

**Response of the University of California Systemwide Academic Senate Committee
on Faculty Welfare to the Legislative Analyst's Report on
"Faculty Recruitment and Retention at the University of California"**

February 22, 2013

The UC Systemwide Committee on Faculty Welfare (UCFW) carefully studied the recent report on faculty salaries, recruitment, and retention released by the Legislative Analyst's Office (LAO).¹ The LAO's major conclusions are the following: 1) total UC compensation is competitive with top universities; 2) few faculty members leave, and reasons other than salary are responsible for most faculty leaving; 3) the small number of tenured associate professors who leave shortly after receiving tenure is not a concern; and 4) UC continues to hire its top-choice candidates.

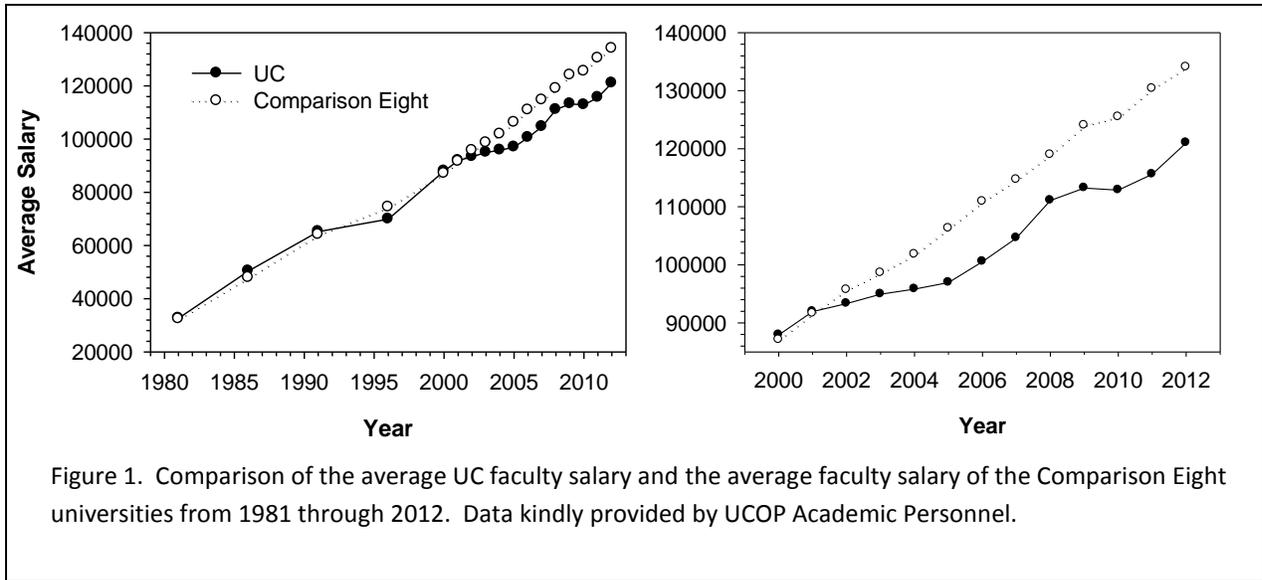
UCFW questions the accuracy of these conclusions. The data used to develop these conclusions are many years old and out of date. Also there are no reference points for comparison. No comparable data from other universities are presented, nor are there multiple data sets over time from UC. Without such reference points, then there is no basis to project forward from when the data were collected to the present. Additionally, for the analysis of the data on total compensation, the LAO failed to see that the data predicted how UC's retirement benefits would become progressively uncompetitive, relative to our comparators, after faculty members began contributing to their retirement plan. In the opinion of UCFW, these errors and omissions are sufficiently severe to invalidate many if not all of the LAO's conclusions. UCFW details its concerns with the LAO's more important conclusions below.

Faculty salaries. For approximately forty years, the State Department of Finance, the LAO, and CPEC, when it was engaged in this discussion, all agreed that a comparison list of four privates and four public universities (i.e., the "Comparison Eight") was the appropriate comparison group for UC. Indeed the campuses are daily involved in pitched recruitment and retention battles with other institutions that routinely include private universities as well as public ones. It is also worth noting that many recruitment and retention battles include multiple opponents, and that it is not the average salary offered by competitors that matters but rather the maximum one. The LAO notes in its Figure 7, that, over the last 10 years UC's average faculty salary was above the average salary of UC's four public comparators but below the average salary of UC's four private comparators. The LAO therefore concludes that UC faculty salaries are competitive. A longer perspective, however, shows that prior to 2000, UC salaries closely matched the Comparison Eight average but started to lag behind the Comparison Eight universities shortly after 2000 (Figure 1). The lag continues to grow. UC salaries now lag the Comparison Eight by more than 11%.

