

Information about UC faculty salaries

At their September meeting, the UC Board of Regents will consider a proposal regarding UC faculty salaries. Below is information about this topic.

Executive Summary

- **In order to maintain the quality of UC’s academic and research programs, and its contributions to society, salaries for UC faculty need to be improved to reflect current market conditions and more effectively support UC’s recruitment and retention needs.**
- **This proposal is part of UC’s larger 10-year plan to achieve market parity for all employees (see below), and is consistent with other efforts to improve/preserve compensation and benefits for UC employees generally, including the following:**
 - **Systemwide raises for employees for several consecutive years, and a projected funding increase for salary increases and other core costs of at least 5% for the next four fiscal years;**
 - **More than \$14 million in special additional salary increases for more than 35,000 lower-paid employees;**
 - **Salary-based health insurance so lower-paid employees pay lower premiums and to help preserve salary gains;**
 - **Extending the 17-year pension contribution holiday – an unparalleled benefit for UC employees.**
- **Because UC’s salary scales have not kept pace with the market, approximately 75% of UC faculty salaries are currently paid “off-scale”. This has undermined the integrity of the scale system and the faculty peer review system in which individual faculty members are evaluated by their colleagues. This plan would reduce the current proportion of off-scale salaries significantly by 2008-09.**
- **The main elements/objectives of this proposal are:**
 - **Updating faculty salary scales along with academic policy to reflect current market realities;**
 - **Increasing individual salaries to competitive levels over the next four years through a combination of (1) systemwide cost of living adjustments (COLAs), (2) individual market-based adjustments (where salaries lag the market and as appropriate), (3) and merit increases for individual academic achievement.**
- **Only some faculty salaries will be raised by the market adjustment. While all faculty will continue to receive COLA increases, and merit increases where appropriate, significantly off-scale faculty salaries will NOT be raised by market adjustments as they are already closer to market.**
- **Given the substantial resources that will need to be identified and carefully calibrated against other institutional needs, a phased implementation approach over a four-year period is proposed.**
- **New State funding that is to be provided under UC’s Compact and student fee revenues will fund portions of this proposal. Other sources of funding, including redirection from existing resources, will need to be identified to achieve the plan.**
- **Salaries of other employee groups will be discussed at future Regents’ meetings.**

Background

UC has long recognized the importance of providing faculty and staff with competitive compensation. In 1978, the Regents established a specific compensation policy that states in part:

“That, subject to the availability of appropriate funding, staff and management employee salaries and benefits be based on prevailing total compensation for employees performing comparable work in private and public employment;”

In September 2005, the Regents reaffirmed their commitment to competitive compensation for all UC employees by passing RE-61 which committed the University to realizing systemwide market-competitive salaries and benefits for UC’s more than 170,000 employees by 2015:

www.universityofcalifornia.edu/regents/regmeet/sep05/re61.pdf

Given the size of the UC workforce, the numerous and varied markets in which UC competes for talent, the vast resources an effort like this requires, and the limited resources available to the University, achieving market parity for all UC employee groups will require significant resources and necessarily need to happen in pieces and stages. This faculty salary plan is one of the pieces.

The Problem: Why UC faculty salary scales need improvement

The market has risen significantly over time while UC salary scales have not, creating a significant misalignment with the current market. Thus, in order to compete successfully for faculty, UC has had to pay off-scale salaries – currently, 75% of UC faculty are paid off-scale. In turn, this has undermined the integrity of the scale system and the faculty peer review system in which individual faculty members are evaluated by their colleagues. In order to ensure that UC’s faculty scales are appropriate to current market realities, they need to be updated.

The Solution

Given the critical importance of UC’s faculty to maintaining the quality of the University’s academic, research and public service programs, the issues associated with the severely outmoded faculty salary scale system, and the current market lags for faculty salaries must be dealt with expeditiously.

This plan proposes an accelerated effort to restore faculty salaries to market levels within the next four years through a combination of the following:

- Annual “cost of living adjustments” (COLA) for all faculty;
- Market adjustments in the first two years that raise the scales and address those individual salaries that have lagged behind the market;
- Merit increases for faculty members upon demonstration of the highest academic achievement.

NOTE: All faculty will receive the COLA increase, and will continue to be eligible for merit increases as in past years. In addition, the market adjustments will change the scale to bring greater numbers of faculty back on scale and restore the integrity system. Some faculty whose salaries have not kept up with the market will see additional increases as a result of the market adjustment to the scale.

The plan also calls for updating academic personnel policies to ensure they support and align with sound compensation practices.

If implemented, this plan would reduce the current proportion of off-scale salaries significantly by 2008-09 (some ongoing use of off-scale salaries will be necessary to address extraordinary recruitment/retention circumstances), and restore faculty salaries to competitive levels over the next several years.

Funding for this proposal

Given the size of UC's faculty, significant resources will be needed to achieve this plan. For example, it is estimated that the first year alone will cost approximately \$52.7 million. It is anticipated that a combination of funding sources, and resource reallocations, will be used to accomplish the proposal's goals as follows:

- Compact funding and student fee revenue is expected to provide 5% funding for compensation packages for all employees in 2007-08 and each of the next three years;
- Reallocation of some resources;
- Additional sources of funds will need to be identified.

Recent and ongoing efforts to improve/preserve salaries and benefits systemwide

While there is much more work needed to ensure competitive compensation and benefits for all UC employees, the University continues to make measurable progress, including the following:

- Improved funding for salaries: In assuming the UC presidency, one of President Dynes' top priorities was stabilizing state support for UC, including regular funding for salary increases. The multi-year budget compact agreement President Dynes reached with Governor Schwarzenegger in 2004 has included annual funding increases of 3 percent for salary and other cost increases, which have since grown. In fact, UC is budgeting for 5% funding increases for employee compensation packages for the next several years which will help close salary market gaps.
- Special salary increases for lower-paid employees: In recognition of the impact of California's high cost of living on lower-paid staff, UC recently provided more than \$14 million in special wage increases to over 35,000 employees earning \$40,000 or less: www.universityofcalifornia.edu/news/2007/jun27a.html
- Extension of UCRP contributions "holiday": The University of California Retirement Plan (UCRP), UC's defined benefit pension plan (considered a gold standard by most experts), remains fully funded. This remarkable achievement has meant that, unlike at most other public and private institutions, UC employees (as well as UC and the State of California) have not been required to contribute toward the cost of the pension benefits for the last 17 years. This represents significant annual savings for UC employees and also the preservation of employee salaries. While UCRP contributions (from both UC and employees) are once again needed to keep UCRP strong and were rescheduled to resume this year, UC has extended this pension contribution "holiday".
- Salary-based medical benefits to help lower-paid employees: In 2003, UC introduced a salary-based approach to its health insurance plans so lower-paid employees pay lower monthly premiums and to help preserve salary gains: http://atyourservice.ucop.edu/news/archive/0611-total_compensation_update.pdf

Competitive compensation and benefits for all employees: An ongoing priority

UC is committed to achieving market-competitive compensation and benefits for all UC employees. However, given the size of UC's workforce and the complexity of the University's recruitment and retention needs, this will require careful planning and sequencing, and enormous amounts of resources. To put this in context, UC's current systemwide payroll is more than \$8 billion annually, not including the cost of benefits. As this is a multi-year, multi-step process, Regents will continue to discuss this plan, and plans concerning other employee groups, at future meetings.