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## AHFME Member 1996 Total Annual Earnings Survey

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## **AHFME MEMBER 1996 TOTAL ANNUAL EARNINGS SURVEY**

**Raymond S. Schmidgall**

### **ABSTRACT**

This study was conducted to determine the 1996 annual earnings of hospitality financial management educators. Just over fifty percent of AHFME's members affiliated with educational institutions responded. Annual base salaries ranged from \$35,000 to \$110,000. The lowest-paid member is an assistant professor 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 \$40,000 to \$167,000. Hospitality financial management educators appear to be more highly compensated than hospitality industry financial executives.

### **THE 1996 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 the 60 members of AHFME who are educators in February 1997. This article is based on the response of 32 (53%) members who responded.

Table 1 reflects selected characteristics of the respondents. The largest groups of respondents by faculty rank were twelve professors and twelve associate professors followed by seven assistant professors. Five (16%) 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 of the respondents for the hospitality discipline ranged from a bachelor's degree to a Ph.D.

Other characteristics of respondents included the following:

- Sixty-six percent of the respondents were employed by public universities while 34% were employed by private universities.
- Nineteen percent of the respondents were female and the remaining 81% were male.
- The specializations of respondents included ten in accounting (31%), five in cost control (16%), seven in finance (22%), and the remaining ten (31%) in other areas. Other areas of expertise indicated by AHFME members were tourism, law, operations, MIS, and real estate. None of these other areas had more than two respondents. In addition, four respondents indicated expertise in two or more areas.

Table 1  
Selected Characteristics of the Respondents

<b>Part A Faculty Rank</b>	<b>%</b>
Assistant Professor	22%
Associate Professor	37
Professor	37
Other	4
Total	100%
<b>Part B Department Location</b>	<b>%</b>
Business College	34%
Separate College	28
Human Ecology	28
Other	10
Total	100%
<b>Part C Highest Hospitality Degree</b>	<b>%</b>
Bachelor's	28%
Master's	31
Ph.D.	41
Total	100%

- The highest degree earned by respondents varied from six members with a master's degree to 26 with doctorates.

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

Respondents, on average, have been with their current institutions 11.1 years. Seven (22%) have less than three years with their current institutions while six (19%) have more than 21 years. The largest response was from nine (28%) who have 6.1 to 9 years of experience. The average duration of employment with education organizations was 14.7; thus, on average, respondents have been with their current institutions just over 75% of their educational careers. AHFME members were queried regarding their years of industry experience. Responses ranged from three years to over twenty years. The median response was ten years. Eight members reported exactly ten years of industry experience, eight reported less than ten years, eight reported between 10 and 20 years, and six reported twenty or more years.

### *Salaries*

The annual salaries, excluding additional university compensation such as summer pay, of responding AHFME members ranged from \$35,000 to \$110,000. The mean

average salary was \$70,473 and the largest groups of respondents received between \$55,001 and \$60,000 and over \$100,000, 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	%
30,000-35,000	2	6.3%
35,001-40,000	1	3.1
40,001-45,000	2	6.3
45,001-50,000	1	3.1
50,001-55,000	2	6.3
55,001-60,000	6	18.7
60,001-65,000	2	6.3
65,001-70,000	3	9.3
70,001-80,000	2	6.3
80,001-90,000	3	9.3
90,001-100,000	2	6.3
>100,000	6	18.7
Total	32	100%

Table 3  
Average Salary by Faculty Rank

Rank	Number of Respondents	Range	Mean
Assistant Professor	7	\$35,000-\$68,000	\$53,214
Associate Professor	12	35,000-90,000	57,361
Professor	12	69,316-110,000	94,360

The range of mean annual salaries varies from \$53,214 for assistant professors to \$94,360 for full professors. The five respondents who indicated they were administrators reported salaries that ranged from \$45,000 to \$101,000 with an average of \$70,600.

