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 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 some 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 of this study include the following points:

- 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 12-month furlough program which reduced faculty and staff pay beginning in September 2009 and continuing through August 2010.
- 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 a 12.8 percent salary lag for faculty.
- 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 effects senior management group members (e.g., the president, chancellors, deans, vice presidents, chief financial officers) whose cash compensation, on average, was 22 percent lower than their counterparts. Total compensation, including non-cash items such as health, pension and retirement benefits, was 14 percent below their counterparts at comparable institutions.
- Cash compensation for managers, senior professionals, professionals and support staff — both union-represented and non-represented — lags behind their counterparts, with the lag ranging from 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 of every level for quality patient care and operational efficiency. UC medical centers are self-supporting enterprises and their operating expenses, including employee compensation, are paid from operating revenues — no state funds are used.

State funding for UC pay continues to decline while funding from hospital and research sources increases: Figure 1 (next page) shows a similar pattern as last year’s Report on 2009 Employee Pay, with growing support from teaching hospitals and research funds while state support continues to decline:

- Total pay from general funds (primarily state funds) and educational fees decreased by nearly $174 million (-6%)
- Total pay from teaching hospitals grew by $76 million (+3%)
- Total pay from federal government sources, which consists of primarily research funding, increased by $80 million (+8%)
- Pay supported by private gifts, contracts and grants grew by $4 million, a 1 percent increase

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Key points about UC’s 2010 payroll data

1. 2010 payroll grew slightly due to market demands, increased research activity and other factors
   - The delivery of educational services, research and health care is labor-intensive – payroll costs are roughly half of UC’s $22 billion annual operating budget.
   - UC’s total payroll of roughly $9.88 billion in 2009 grew to just under $10 billion in 2010, an increase of about 1%, which is a smaller 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 health care, instruction and research which parallels increases in UC’s instructional, research and public service activities overall:
     - Student enrollments grew by just over 1% between 2009 and 2010, from 232,000 to 234,500 students
     - Overall research expenditures grew by 10%
     - UC’s workforce of roughly 186,000 in October 2010 reflects a very small increase of just over 1% from 2009
   - Between 2009 and 2010, pay received by members of the senior management group decreased by approximately $16 million, while that of academic administrative officers increased by approximately the same amount. This is primarily due to policy changes approved by UC Regents that transferred approximately 100 deans and other faculty administrators out of the senior management group and into the academic personnel program, in recognition that these positions are more properly defined as academic rather than as administrative.

2. How the 2010 payroll data breaks down
   - Approximately 40% of compensation in 2010 went to academic employees, primarily to faculty and researchers. The remaining 60% 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 2010, based on total pay, were health sciences faculty members – typically world-renowned specialists in their fields – and athletic coaches.
   - Over a third of the funding for systemwide compensation came from clinical revenue and other sources associated with UC’s teaching hospitals and the medical/dental compensation plans. Less than 30% of the funding came from General Funds and Educational Fees, 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 contracts, grants and gifts, sales and services (e.g. student dormitories and meal plans), and special state and local government appropriations.