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Chair of the Assembly and the Academic Council
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July 9, 2008

PRESIDENT MARK G. YUDOF
UNIVERSITY OF CALIFORNIA

Re: Salary Scale Funding Priorities for Year 2

Dear Mark:

I am pleased to send you this 'Statement on Year 2 of the Faculty Salaries Plan,' and specifically, the priorities for Year 2 of the Faculty Salaries Plan that the Academic Council has adopted on behalf of the Academic Assembly. The statement reflects an analysis of the data provided to the joint Senate-Administration task force known as the Salary Scales Work Group, and several years of study by various Academic Senate committees.

The statement was agreed upon at the May 27-28 meeting of the Academic Council, and is meant to address the budget choices still before us, but it is also particularly timely given the recent letter to you from UCLA's Faculty Association (FA). The UCLA FA's reported survey results are limited in their generalizability, and the views of that campus' association should not be taken to represent the views of the UCLA Division of the Academic Senate, but Council appreciates the concerns the UCLA FA raises over the extreme lack of competitiveness of faculty salaries and the critical priority of restoring competitiveness as soon as possible.

The Academic Council recognizes that faculty with significant amounts of off-scale salary, as is true of many UCLA faculty members, gained less from Year 1 of the Faculty Salaries Plan than was the case for faculty who are "on scale". Inadequate funding for faculty salaries, as well as miscommunication about the faculty salary plan, have caused many off-scale faculty members, wrongly, to feel that they were "paying for" salary increases for others with uncompetitive increases. Year 1 was only a partial fix, and it was understood that both Year 1 and Year 2 would favor on-scale faculty whose salaries lagged market salaries by the largest amounts. It has been the aim all along to target the salary scales early on, so that Years 3 and 4 of the plan could then be aimed at broader, across-the-board adjustments that will better address salaries of all faculty. The sooner this can happen, the better for all concerned.

Those new to UC may not understand our salary scale system, so we pause to make a crucial point: it is wrong to think that "off-scale" means "more productive faculty" and "on-scale" means "less productive faculty". "Off-scaleness" has been driven largely by timing of recruitments and retentions. But, over the last 10-20 years, underfunding of UC has led to short-term adaptive, but long-term maladaptive, behaviors: far greater campus resources have been used for recruitments and retentions, particularly as UC salaries have descended into uncompetitiveness, and far more campus dollars have been diverted from vacant FTEs into off-scale salaries.

Besides the program erosion that attends "cannibalizing" FTEs, UC has made that problem worse and accelerated "off-scaleness" by letting our salary scales lag the national academic market. This damaging state of affairs causes us to reward meritorious post-tenure reviews with non-competitive salary increases. Our statement below elaborates on these problems, but we note specifically here that scales that lag behind the market create significant incentive problems, where faculty must seek outside offers solely to obtain competitive salary increases; this situation also puts UC campuses in the unenviable position of feeder campuses to institutions that are happy to cherry-pick those of our faculty who are frustrated enough to consider leaving, often as their most productive years are ahead of them (our scales are least competitive for our mid to late Associate Professors and our early Full Professors). On top of this, the current state of affairs also invites invidious distinctions among our faculty, between those on and off scale, thereby eroding morale and productivity among faculty who work side-by-side.

Therefore, for the long-term and widespread excellence of UC, the Academic Council strongly recommends that faculty salaries remain the top priority for any new spending, and that attention must be paid first to restoring the vitality of our merit review system with competitive salary scales. The statement that Council approved draws the distinction between "new" spending, such as funding for Year 2 of the plan, and the funding of merits, which we consider part of the base budget and non-discretionary.

For your convenience, the budget priorities and recommendations made by our University Committee on Faculty Welfare (UCFW) and adopted by the Academic Council are as follows:

1. Merit increases should be fully funded. The cost of merit increases for each campus should be examined, and consideration given to providing the campuses with additional funding to cover the full cost of merits and promotions, but this budgetary cost should not be enumerated as a component of the cost of the faculty salaries plan. It should be treated as non-discretionary spending, like any continuation costs.

2. Market adjustments ranging from 8% for the lower steps to 4% for higher steps (and for faculty above scale) should be funded, so that the process of restoring UC's salary scales continues. Under no circumstances should the market adjustments be less than 4% at any step, since this would represent a further erosion of the competitive position of the scale.

3. Range adjustments should follow market adjustments, and serious consideration should be given to adjustments larger than the 2.5% range adjustments made in year 1 of the Faculty Salaries Plan. We recommend up to 4%.

The statement provides a lengthy discussion, but our recommendations follow mainly from this single fact: the base salaries in UC's salary scales are far below market salaries. It is essentially impossible to hire new faculty who meet UC's standard of excellence without paying significant amounts of off-scale salary. Hence, the goals of the four-year plan cannot be met without a second year of aggressive market adjustments.