The LAO's conclusion that the average UC faculty salary is still competitive because it is greater than the average of the four comparator public universities is wrong because it ignores the Comparison

¹ <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2675>

Eight average, the historical benchmark for UC salaries. In fact, the Comparison Eight average is not shown in the LAO's report. The conclusion that UC salaries are competitive just because the average is higher than the average of the comparator public universities also is wrong because UC does not aspire to be just another average public university; UC aspires to be the world's greatest public research university with distinctive teaching, research and service missions. A comparison methodology based only on public universities, as the LAO seems to be suggesting, would be seen as a bonanza by our private competitors and would make UC an inviting target and expose UC to many failures in future recruitment and retention battles with private competitors.



Total Compensation: The LAO makes another error by relying upon UC's most recent, but outdated, analysis of total remuneration from 2009.² At that time, although faculty salaries lagged the Comparison Eight by about 10%, the value of UC's retirement benefit partially compensated for the salary lag. This was entirely because employees were not required to make contributions to their retirement plan and not because the retirement benefits themselves were overly generous. The LAO overlooked the predictions in this study, as well as and the update to examine the competitiveness of the "New Tier" retirement plan,³ that the UC retirement plan would become uncompetitive when faculty made a 5% contribution to retirement, as they are doing in 2012-13. With a 5% employee contribution, the UC retirement plan was predicted to be 8% below market and uncompetitive; the value of the retirement plan for faculty hired after July 1, 2013 will be even more uncompetitive, at least 26% below market. This information was available to the LAO in both UC studies, and UCFW is disappointed that the LAO overlooked these critical predictions. If employee contribution rates rise even higher (6.5% for current employees in July, 2013 and higher thereafter), then UC benefits will not compensate for below-market UC faculty salaries whatsoever.

² http://compensation.universityofcalifornia.edu/total_rem_report_nov2009.pdf

³ http://ucrfuture.universityofcalifornia.edu/files/2010/09/peb_ax_h-3_2009-total-remuneration-study-c.pdf

The LAO also is mistaken that contributions of faculty members to their retirement plan have been offset by general salary increases. Since contributions to UCRP were restarted in April, 2010, UC faculty received only one 3% general salary increase, in October, 2011. Contrary to the LAO's report, there will be no general 3% increase in salaries for 2012-13. Consequently, as of July 1, 2013, the net take-home pay of faculty will have dropped 10% relative to April 2010 due to inflation (6.5%⁴), plus the required contributions to the retirement system (6.5%), less the 2011 general salary increase (3%). The amount and form of any potential salary increase for 2013-14 are still undecided.

Why do faculty members leave UC? The LAO concluded that "most faculty do not leave UC or reject UC job offers due to compensation" on the basis of some exit surveys performed in the mid-2000's and summarized in Figure 8 of the LAO report. The LAO noted that several reasons were given. "Salary" was cited by 33% of those who rejected UC offers and by 37% of those who left UC. UCFW notes, first, that "salary" was the most prevalent reason for both categories. Secondly, an increase in salary could certainly mitigate concerns about "housing problems" (cited by 22% of those who rejected UC offers and by 13% of faculty who left) and "cost of living [besides housing]" (cited by 11% of those who rejected UC offers and by 7% of those who left). Taking into account not only the issue of "salary" but also the separately enumerated issues that an increase in salary could mitigate, then salary-related issues could account for up to 66% of the reasons for rejecting UC offers and up to 57% of the reasons that faculty leave UC. This is quite the opposite conclusion of the LAO.

Departure Rate of Young Professors. UCFW is uncertain what point the LAO attempts to make with the data on the fate of Assistant Professors hired in 2000-01 (Figure 6). These data have no reference point, either from when UC was in a more favorable economic environment than in 2000-01, or from other universities when the UC data were collected. In contrast to the LAO, UCFW believes that a 10% rate of departure of young professors after receiving tenure is of great concern. UC heavily invests in assistant professors, especially in science and engineering, by providing them with start-up packages worth several hundred thousand dollars each. These packages include funds to equip laboratories as well as to provide summer salary and salary for technicians and postdoctoral research scientists to assist assistant professors in establishing their research programs. Such start-up packages are necessary for UC to successfully compete for outstanding assistant professors. These funds are wasted if assistant professors leave shortly after being promoted to associate professor with tenure, because the institution then needs to invest in someone else. If these data were tracked more frequently, then UCFW fears the data would show that the percentage of young professors who leave after receiving tenure has been increasing.

Successfully hiring the top choice candidate. UCFW members, based on their experiences on search committees in their home departments, question whether the data provided to LAO by the

⁴ Calculated from the average monthly inflation rate from April, 2010 through January, 2013 (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt>), projected to July 2013.

