                     | \$38,250 | \$39,400 | \$40,765 | \$43,760 | \$43,000 | \$ 27,000 | \$37,337 |
| Assistant Professor                            | 52,540   | 59,096   | 53,775   | 52,680   | 56,000   | 49,072    | 53,086   |
| Associate Professor                            | 65,511   | 66,152   | 71,057   | 65,612   | 73,433   | 69,849    | 73,795   |
| Full Professor                                 | 99,207   | 96,917   | 90,700   | 95,391   | 96,478   | 108,783   | 99,745   |
| Administrator                                  | *        | 71,667   | 64,842   | 70,622   | 77,213   | 71,908    | 72,750   |

\*Not included in the 1989 survey.

Overall, salaries increased from 1989 to 1991, dropped slightly in both 1992 and 1993, and increased significantly in both 1994 and 1995.

*Comparison to Others*

It is interesting to compare the above results to the average compensation of financial executives in the hospitality industry. Roth Young's 1995 hospitality industry survey revealed median annual salaries of various financial managers as follows:<sup>2</sup>

|                                    |          |
|------------------------------------|----------|
| Hotels — chief financial officer   | \$95,000 |
| Hotels — corporate controller      | 58,000   |
| Hotel — controller                 | 42,000   |
| Foodservice — corporate controller | 47,000   |

A comparison of AHFME member total annual earnings, which average \$75,128, to those of hospitality financial executives suggests the educators generally earn considerably more than their counterparts in the hospitality industry.

**Summary**

The mean average salary of AHFME members participating in AHFME's annual total earnings survey was \$59,263. The average salary varied by rank from \$32,667 for instructors

to \$77,864 for full professors. AHFME members with Ph.D.'s received the higher salaries and members specializing in cost control topped the list.

Sixty-seven percent of the responding AHFME members reported receiving additional compensation from their institutions. The mean average was \$9,461.

The most common source of external earnings was consulting. Two of every three respondents reported external earnings which averaged \$12,803.

The total annual earnings respondents reported for 1995 ranged from \$30,000 to \$158,000. The average was \$72,750. The percentage increase in compensation of respondents from their base salaries to total compensation by rank varied from a 12% increase for assistant professor to a 33% increase for associate professors.

Finally, 70% of the respondents report some degree of satisfaction with their salaries while the remaining 30% reported some degree of dissatisfaction.

### Endnotes

<sup>1</sup> Schmidgall, Raymond S. "AHFME Member 1994 Total Annual Earnings Survey" *The Journal of Hospitality Financial Management*, Vol. 4, No. 1, pp. 105-114.

Schmidgall, Raymond S. "AHFME Member 1993 Total Annual Earnings Survey." *The Journal of Hospitality Financial Management*, Vol. 4, No. 1, pp. 115-124.

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<sup>2</sup> Roth Young, 1995 *U.S. Hospitality Industry Salaries*, 1996.

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