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
Business College	11	\$36,000-\$109,000	\$75,575
Human Ecology College	9	50,000-102,000	73,571
Separate College	9	35,000-110,000	67,135
Other Colleges	3	35,000-68,000	49,333

Based on the above tabulation, the range of average salaries by the location of academic unit is \$26,242. AHFME members "located" in business colleges earn the highest average salaries while those faculty whose hospitality programs are located in the category "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' schools is shown in Table 5. There is some difference between the average salaries based on highest degree offered. Surprisingly, programs offering a bachelor's degree paid AHFME members almost as much as those offering a doctorate and considerably more than those offering a master's degree.

Table 5  
Salary by Highest Degree Offered

	Number of Respondents	Range	Mean
Bachelor's	9	\$45,000-\$93,000	\$70,880
Master's	10	36,000-109,000	62,430
Ph.D.	13	35,000-110,000	72,917

The ranges and averages of salaries by specialization are shown in Table 6. AHFME members reported three major specializations: accounting, cost control, and finance. Ten 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	10	\$35,000-\$109,000	\$67,202
Cost Control	5	61,000-93,000	81,263
Finance	7	45,000-110,000	76,343
Other	10	35,000-105,000	63,240

In addition, the level of education appears to be significant, as the 26 members possessing a doctorate earn an average of \$71,601, while the 6 members with a master's degree (as their highest degree) earn an average of \$63,767. Respondents (9) employed by private institutions reported an average salary of \$72,267, compared to \$69,447 for those members (23) from public institutions. Male (26) respondents' average salaries were \$72,916 compared to \$58,219 reported by six female members of AHFME.

Finally, respondents were queried regarding their levels of satisfaction with their annual salaries. Four (12%) indicated they were very satisfied while 22 (69%) revealed that they were reasonably satisfied. The remaining 6 (19%) indicated some degree of dissatisfaction; four were dissatisfied while two indicated they were very dissatisfied. Clearly, the majority of AHFME respondents are satisfied with their salaries.

### *Additional Compensation*

Twenty of the respondents (63%) 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 \$1,700 to \$22,000. The average (mean) additional compensation was \$10,945 while the median amount was \$11,500. The average by faculty rank ranged from \$12,250 for assistant professors to \$13,567 for full professors. Associate professors averaged \$8,851.

### *External Earnings*

AHFME members 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. Consulting was the most common source of noninstitutional income, as 17 members (53%) earn an average of \$5,000 per year. Eight members reported being paid honorariums and nine reported royalties. Six members have other income sources. In total, 24 (75%) of the AHFME reporting membership earn income from external sources, ranging from \$500 to \$51,000. The average external earnings for respondents reporting external earnings is \$13,737.

Table 7  
External Earnings

Type of Income	Number of Respondents	Range	Median	Mean
Honorariums	8	\$300-\$10,000	\$2,000	\$ 3,038
Royalties	9	500-30,000	2,500	8,378
Consulting	17	2,000-50,000	5,000	9,747
Other	6	3,000-37,000	7,250	26,500
All Sources	24	500-51,000	6,350	13,737

### *Total Earnings*

The average annual total earnings of reporting AHFME members is \$88,186. The range of total earnings is \$40,000 to \$167,000. 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 three faculty rankings. The difference between the average total earnings for assistant professors of \$64,386 and full professors' average earnings of \$119,826 is \$55,440. AHFME members who are full professors earn an average of 86% more than assistant professors. However, this research also suggests that as assistant professors earn their rank, much larger paychecks will come!

Table 8  
Total Earnings of AHFME Members

	Number of Respondents	Range of Total Earnings	Mean	Median
Assistant Professor	7	\$40,000-\$92,000	\$ 64,386	\$ 57,500
Associate Professor	12	41,800-109,000	77,694	81,514
Professor	12	80,000-167,000	119,826	104,950

Five respondents who indicated they are administrators reported total earnings ranging from \$50,000 to \$111,600. The mean average was \$82,200 while the median was \$92,500. 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 Base Salary	Average Total Earnings	Diff. \$	Diff. %
Assistant Professor	\$53,214	\$ 64,386	\$11,172	21%
Associate Professor	57,361	77,694	20,333	35
Professor	94,360	115,493	21,133	22
Administrator	70,600	82,200	11,600	16

