

The Academic Job Market in Finance: A Rookie's Guide – 2007 Supplement

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Abstract

This note supplements our article, “The Academic Job Market in Finance: A Rookie's Guide” (Butler and Crack, 2005). Here we provide additional and updated job-seeking advice to rookies and lightly-seasoned academic job seekers in academic finance.

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Background reading

Before reading this note, you should first read our preceding article titled “The Academic Job Market in Finance: A Rookie's Guide.” It appears on SSRN and is also published online.¹ That article is a more complete and detailed guide for newly minted Ph.D.'s entering the academic finance job market for the first time. There, we describe institutional details of how the job market works and explain the important principles of job seeking (specifically, that it is a “market for lemons”). Here we simply provide selected updates that are relevant due to changes in the market structure or omissions from the previous paper. This article is thus a companion piece to Butler and Crack (2005), and is not meant to stand alone.

To E- or not to E-; that is the question

Should I send my application electronically? You might argue that the traditional process of mailing out dozens of application packets is wasteful and inefficient when virtually all of the information in the packets can be sent electronically. You would be correct, but this is irrelevant for rookies for several reasons. First, many schools have to deal with bureaucratic human resources departments across campus who require hard copy documentation. Someone has to print your packet, so it might as well be you. Second, many decision makers on recruiting committees have a preference for “passing around folders” at a conference room table to make recruiting decisions. You do not want your folder to have nothing in it. Third, many departments do not have a good system for processing electronic applications: a big stack of hard copy applications will get the attention it deserves, but yesterday's emails are easily lost in the avalanche of emails most Finance academics face each day. Your ignorance of the process may not help either; whom are you going to email—the department chair? The recruiting committee chair? The assistant professor whom you met at WFA last year? Until there is a critical mass of schools that prefer electronic applications, stick with the wasteful but reliable hard copies.

Our e-advice for seasoned job candidates is slightly different; see below. Also, US rookies applying to foreign schools are often required to submit electronically to avoid delays in international mail. In this case, send a follow up email within a week to confirm that your materials arrived safely.

What can I email? If you are a rookie, you should not email anything substantive that is not explicitly requested to be sent *via email*. You do not want the recruiter to remember you because you crashed his/her inbox with your unsolicited 3MB email. You could email people in the department that you have personally met or corresponded with previously to alert them that you have applied and to be looking for your application. This generally is not required or expected of rookies.

Should I maintain web pages? Every rookie should have a clean, professional² web page that contains a CV, links and syllabi for courses taught, and downloadable research papers. Label your job market paper clearly as such. Your web page and its contents should be updated regularly. Make sure the latest revision date is clear on anything you revise. Be sure to put clear contact details (name, email, telephone, fax) on

¹ See <http://ssrn.com/abstract=588561> or <http://www.financialdecisionsonline.org/current/Butler.pdf>

² “Professional” here means “not unprofessional” (e.g., no pictures of you half-naked at Mardi Gras covered in beads). The web page need not be designed by a professional. A minimalist approach is sufficient.

your working papers. All too often candidates put their contact details on their CV but not on their working paper, not realizing that some people never see their CV.

What about the blogs I maintain? Assume the worst: the hiring committees will read your blogs if you prefer that they do not and will not read them if you prefer that they do. If you have something really obnoxious or embarrassing on your blog, the one person that reads it will tell everyone else they see at the conferences.

Salaries and other contract terms

Over the past ten or fifteen years, salaries have increased at an annually compounded rate of no less than roughly 4% to 5%. Simultaneously, teaching loads have gone down at top schools. This can create a nasty surprise for a department that has not hired for several years—their expectation of what they can reasonably offer a rookie may be off by \$30,000 or more (on the low side, of course). Recruiting schools will often try to learn from job seekers what the market salary will be so that they can make appropriate offers. Be sure to ask your advisor what salaries your department plans to offer rookies this year.

Note that salaries vary dramatically with the school's expectations of your research output, but are almost completely invariant to cost and quality of living, geography, and state income taxes. Here are three hypothetical examples. Relative to other schools with similar research expectations, all three might be reasonable offers (these numbers are fictitious and will quickly become stale, but they are probably the correct order of magnitude for 2007):

- A school that expects three or four "A" journal articles for tenure might pay a base of \$165,000 with a three course per year teaching load (which may involve up to three preps per year).
- A school that expects one "A" plus several "B" articles for tenure might pay a base of \$135,000 with a four course per year teaching load and a temporary course reduction for the first year.
- A more teaching-oriented school might expect five publications in lower tiered journals but no "A" articles. They might offer a base of \$105,000 and up to a five (or even six) course per year teaching load.

Finance rookies' salaries are often higher than those of highly esteemed full professors in other departments on the same campus. They might be three or even four times what rookies in other fields make, even those from significantly better degree-granting institutions. Keep this in mind if you feel like your offer is low and you try to complain about this poor treatment to your cousin getting her doctorate in medieval literature.