Council recognizes that the budgetary environment remains uncertain and that there will likely be much discussion about whether faculty should accept uncompetitive salary increases for the good of the University. We understand the desire to preserve everything the University does, but also recognize that priorities need to be set. UC has compromised on faculty recruitments and retentions far too long, directly threatening the quality of a UC education for our students. We trust that even those who are unwilling to state that there has been any such effect on UC's competitiveness or on our ability to fulfill our mission will find the data in Table 1 in the Statement too compelling to ignore.

Sincerely,

Michael T. Brown, Chair
Academic Council

Copy: Provost Wyatt R. Hume
Vice Provost Nicholas P. Jewell
Executive Vice President Katherine N. Lap
Academic Council
Martha Winnacker, Senate Director

Statement on Year 2 of the Faculty Salaries Plan
Adopted by the Academic Council
May 27-28, 2008

It is widely recognized that faculty salaries at the University of California are substantially below competitive levels. Faculty salaries at each rank lag the average salaries at the Comparison 8 institutions, and have done so for many years now. Annual range adjustments typically are well below national figures reported by the AAUP. This has led to a situation where UC either cannot compete for its first-choice candidates for faculty positions or instead must pay substantial off-scale salaries to match competing offers. Off-scale salaries are similarly needed to retain faculty who receive outside offers that are substantially higher than their UC salaries. This is not an isolated phenomenon, but one that applies to all disciplines on each UC campus. The result has been that over half of the faculty still receive off-scale salaries, in spite of significant progress from implementing Year 1 of the Faculty Salaries Plan: in spite of the prevalence of off-scale, most faculty members are paid salaries that remain substantially below what they could earn elsewhere. Over 80 percent of faculty hired last year received an off-scale salary.

It is hard to characterize the extent of UC's recruitment and retention problems because there is no systematic collection of data pertaining to faculty members UC could not recruit or those whom we did not retain. A fundamental problem with off-scale salaries, though – the problem that motivated the four-year faculty salaries plan – is that they undermine the system of salary scales and peer-review of faculty that is a major reason for UC's excellence. A system of individually negotiated off-scale salaries also undermines UC's system of regular and rigorous performance reviews, with extensive faculty input. At present, off-scale salaries are set on most campuses based upon no faculty review, and nothing more than an agreement between the faculty member, a department chair, a dean, and a vice provost. Such a system is a significant departure from UC's post-tenure review system in that it is not open; it is not transparent; and it all but guarantees inequities. It also, perversely, encourages faculty to seek outside offers, perpetuating recruitment and retention problems for UC.

In addition to the substantial costs from abandoning our system of peer review and salary scales, our pattern of uncompetitive salaries is a bad economic model for UC. When faculty members are first hired, it is generally with substantial "start-up" costs, particularly for those faculty members for whom a lab must be set up. When they are recruited by other institutions, they are more likely to be reaching their most productive years in terms of both research output and research grants. By recruiting new Ph.D.s and then losing even a fraction of them to more competitive outside offers, UC campuses act as the "farm team" or "feeder program" for other elite institutions. This result threatens the excellence of every aspect of our academic and public service mission. The students who come to UC, the funding to recruit and hire first-rate staff, the research and outreach we produce, and the education we provide will all be compromised when we cannot compete for the best faculty.

The Academic Council believes that there is no greater threat to UC's continued excellence than uncompetitive faculty salaries. Our specific recommendations follow mainly from this single fact: the base salaries in UC's salary scales are far below market salaries. It is essentially impossible to hire new faculty who meet UC's standard of excellence without paying significant amounts of off-scale, given the current status of the salary scales. Hence, the goals of the four-year plan cannot be met without a second year of aggressive market adjustments to the salary scales.

The Academic Council also recognizes that the budgetary environment remains uncertain and that there will likely be much discussion about whether faculty should accept uncompetitive salary increases for the good of the university. We understand the desire to preserve everything the University does, but also recognize that priorities need to be set.

Therefore, it remains the position of the Academic Council that faculty salaries—specifically, fully funding Year 2 of the Faculty Salaries Plan—are the University's top budget priority. In particular, we propose a combination of market adjustments and range adjustments, following the approach used for Year 1 of the faculty salaries plan. While we continue to favor an aggressive response to the Governor's proposed cuts to the state-funded portion of UC's budget, we prefer absorbing any cuts in other areas to the alternative of accepting further declines in the competitiveness of UC's faculty salaries.

The Academic Council acknowledges that some progress has been made in restoring the integrity of UC's faculty salary scales. As the scales approach competitive levels, more faculty will be "on scale", allowing the process of setting salaries to return to its basis in the system of peer evaluation that is fundamental to UC's excellence and which is a model for other institutions. We caution, however, that in spite of the progress made in year one, we have much further to go.

