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**CHANGES INSIDE THE SYSTEM:
ADDING MARKET INFLUENCE TO UC FACULTY
SALARIES A+B+C**

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Over the last five years problems have arisen on many UC campuses concerning the faculty salary structure. A step-ladder system that was once praised as the hallmark of equity and merit is now seen by some as antiquated and inflexible, especially in the face of four years without a cost of living increase and of a salary cut in one year. Even with a recovering state budget and a 3% combined range and parity adjustment for faculty this year with a promise of parity with the comparison institutions in three years, skeptics still feel that the present salary structure doesn't allow UC to offer salaries above parity to retain faculty with high market value. For many, the overuse or misuse of the off-scale system to reward high performing faculty highlights the inadequacy of the present salary structure.

The active desire for change took shape about two years ago in the UC professional schools. Faculty and administration in UC's business schools felt that they needed a more flexible salary schedule, more like the UC Medical School Clinical Compensation Plan (MSCCP), than an on-scale system where, technically, only exceptions are awarded off-scale salaries and those exceptions entailed burdensome administrative and often restrictive procedures. The flexibility inherent in three levels of compensation make the medical school compensation plan an attractive model: the "x" or base salary funded by the state according to a uniform scale; a "y" negotiated component based partly on grant income, other kinds of recognition, and outside income; and an optional, bonus "z" component designed to recognize outstanding performance. Outside income normally falls under the "y" component but follows a roundabout route: all outside income is returned to the chair, who may then negotiate with the faculty member to give some back as "y." This is advantageous to faculty who receive their outside income via grants made to the University on their behalf; however, it is disadvantageous to faculty who must turn over consultation fees paid directly to them. Under the present plan, the chair has total control and can give back or retain as much outside income as he or she sees fit. Although the percentage of "x" income that is part of covered compensation for retirement purposes may vary by department, 1.3% times "x" is presently the minimum.

In November of 1994, the chancellors received a report on faculty compensation from the five deans of UC business/management schools outlining a more

flexible compensation plan for the business faculty, more like the MSCCP. The separate business and engineering salary scale negotiated in 1983 at roughly 10 to 30% higher than the scale for the general faculty was still far behind the comparison institutions for business (Harvard, Michigan, Northwestern, Wharton, and Stanford). According to the UC deans, the on-scale/off-scale system no longer works according to theory when, for example, 90% of the business faculty are off-scale at UCB, 89% at Davis, 94% at Irvine, 78% at UCLA, and 55% at Riverside.

Not only are most business/management school faculty off-scale, their salaries also fall far below the comparison institution salaries, and there is presently not enough flexibility in the salary structures to equal comparison salaries and retain faculty with offers at more competitive schools. When the Regents adopted The Professional School Differential Fee Policy in 1994, they allowed non state sources of revenue to be used for faculty compensation, a practice that before had only been followed in the MSCCP. Thus the business school deans contemplated using professional school differential fee revenue as one of the sources of funding their new faculty salary proposal.

At roughly the same time that the business deans on five UC campuses were drawing up their new faculty compensation proposal, UCLA Vice Chancellor Andrea Rich, Chair of the Academic Planning and Budget Advisory and Coordinating Council (APBACC), was appointing a six member Task Force at UCLA, consisting of four administrative personnel and two faculty, chaired by Vice Chancellor Norman Abrams, to discuss the problems with the present faculty compensation plan. After several preliminary drafts, the Task Force issued a revised draft for discussion on Aug. 23, 1995, entitled "First Report of the APBACC Task Force on Faculty Compensation Reform: A Revised Approach to Faculty Compensation." This report, like the earlier one from the UC business/management school deans, concentrated on the inadequacy of the off-scale system, summer ninths, and special shadow salary scales to reward faculty properly and provide incentives to remain competitive. According to the Task Force, the overuse of off-scale among the professor series reflects more than a lag in UC's place among comparison institutions: it reflects different markets in different disciplines in one institution as large as UC and a campus like UCLA.