When evaluating two or more competing offers, keep in mind that this will probably not be the last time you move (either by your choice or perhaps the institution's). Real wages do not equal nominal wages; the cost of living in, say, South Bend, Indiana is substantially less than the cost of living in, say, Boston, Massachusetts. Many states (including Alaska, Florida, Tennessee, Texas, and Wyoming) have no state income tax, whereas other states have top marginal tax rates in excess of 8–9%.

Note that foreign schools trying to recruit US rookies may offer salary packages that are vastly different from an offer from a US school. To avoid confusion, and to make clear that they are different, they typically reveal salary package details more explicitly than do US schools. For example, schools in oil-rich middle-eastern countries might offer 50% more salary, plus free private healthcare, free life insurance, free housing, free vehicle, free flights home each year for the family, free education for family members, and a very generous pension plan. In Australia and New Zealand, you might get 30%–40% less salary than a comparable US school, no private healthcare, no life insurance, and a miserly pension plan

...but in exchange for that you get a relatively high standard of living, a relatively low cost of living, and a national health service.

In our view, any small differences in salary or cost of living should be immaterial for rookies except for decision making at the margin. It is much more important in terms of your personal long-run NPV to choose the school where you can be most research-productive.³ (Or you could simply choose the school that you think will make you happiest, but where's the fun in that when you could procrastinate finishing that dissertation chapter while you plug tax rates and cost-of-living adjustments into a spreadsheet?)

Packets

The mean number of packets rookies send has increased dramatically over the past ten years. This creates a huge externality: hiring departments are inundated with literally hundreds of application packets, but the amount of time able to be devoted to recruiting is relatively fixed. Thus, the time spent on each application is diminishing over time. It follows that to be heard, you must have a compelling cover letter, an error-free CV, and all your recommendation letters in *on time*.

Reference letters are especially important for otherwise marginal candidates. Have one letter from your dissertation advisor, one letter from the most famous person who will credibly say good things about you, and one letter from the person who knows your work best. Unless there is reason to doubt your teaching ability (e.g., you have significant language difficulty or you come across as unusually abrasive), you need not have a special "teaching reference," especially if your other letter writers mention your teaching capabilities. That said, if you are a good teacher, but your dissertation advisor is not involved in your teaching, make sure that he/she knows how good you are and mentions it in his/her letter.

How many packets should I send? It would not be unusual to send out (dare we say it?) 100 packets unless you are targeting only very top schools, and then it would not be unusual to send 40 packets (after all, there are at least 40 top-twenty schools). But there is very little merit to sending packets to schools that would not be a good fit for you, and almost surely there are not more than 100 schools that would be a good fit for you. In general, send packets to *only* those schools that you would go to if they made you your only offer. There is no point applying to schools you would not accept an offer from. You won't have any free time when you are on the market. So, why invite the possibility of flyouts to schools you will not go to that will consume free time you do not have?

When should I send packets? It depends, in part, upon who the addressee is. Suppose the packet goes straight to "Dr. Alice Smith, recruiting chair." You need to make sure your packet is on Dr. Smith's desk before she makes decisions on whom to interview. This might be September 10 for a school interviewing at FMA, or November 20 for a school interviewing *only* at AFA. Now, suppose the addressee is "Department of Human Resources, attn: position #FIN2423." In this case your packet goes to a bureaucratic morass on the other side of campus where the packet will be processed, logged, folded, spindled, and mutilated. If you send your packet the day before Thanksgiving, it may not make it to the recruiting committee till mid-December, which is likely *after* decisions have been made. Oops!

Express mail is better, right? No. Only use express mail if you are in a rush, which you will not be if you do things correctly. The decision makers probably do not even see the package your packet arrived in, and if they do, they may wonder why you couldn't get your act together to send packets earlier.

³ We note that recent research by Oyer (2006) suggests that initial academic placement for economists is very important for subsequent career outcomes. We suspect the same is true for Finance rookies.

Conferences

The FMA doctoral student seminar used to accept only one student per school. They now sometimes accept multiple students per school. You should plan to participate in this, as you will meet many people who will become your colleagues in the profession.

It is useful to book a hotel room in the main hotel for convenience, but you can probably get away with booking in a cheaper nearby hotel. In this case, plan to spend your evenings hanging out in the lobby bar of the main hotel.

Do not book too many conference interviews: more than 20 will push you to the edge of logistical capacity. The marginal benefit of additional conference interviews starts to decrease after about twelve. If you are a strong enough candidate to get that many interviews, you will probably also get good yield on flyouts, and also good yield on offers coming from flyouts. Thus, even if you *could* schedule 30 interviews, you probably do not need that many interviews.

