

UNIVERSITY OF CALIFORNIA
REPORT ON 2013 EMPLOYEE PAY

July 2014

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).

The university was able to fund some merit increases in 2013, but 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 23 percent came from general funds and tuition – down almost a percentage point from 2012 – 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.

Key points about UC's 2013 payroll data

- The delivery of educational services, research and health care is labor-intensive; payroll costs account for roughly half of UC's \$23.9 billion (FY 2012-13) annual operating budget.
- UC's total payroll of roughly \$11.2 billion in 2012 grew to \$11.7 billion in 2013, an increase of just over 4 percent. This increase is attributable to a combination of factors, including market pressures for more competitive compensation, particularly in health care, instruction and research areas which mirrors overall increases in UC's instructional and public service activities – e.g., student enrollments grew by over 2 percent between 2012 and 2013, from 238,700 to 244,100.
- Overall research expenditures declined by about 2.6 percent, primarily because overall federal research funding declined due to the Sequester and the end of ARRA funding. This decline is reflected in the 3% decrease in payroll funded by the Federal Government.
- Non-represented staff received a 3 percent salary increase in 2012-13, only the second systemwide salary increase for non-unionized staff in the last six years.
- UC's workforce in October 2013 included approximately 101,000 full time employees; the total workforce was roughly 194,800 when student employees and other part-time academic and staff employees are included. The total workforce figure in October 2013 reflects an increase of about 2 percent from 191,000 in 2012.
- As in previous years, the “top 10 earning” employees at UC in 2013, based on total pay, were health sciences faculty members – typically world-renowned specialists in their fields – and athletic coaches.