

UNIVERSITY OF CALIFORNIA
REPORT ON 2011 EMPLOYEE PAY
August 2012

Introduction

The University of California annually discloses employee payroll information as part of its commitment to transparency and public accountability. The information contained in this report is broken down by employees' pay, personnel category and fund sources.

UC competes in many different labor markets for personnel – faculty, physicians, nurses, technology experts, administrative staff, investment professionals and others – and prevailing practices in each market dictate employee compensation. To compete in these markets, UC must follow market practices as closely as possible. In some markets such as health care, coaching and investment management, standard industry practice is to divide compensation into two distinct parts: a guaranteed base salary and 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 a combination of base pay and shift differential 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 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 temporarily assuming additional responsibilities.

Compensation for many UC employees is significantly below market. One result of years of declining and inadequate state support is that faculty and staff salaries continue to lag significantly behind market. With the exception of contractual obligations to union-represented employees, salary increases were either eliminated or sharply curtailed from 2008-09 through 2010-11. In addition, furloughs for UC faculty and staff in 2009-10 translated to salary cuts that ranged from 4 percent to 10 percent. A 2009 total compensation study showed that cash compensation for many UC employee groups remained lower than comparable positions at competing institutions, significantly so in many cases (www.universityofcalifornia.edu/news/compensation/comparisons.html).

Although the university was able to fund some merit increases in 2011, implementation of a broader plan approved by the Board of Regents to achieve market-competitive pay has been delayed because of the ongoing state fiscal crisis. As a result, the university has not been able to comprehensively address the salary lags shown in the 2009 data. The lack of general salary increases over a multi-year period threatens to exacerbate existing talent management challenges in attracting and retaining high-performing faculty and staff at UC. These challenges are expected to increase, particularly as the economy recovers and other institutions are in a position to recruit UC's top performers.

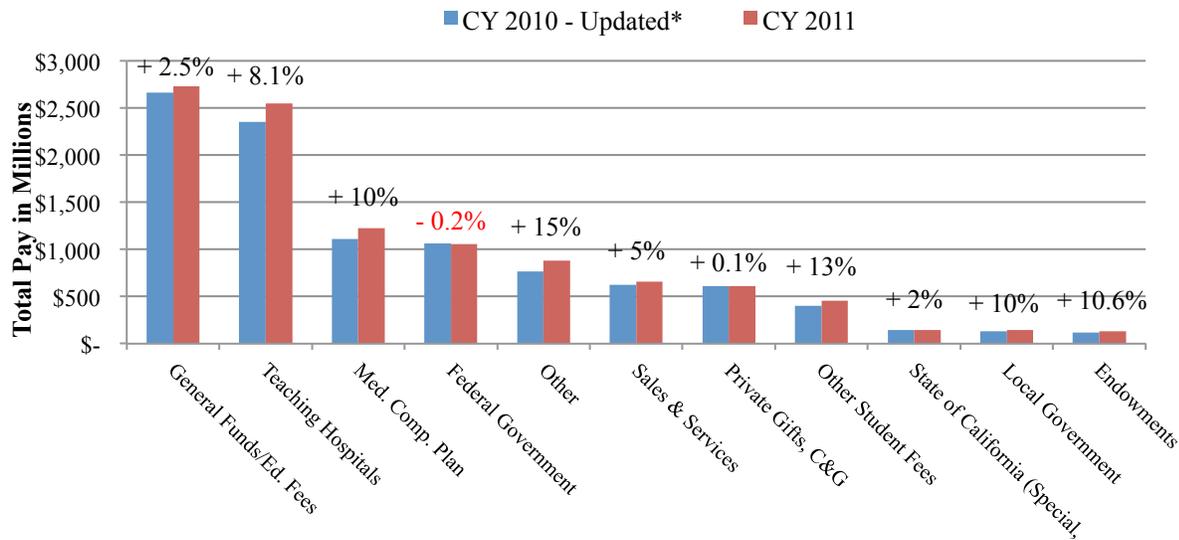
The percentage of the total payroll funded by the state and student educational fees continues to decline. About 36 percent of the funding for systemwide compensation came from clinical revenue and other sources associated with UC's teaching hospitals and medical/dental compensation. Less than 26 percent came from general funds and tuition – down a percentage point from 2010 – and approximately 4 percent 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, and special state and local government appropriations.

As Figure 1 (next page) shows, pay from teaching hospitals was up significantly from calendar year 2010, while pay from state funding and educational fees increased only slightly:

- Total pay from teaching hospitals grew by nearly \$192 million (+8.1 percent) – almost three times as much as the \$67 million increase from general funds and educational fees.
- Total pay from federal government sources, which consists primarily of research funding, decreased by \$2.3 million (less than 1 percent).
- Pay supported by endowments grew by \$12 million (+10.6 percent).

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Figure 1: Comparison of payroll by fund source for calendar years 2010 and 2011



Key points about UC's 2011 payroll data

- The delivery of educational services, research and health care are labor intensive; payroll costs are roughly half of UC's \$22.5 billion annual operating budget.
- UC's total payroll of roughly \$10 billion in 2010 grew to \$10.6 billion in 2011, an increase of just over 6 percent. This increase is likely attributable to a combination of factors, including restoration of furlough reductions, increased research activity and market pressures for more competitive compensation, particularly in the areas of health care, instruction and research. This mirrors overall increases in UC's instructional, research and public service activities:
 - Student enrollments grew by almost 1 percent between 2010 and 2011, from 234,500 to 236,700.
 - Overall research expenditures grew by slightly more than 5 percent.
 - UC's workforce of roughly 187,000 in October 2011 reflects an increase of less than 1 percent from 186,000 in 2010.

How the 2011 payroll data breaks down

- Consistent with previous years, approximately 40 percent of compensation in 2011 went to academic employees, primarily to faculty and researchers. The remaining 60 percent went to non-academic employees, including those who support academic departments, student services, patient care and other university functions.
- Also as in previous years, the "top 10 earning" employees at UC in 2011, based on total pay, were health sciences faculty members – typically world-renowned specialists in their fields – and athletic coaches.