Flyouts

Let someone (e.g., the secretary organizing your itinerary) know before your visit if you have dietary restrictions or other special needs. Also, enroll in all frequent flier programs before entering the market. You might as well get the miles, right?

Aftermarket aftermath: Can I be a rookie again next year?

Candidates who are on the market for two (or more) years in a row create an adverse selection problem for recruiters. If you could not find a job last year, then perhaps you have some hidden flaw, so why should they interview you this year?

Bottom line: the option to wait is more valuable than the option to enter the market in concurrent years. It is almost always better to wait another year and be a stronger candidate than to go on the market too early and risk being a repeat rookie.

Special notes for economists

A true story—A Finance rookie accepts an offer; he discloses the terms of the offer to a friend dissertating in a labor economics doctoral program. The economist is floored and replies somewhat pejoratively: “You’re earning *what??* What do *you* know that I don’t know?”

Yes, Finance salaries are, on average, substantially higher than economics salaries. These salaries are driven by competing demand for Finance PhDs by financial firms. This attracts many economists to apply their skills in the Finance field. But there are some things that economists need to know....

Unless you are among the very top candidates on the market, you need to attend not only the ASSA meetings in January, but also the FMA meetings in October. Your economist advisor may have never heard of these meetings, and he/she has probably never attended. Nonetheless, this is an important part of the Finance market.

You may not be a perfect substitute for a Finance PhD student. The major accrediting body for business schools, AACSB, has certain requirements for the number of courses you have taken *in the specific field* you teach. Thus, you may be quite capable of publishing path-breaking papers in top Finance journals, but you may be “unqualified” by AACSB standards to teach undergraduate principles of finance. If you have not taught Finance courses (preferably at least two different courses with teaching evaluations that you can produce when asked), your ability to do so will be questioned and discounted.

The proper attire for interviewing with and working in business schools may be different from economics departments that are housed outside of business schools. For example, one piece of advice we have seen for economics recruits is that “suits are appropriate, but not necessary” and “wear shoes that are not too shiny.” In contrast, we *strongly* advise Finance doctoral students to always wear conservative suits, pressed shirts, and shined shoes (for women, conservative pants-suits are fine). In an early draft of this paper we added that “if you are going to wear a sports jacket and suede shoes, then you might as well put a chicken suit over the top of it.” We now think our quip was a little extreme. We suspect, however, that there are interviewers out there who are just this extreme. Sure, be your own person, but remember that the first impressions you make are assumed to be your best.

Special notes for seasoned candidates

The main difference between rookies and seasoned candidates is information uncertainty. Seasoned job seekers now know better what they are capable of and what they want from a job than they did when they were rookies. More importantly, recruiters know better what the seasoned job seeker is capable of.

The best time to enter the market is when you have gotten a good paper accepted and you have a good paper to present in your flyout.

It probably doesn't matter if a seasoned candidate's job market paper is co-authored, but a co-authored paper compounds the information uncertainty that a rookie presents to recruiters.

Connections are much more important for seasoned candidates than for rookies. Contact directly the people you know at schools to which you are applying. If you have a contact, ask them if emailing a CV and paper is sufficient, and whether they need recommendation letters. Depending on how close the connection is, you might skip the conference interview and go straight to the flyout. In some cases (e.g., a former employer) you might even be able to skip the flyout entirely.

If you are entering the market voluntarily, keep your number of applications very small. You will probably get very high yield and you have the option of not moving this year and trying again next year.

If you are entering the market involuntarily (e.g., you were denied tenure), you should send applications to every school at which you would want to work and think you have a chance of getting a flyout. You should contact references to write letters for you. Your references need not be from your degree-granting institution nor your current institution, though either is fine.

Other sources for information

There are other “job market tips” articles and memos out there. Take them all (and this one, too) with a healthy dose of skepticism. This is *especially* true for memos written by or for people outside of your specific field (excellent advice for economists might be mediocre advice for Finance rookies). When in doubt, ask your advisor.

One paper that is very closely related to our previous article, but is geared toward Finance rookies seeking jobs at teaching schools (e.g., what we refer to as Tier 5 and Tier 6 schools in our previous article) is Goff and Huffman (2005).

Miscellaneous

Ethics note: Unethical behavior of any sort (e.g., CVs that are not truthful, renegeing on an offer you accepted, misleading school X about an offer supposedly from school Y) establishes a reputation that will always precede you. If you are discovered, stories of your indiscretion will haunt you for years to come. That said, some US schools are reluctant to fully or freely disclose their experiences with fraudulent academics for fear of lawsuits. If you are a recruiter, be sure to Google your potential recruits and be sure to contact the head of department at each school they claim to have worked at. Ask the heads to confirm the candidate's dates of employment, and read between the lines in the responses. If something sounds fishy then dig deeper. A one-line email to a candidate's former department head may save you a great deal of time, effort, and money!

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