**Introduction**

Consistent with its commitment to transparency and public accountability, the University of California discloses employee payroll information annually, and makes it broadly available to the public as well as to the news media. This information includes breakdowns of UC pay by individual employee, personnel category and fund sources, and provides a summary of compensation for the top university leaders.

UC competes in many different labor markets for personnel — physicians, faculty members, nurses, administrative staff, investment professionals, etc. — and employee compensation is dictated by prevailing practices in each market. To compete in these markets, UC must conform to the same market practices. In some markets, such as health care, coaching and investment management, standard industry practice is to divide compensation into two distinct parts: (1) a guaranteed base salary; and (2) a contingent payment based on performance. Other market practices dictate a combination of pay components. For example, nurses and other UC health care employees are paid with a combination of base pay and shift differential pay for working evening or night shifts. Compensation for clinical faculty includes base pay along with an additional amount for patient care. Other faculty compensation might also include additional pay for teaching summer courses or conducting extramurally sponsored research. Staff and administrators receive most of their income from base pay, but can also earn overtime, or stipends for assuming additional temporary responsibilities.

**Compensation for many UC employees is significantly below market:** As UC’s separate 2009 total compensation study shows (www.universityofcalifornia.edu/news/compensation/comparisons.html), cash compensation for many UC employee groups remains lower than comparable positions at competing institutions, significantly so in many cases. **Highlights:**

- Market positions have eroded, and are expected to worsen, due to lack of salary increases, rising employee medical benefit premiums, the resumption of employee contributions to the UC retirement plan, and a systemwide furlough program which reduced faculty and staff pay for the 2009-10 fiscal year.
- On average, cash compensation for UC faculty is 10 percent below market, and total compensation (cash plus benefits) is 4 percent behind comparable institutions. More recent data show an 11.2 percent faculty salary lag.
- **Union-represented service workers** are closer to the market average than all other categories of employees in the UC system, and their total compensation (cash plus benefits) is 18 percent higher than their counterparts at other institutions.
- The largest compensation gap affects **senior management group members** (e.g., president, chancellors, deans, vice presidents, chief financial officers) whose cash compensation, on average, was 22 percent lower than their counterparts. Total compensation for top administrators, including university chancellors, was 14 percent below their counterparts at comparable institutions.
- Cash compensation for **managers, senior professionals and professionals and support staff** — both union-represented and non-represented — lags behind their counterparts as well: 13 percent to 19 percent on average.
- Cash compensation for **most UC medical center employees** is near or slightly above market, except for **staff physicians** whose pay is 18 percent below market.
- Consistent with healthcare industry practices, UC medical centers use performance-based (incentive) compensation programs to encourage and reward employees at every level for quality patient care and operational efficiency. UC medical centers are self-supporting enterprises and operating expenses, including employee compensation, are paid from operating revenues — no state funds are used.
State funding for UC pay declines while hospital and research funding rises: A recent study of UC payroll funding reflects notable shifts in funding sources of employee pay. As the following data show, between 2008 to 2009 support from teaching hospitals and research increased while state support diminished:

- Total pay from general funds (primarily state funds) and educational fees decreased by $101 million (-3%)
- Total pay from teaching hospitals grew by $161 million (+8%)
- Total pay from federal government sources, which consists primarily of research funding, increased by $44 million (+5%). Pay supported by private gifts, contracts and grants (C&G) also grew by $4 million, an 8 percent increase.

Key points about UC’s 2009 payroll data

1. 2009 payroll grows slightly due to market demands, increased research and healthcare services, and other factors
   - The delivery of educational services, research and healthcare is labor-intensive -- personnel costs are roughly 50% of UC’s $20 billion annual operating budget.
   - UC’s total payroll of roughly $9.6 billion in 2008 grew to a little more than $9.8 billion in 2009, an increase of just over 2.5%, which is less of an increase than in prior years. This increase is likely attributable to a combination of factors, including market pressures for more competitive compensation, particularly in the areas of healthcare, instruction and research which parallels increases in UC’s instructional, research and public service activities overall:
     - Student enrollments grew by nearly 2% between 2008 and 2009
     - Overall research expenditures grew 6.5%
     - Inpatient days at UC medical centers grew almost 1%
   - UC’s workforce of roughly 184,000 in October 2009 reflects a very small decrease (-0.7%) from 2008.

2. How the 2009 payroll data breaks down
   - Approximately 40% of compensation in 2009 went to academic employees, including mainly faculty (also other non-student instructors) and researchers. The remainder went to non-academic employees, including those who support academic departments, student services, patient care and other University functions.
   - As in previous years, the “top 10 earning” employees at UC in 2009, based on total pay, were health sciences faculty members – typically world-renowned specialists in their fields – and athletic coaches.
   - About 33% of the funding for systemwide compensation came from professional fees, clinical revenue, and other activities associated with UC’s teaching hospitals and the medical compensation plan. Approximately 30% of the funding came from General Funds and the Educational Fee, and approximately 4% from other student fees such as those associated with summer session and University Extension. The remainder came from such sources as the federal government, private gifts, sales and services, and special state and local government appropriations.