The 1995 salary data on the faculty who are either off-scale or above-scale suggests differences among campuses and in ranks. (For FA members, see page 10 for Tables 1, 2, and 3.) UCLA has the most off-scale professors, with Berkeley a distant second, as shown in Table 1. Yet Berkeley takes the lead in above-scale, with UCLA a close second. A higher percentage of assistant professors are off-scale (37.53%), than either associates (32.46%) or full professors (23.64%), as shown in Table 2. Some campuses use off-scale more than others: UCSC and UCLA lead the pack at every rank (full professors UCSC 46.84%, UCLA 36.66%; associates UCSC 51.89%, UCLA 54.27%; and assistants UCSC 46.34% and UCLA 62.28%. If we add together the total number

of professors who are either off-scale (2,081) or above-scale (444), the total is 2,525 or 33.89% of the total number of 7,451. To look at the figure another way, that means approximately 66.11% are on-scale.

The data produced by the University does not make it easy to discuss off-scale by field or school, yet the available data suggests that the percentage of non health non professional school faculty who are on-scale is fairly high. In 1994, there were about 925 ladder rank medical faculty at UC. If we assume that all of them get some "Y" or "Z" and therefore subtract all 925 faculty--the total number of off-and above scale faculty drops to 1,600 out of 6,526 or 24.52% are off-scale, which translates into 75.48% of non health sciences faculty on-scale. This assumption is supported by the payroll data collected on those UC employees earning \$100,000 and over in gross taxable income in 1994. Of the total 2,502 employees 1,687 or 67.43% were in health science fields. Only 63 of those employees were non-academic. Given the high rates of off-scale use in the business/management faculty discussed above (about 81.2% of business/management faculty are off-scale) and in the engineering schools, the percentage of non professional, non medical school faculty on-scale would probably be between 80 and 85%, maybe higher. On the surface at least, the issue of off-scale salaries affects professional and medical school faculty far more than it does faculty members in L&S.

According to the new faculty salary proposal, there will be three components to faculty salaries:

A Scale

Like the UC MSCCP, the APBACC proposal has three salary components. The A Scale is the equity component, a university-wide salary scale for all faculty regardless of school, department, or campus made up of steps and ladders, essentially with the same structure as the present step-ladder system. Salaries for the A Scale would be minimum, fixed amounts, at each step. A cost-of-living adjustment would raise each faculty member's A Scale salary component by that amount, while merit increases would advance faculty members up the A Scale. All funds for A Scale range adjustments and merits would come from the state coffers (19900 funds) and be included in covered compensation for retirement purposes for the regular professor series.

As it is now, the UC MSCCP has nine different "x" scales. The new salary proposal would most likely accommodate the MSCCP in its present format. For in-residence, clinical compensated, clinical x, and adjunct series, the A Scales can be funded through sources other than 19900 funds.

It would have to be decided whether the A Scale is set at its present level or perhaps 5% or 10% less to make available the funds necessary to fund B Scale ranges, related to market and academic achievement. Setting back the A Scale would also put some salaries in some departments closer to parity with

comparison institutions. If the A scale were set back, no faculty member's salary would decrease on implementing the new plan: the difference would be picked up by the B Scale component for present faculty, whereas new faculty would be hired in at the revised A Scale level.

B Scale

The B Scale component would take the place of ad hoc devices like off-scale, summer ninths or any other method presently in use to bolster a salary beyond the A Scale amount and add flexibility to the present system. The B Scale component would consist of ranges rather than fixed amounts to be added to the A Scale salary to equal total compensation. The decision making apparatus would remain the same in the new system as it is now for each campus in determining a faculty member's total compensation: the only difference is the elimination of off-scale and other ad hoc devices and the substitution of a B Scale range amount to reward performance and individual marketability. Table 3 (on page 10) presents an A Scale equal to the present faculty ladder rank for the professor series as of Oct. 1995 adjusted for both range and parity (a total of 3%) and a hypothetical B Scale range whose maximum is 80% of the A scale.

Quite probably professional schools, a division of L&S, or a department within the School of Medicine would petition for a separate B Scale. Such special requests would have to go through specific procedures to justify the market conditions as well as the funding sources that would support any separate scale. Except for the MSCCP, the A Scale for all faculty on all campuses would be the same, but it is not yet clear whether the corresponding B Scales for each campus would be the same.