For instance, the gap between the Comparison 8 and UC's overall average salaries last year was 9.6%, and this measure has shrunk by a small amount from salary increases averaging 5.78% last year. However, this figure does not come close to capturing the extent to which UC's salary *scales* lag the market. Table 1 on the following page provides a dramatic illustration:

Table 1: Comparison 8 Salaries and Base Salaries at UC

Rank	Average Salary for the Comp 8 2007-08	Base Salary for the Middle Step at UC	% Lag in UC Salaries	Base Salary for the Top Step at UC	% Lag in UC Salaries
Assistant Prof.	$82,002	$59,500	37.8%	$69,200	18.5%
Associate Prof.	$96,871	$73,200	32.3%	$83,700	15.7%
Full Prof.	$146,030	$103,300	41.4%	$142,000	2.8%

Comparison 8 salaries are CPEC's 2007-08 projections. Percentage lags for the two base-salary comparisons use UC salaries as the base.

Table 1 shows that the base salary for the *highest* step at each rank is below the *average* salary for that rank at Comp 8 institutions. For instance, even the little-used Assistant Step VI, which is an overlapping step with Associate Step I, is nearly 20% below the average salary for assistant professors at the Comp 8. Only the base salary for Professor IX is reasonably close to the corresponding Comp 8 average; it is important to emphasize that it would normally require more than 20 years at the rank of full professor to achieve Step IX, and that even many highly productive faculty do not achieve Step IX.

The base salaries for steps at the midpoint of each rank are substantially further behind the corresponding Comp 8 averages, demonstrating that UC's salary scales are much less competitive than is implied by considering average salaries alone. **The inescapable conclusion is that focusing only on average salaries at UC will not restore competitiveness to the salary scales; it remains essentially impossible to recruit new faculty without off-scale salary offers.**

This fact is further demonstrated by analyzing the number of new hires at UC who were paid off-scale in 2007-08; the percentage is substantially greater than the corresponding percentages for incumbent faculty. Only substantial increases in base salaries, far in excess of the lag in average salaries, will make it possible for UC to recruit or retain faculty with on-scale salaries. Market adjustments that raise UC's salary scales, by amounts that at least match last year's increases, are absolutely essential.

Thus, the Academic Council recommends strongly in favor of a second year of market adjustments. The University's first budget priority and the most important part of the Faculty Salaries Plan should be market adjustments identical to those in Year 1 of the faculty salaries plan.

The Council also emphasizes that it is competitive salaries, not the share of faculty on- or off-scale, that lead to success in recruitments and retentions. Having a large number of faculty with off-scale salaries is only a symptom of the underlying problem: many hardworking, highly productive faculty are being paid vastly less than they would earn at competing institutions. This group includes not only faculty who are on scale, but also many who are off-scale, but who have nonetheless fallen behind the market. Thus, it is imperative that the second year of the faculty salary plan also continue with a range adjustment as planned. Only one-third of the faculty are fully on-scale, so while market adjustments will be more expensive than in Year 1, over half of the faculty still will receive either no adjustment or only a partial adjustment from a market adjustment.

The Academic Council therefore recommends that as much additional funding as possible go toward a range adjustment. A range adjustment of as much as 4% is needed to keep those not receiving market adjustments from falling behind the average salary increases elsewhere; the Council supports a range adjustment of up to 4%, as funding permits.

We recognize the difficult budget circumstances facing the state and the University. Nonetheless, failure to fulfill the commitment to faculty that was made last year would be disastrous to UC's goals. We are at a critical juncture. After several years of less than competitive salary increases, when other programs were essentially paid for by below-market faculty salaries, we reached a critical state, and the four-year salary scales plan was the result. Year 1 involved not only a partial restoration of the scales, but also a commitment to accelerated salary increases in Years 2 through 4. The years of uncompetitive salaries and the commitment to those accelerated salary increases should be kept in mind when comparing the increases received by faculty who might earn both a range adjustment and a merit—the extent to which the combined increase exceeds the Comp 8 average increase falls short of compensating for the years UC fell behind.

Finally, as we have done previously, we applaud the commitment to fully fund merit increases. To do otherwise is to break a commitment to faculty and to single out those who continue to excel, but happen to be eligible for a merit increase in the current year of fiscal crisis.

Therefore, we also recommend that all future communications or presentations pertaining to the budget separate the cost of merits from the budgetary cost of proposed salary increases under the faculty-salaries plan. Including the budget cost of merits overstates the cost of the plan itself, and we therefore recommend that the budget cost of merits simply be absorbed into anticipated base salaries for Year 2. We recognize that merits do represent an increase in the salaries budget, but they are not, nor should they be, part of the faculty salaries plan. The same is true of the "continuation costs" from Year 1 of the plan.

Thus, in summary, the Academic Council recommends the following budget priorities:

1. Merit increases should be fully funded. The cost of merit increases should be examined, and consideration given to providing the campuses with additional funding to cover the cost of merits and promotions, but this budgetary cost should not be enumerated as a component of the cost of the faculty salaries plan.

2. Market adjustments ranging from 8% for the lower steps down to 4% for higher steps (and for faculty above scale) should be funded, so that the process of restoring UC's salary scales continues. Under no circumstances should the market adjustments be less than 4% at any step, since this would represent a further erosion of the competitive position of the scale.

3. Range adjustments should follow market adjustments, and serious consideration should be given to adjustments larger (up to 4%) than the 2.5% range adjustments made in Year 1 of the Faculty Salaries Plan.