UC administration concerning the top choices in faculty searches is truly representative of the current competitive job market. First of all, the data are almost 10 years old and do not reflect the current economic conditions in which UC competes for new assistant professors. Secondly, whereas UC may indeed often hire from the best institutions, we also would like to hire the best candidates from the best institutions. We emphasize that UC only knows the qualifications of those that apply, not the qualifications of those who choose not to apply. Finally, the letters from the departments to higher levels of the campus administration are written mainly to convince the administration to allow the departments to fill their positions. A letter from a department typically does not mention the proportion of the interviewed candidates that were found to be "not acceptable." Such letters also do not state if the candidate actually is the second or lower choice after informal negotiations with higher-ranked candidates broke down over salary and start-up funds. The LAO's report also does not mention the proportion of cases in which informal negotiations fail with all acceptable candidates and the search fails. In view of both the age and inadequacy of the data available to the LAO, then UCFW believes that the LAO's conclusion is out of date and overstated, and therefore not reflective of the competitive environment in which the UC campuses find themselves in 2013.

Conclusions. UCFW does not find the LAO to have performed a credible analysis. The data are too old to draw inferences about the competitiveness of UC faculty salaries in 2013. The 2009 total compensation study utilized data collected in 2007-08 on our comparators' salary and benefits. The data on UC faculty recruiting are at least nine years old, as are the data on why faculty members reject UC's job offers or leave UC. Data on the fate of assistant professors are four years old. All of these data were collected when UC was in a far better economic environment than now, and when average UC salaries were closer to our comparators than now. UCFW does not find it credible to infer that UC is as able to recruit, retain, and compensate its faculty in 2013 as when the data were collected. Ironically, no newer data are available because UC no longer can afford to collect such data. In fairness, the LAO also noted the absence of recent data, and UCFW finds itself in agreement with the LAO on only this one point (Page 13):

Nonetheless, we suggest the Legislature consider any rigorous, reliable, additional data the university can bring to bear on the issue. For example, the Legislature could benefit from additional UC data on the number of top choice faculty candidates hired in recent years, the reasons cited recently by faculty when they reject job offers or resign from the university, and the competitiveness of UC's benefits today compared to other universities.

As a first step toward obtaining such rigorous and reliable data, UCFW has called upon UC's administration to commission an up-to-date study of the competitiveness of both UC salaries and UC benefits relative to the Comparison Eight.⁵

⁵ <http://senate.universityofcalifornia.edu/reports/request-total-renumeration-study.pdf>

Box 1: Reference point for UC salary comparisons. Although the LAO accepted the use of the "Comparison Eight" as a benchmark for UC salaries, the LAO also raised several concerns about the methodology. The "Comparison Eight" institutions have been used as a benchmark for UC faculty salaries since the mid 1970's. The guiding principles concerning UC's average salary stated that (1) at any point in time, UC's average should fall between that of the averages of the four public and four private comparators, and (2) over time, UC's average should closely match that of the adjusted combined average of the Comparison Eight institutions. These comparison universities were chosen to represent the national reputation, size, and scope of program offerings at of universities that competes with UC for faculty members. The methodology to compare UC salaries with these comparator institutions was developed in conjunction with the State Department of Finance, the UC Academic Senate and Administration, and the LAO. Nevertheless, the LAO criticizes the use of the Comparison Eight, and UCFW responds as follows:

Assumes all UC Campuses are the same. All UC campuses are indeed the same in terms of their aspirations, and all compete in the same general faculty market. Just as there is variation around the average faculty salary of the Comparison Eight, there also is variation around the average faculty salary of the nine UC general campuses. The LAO argues that faculty salaries should rise with selectivity of the campuses, but other explanations are possible. Because faculty salaries generally increase with lifetime achievement, then faculty salaries should be higher on older campuses with a stable faculty age structure than on younger campuses, such as UC Merced, with a relatively young faculty.

Includes too few comparison institutions. The LAO argues that because only 15% of faculty who left UC went to one of the Comparison Eight institutions, this group may not represent the broader academic market in which UC competes. UCFW recognizes that information on faculty salaries is far more plentiful on the internet than when the Comparison Eight was established. What is lacking is comparable, easily available information on the value of benefits paid to faculty members at other institutions. Because total compensation requires analyses of both salaries and benefits, and because the analysis of the value of lifetime benefits is significantly complex and expensive to do, then including additional comparator institutions adds significantly to the cost of quality studies of total compensation. Adding additional comparator institutions also complicates the ability to carry out longitudinal studies of total compensation over time using precisely the same methodology and comparators. Although the Comparison Eight universities certainly are not all of the destinations for all faculty members leaving UC, the LAO provides no evidence that the Comparison Eight are an unrepresentative subset of UC's competitors. UCFW believes that the current Comparison Eight is representative of our competitors and the LAO provides no evidence to believe otherwise.

Ignores salary variation by discipline. Not only is there variation in salary by discipline within UC, but there also surely is variation by discipline within and among our comparator institutions. Only if there were significant, systematic skew in the proportion of faculty in high- or low-paying disciplines at UC relative to our comparators would such variation bias the comparison of average faculty salaries between UC and the Comparison Eight. No evidence of such systematic skew was presented by the LAO.