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 \$11,172 more than their base salaries, which is a 21% difference, while the full professors' annual total earnings are \$21,133 (or 22%) greater than their average base salaries of \$94,360. Responding members who are associate professors have the largest percentage increases in compensation, at 35%, and nearly the same dollar increases as full professors. 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 \$11,600 or 16%—smaller differences than those 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 varied 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 Nonsalary Earnings	Average Total Annual Earnings
Accounting	\$14,000	\$ 89,303
Cost Control	1,820	87,583
Finance	11,500	100,129
Other	9,670	78,910

The average nonsalary earnings of accounting specialists exceeded those of respondents specializing in cost control and finance, as shown in Table 10, but financial specialists have the greater average total annual earnings, compared to their colleagues in other specializations.



### Comparisons to Prior Years

Similar studies of total annual earnings of AHFME members were conducted for 1989–1995.<sup>1</sup> A brief comparison of the results are shown in Table 11. Overall, salaries increased from 1989 to 1991, dropped slightly in both 1992 and 1993, and increased significantly from 1994 to 1996.

Table 11  
Comparative Salaries and Total Earnings  
1989–1996

	1989	1990	1991	1992	1993	1994	1995	1996
Average Annual Salaries	\$43,000	\$50,820	\$51,613	\$51,491	\$51,428	\$57,390	\$59,263	\$70,473
Average Total Annual Earnings	65,415	69,106	68,642	66,479	70,460	75,128	74,106	88,186
<b>Average total earnings by faculty rank:</b>								
Instructor	\$38,250	\$39,400	\$40,765	\$43,760	\$43,000	\$ 27,000	\$37,337	NA
Assistant Professor	52,540	59,096	53,775	52,680	56,000	49,072	53,086	64,386
Associate Professor	65,511	66,152	71,057	65,612	73,433	69,849	73,795	77,694
Full Professor	99,207	96,917	90,700	95,391	96,478	108,783	99,745	115,493
Administrator	*	71,667	64,842	70,622	77,213	71,908	72,750	82,200

\* Not included in the 1989 survey.

### 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 1996 hospitality industry survey revealed median annual salaries of various financial managers as follows:<sup>2</sup>

<sup>1</sup> Schmidgall, R.S. (1997). AHFME member 1995 total annual earnings survey. *The Journal of Hospitality Financial Management*, 5(1), 49–57.

Schmidgall, R.S. (1996). AHFME member 1994 total annual earnings survey. *The Journal of Hospitality Financial Management*, 4(1), 105–114.

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Schmidgall, R.S. (1995). AHFME member 1990 total annual earnings survey. *The Journal of Hospitality Financial Management*, 2(1), 23–32.

Schmidgall, R.S. (1994). AHFME member annual earnings survey. *The Journal of Hospitality Financial Management*, 1(1), 65–74.

<sup>2</sup> Young, R. (1997). 1996 U.S. Hospitality Industry Salaries.

Hotels—chief financial officer	\$95,000
Hotels—corporate controller	54,000
Hotel—controller	43,000
Foodservice—corporate controller	39,000

A comparison of AHFME member total annual earnings, which average \$88,186, to hospitality financial executives suggest 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 \$70,473. The average salary varied by rank from \$53,214 for associate professors to \$94,360 for full professors. AHFME members with doctorates received the higher salaries and members specializing in cost control topped the list.

Seventy-five percent of the responding AHFME members reported receiving additional compensation from their institutions. The mean average was \$13,737.

The most common source of external earnings was consulting. Just over 50% of the respondents reported external earnings from consulting, which averaged \$9,747.

The total annual earnings that respondents reported for 1996 ranged from \$40,000 to \$167,000. The average was \$88,186. The percentage increase in compensation of respondents from their base salaries to total compensation by rank varied from a 21% increase for assistant professor to a 35% increase by associate professors.

Finally, 81% of the respondents reported some degree of satisfaction with their salaries while the remaining 19% reported some degree of dissatisfaction.

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