When the legislature votes a range increase for UC faculty, the maximum level of the B Scale would be adjusted upward by the amount of that range increase, but the individual faculty member's compensation would not be automatically adjusted in the B Scale range. Some portion of the B Scale component could be covered compensation for retirement purposes, depending on the stability of the funding source and state and federal requirements. State 19900 funds may be used to fund all or a portion of the B Scale component; however, since state funding may decline in any year or any series of years, as well as other sources of outside funding, there must be some campus fund that would be required to replace the B Scale portion of the salary if funding were lacking from the expected source for the B portion that would be included in covered compensation for pension purposes. A similar problem surfaces in the medical schools for in-residence appointments, because funding for this kind of appointment often does not come from the state. As a result of the uncertainty of the funding source, in-residence appointments do not carry the same kind of security of employment as tenured faculty in L&S, for example. If there are insufficient funds to pay "y" scale in the MSCCP, the salary can be lowered.

C Scale

The "C" component recognizes academic stardom and is therefore reserved for the individuals who are in exceptional demand within the academic or professional community. The C Scale would replace above-scale. No maximum salary limits the "C" supplement, but this salary component does not count toward covered compensation for retirement purposes nor may state (19900) funds be used for any of it. Funding will come totally from the chancellor's discretionary funds, professional school fee differentials, private fund raising, or other outside sources.

Consideration of outside income would also change under the new salary proposal, and many proponents see this as a major advantage to both faculty and the University. The B Scale component could take into consideration a negotiated portion of faculty outside income. Faculty would be able to retain more outside income, and the University would also benefit from receiving a percentage of it. In this way faculty would be able to receive as salary grant money paid directly to the University. But there are disadvantages in the way the MSCCP handles outside income that could also occur under the new salary proposal. For example, many disputes arise in the context of flexible salary scales, and grievance committees are necessary to settle these disputes.

The new salary proposal is still in the preliminary stages of development. Much more discussion will follow on the systemwide changes needed to implement such a 3-scale salary structure on one or all of the UC campuses and the financial information that would have to be made available to chairs, deans, and the Chancellor on any campus about the funding sources for the B or C Scale components before salary decisions could be made. The UC Faculty Associations hope that by presenting the general outlines of this new faculty salary proposal, more faculty will participate in the senate or departmental committees to discuss this proposal and make their views on the subject heard.

It is too soon to know how many faculty will support or oppose the new proposal, but here are a few pros and cons we have heard expressed:

Some arguments for reform

1. Maximizes the equity principle built into the present step-ladder system.
2. Removes the restrictions and limitations of off-scale and summer ninths in rewarding faculty for high levels of performance.
3. Adds flexibility by taking into consideration market factors in the determinants of faculty salaries for a school, a department, or for an individual faculty member that the present single salary scale does not allow.
4. Develops a means for securing and using fund sources in addition to 19900 funds for faculty compensation on a campus wide basis. Schools and

departments would be rewarded for their power to raise private funds, some of which could be used for faculty salaries.

5. Creates a fairer way to account for outside income, especially as concerns grant money paid to a faculty member through the University.

6. Continues essentially the same decision making processes for setting salaries that are now used for determining off-scale salaries.

Some arguments against the proposal

1. Diminishes pressure on the state legislature to increase the A Scale to parity with the comparison institutions when a B Scale or even a C Scale can be tapped in many cases to equal or exceed comparison salaries when necessary for retention. There may also be legislative concern about the mission of the UC system in an increased competitive market environment when there is already criticism that teaching is not emphasized enough at UC.

2. Increases administrative power and control in negotiating so many different salary arrangements for individual faculty members, departments, schools.

3. Places more financial pressure on the faculty compensation and reward system. If B or C funds are lacking from outside sources or from the Chancellor's discretionary fund, then salary supplements may not be made because of financial reasons.

4. Emphasizes marketability to the point where the quality of teaching could be affected.

5. Weakens the position of the smaller UC campuses in a market-driven reward system.

6. Encourages salary disputes and rivalry among faculty and between departments and schools based on differential payscales. Use of off-scale supplements is a less public acknowledgment of differences in performance and marketability.

The FAs have not yet taken a position on this issue. If faculty association members would like to email their responses to us, we'd be happy to provide an electronic forum for debate and publish a synopsis of the major arguments exchanged in a later issue of the FA newsletter. If you send us your views, please give your name, but if you wish it withheld in any publication, make a note of that fact and we will honor your request. If you are not yet a member of the faculty association, now may be the time to [join](#).

