

UNIVERSITY OF CALIFORNIA
REPORT ON 2012 EMPLOYEE PAY
July 2013

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 and research activities. 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 fiscal year 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).

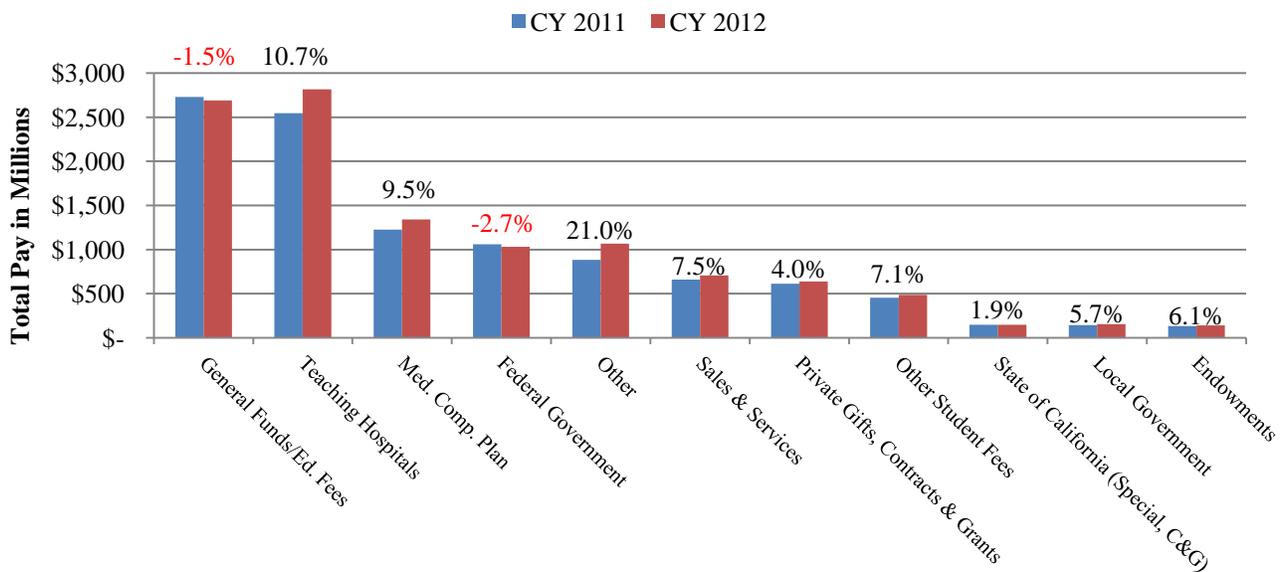
Although the university was able to fund some merit increases in 2011, there were no general merit increases for staff in 2012, and implementation of a broader plan approved by the Board of Regents to achieve market-competitive pay has been delayed. As a result, the university has not been able to comprehensively 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 37 percent of the funding for systemwide compensation came from clinical revenue and other sources associated with UC's teaching hospitals and medical/dental compensation. Only 24 percent came from general funds and tuition – down almost a percentage point from 2011 – 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 2011, while pay from state funding and educational fees decreased:

- Total pay from teaching hospitals grew by nearly \$271 million (+10.6 percent) to become the single largest fund source for UC pay.
- Pay from the Medical Compensation Plan also increased, by over \$115 million (+9.4 percent)
- Total pay from general funds and educational fees decreased by \$40 million (-1.5 percent).
- Total pay supported by other student fees, such as professional school fees, summer session, University Extension, and alternative MBA programs, grew by \$32 million (+7.1 percent)
- Pay supported by sales and services grew by nearly \$48 million (+7.4 percent)
- Total pay from federal government sources, which consists primarily of research funding, decreased by nearly \$28 million (-2.7 percent).
- Due primarily to a 2012 change in the way the UC Office of the President is funded, UCOP employee pay previously recorded in different fund sources is now recorded only in the "other" category, raising the "other" category by \$185 million (+21.0 percent).

Figure 1: Comparison of payroll by fund source for calendar years 2011 and 2012



Key points about UC’s 2012 payroll data

- The delivery of educational services, research and health care are labor intensive; payroll costs account for roughly half of UC’s \$23.8 billion annual operating budget.
- UC’s total payroll of roughly \$10.6 billion in 2011 grew to \$11.2 billion in 2012, an increase of just under 6 percent. This increase is attributable to a combination of factors, including 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 2011 and 2012, from 236,700 to 238,700.
 - Overall research expenditures grew by about 2 percent.
 - UC’s total workforce of roughly 191,000 (including students employed part-time in staff positions) in October 2012 reflects an increase of about 2 percent from 187,000 in 2011.

How the 2012 payroll data breaks down

- Consistent with previous years, approximately 39 percent of compensation in 2012 went to academic employees, primarily to faculty and researchers. The remaining 61 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 2012, based on total pay, were health sciences faculty members – typically world-renowned specialists in their fields – and athletic coaches.