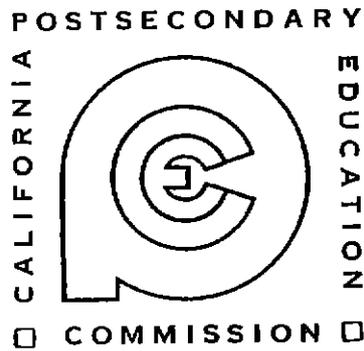


**PRELIMINARY REPORT  
ON FACULTY SALARIES  
1984-85**



**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION  
1020 TWELFTH STREET, SACRAMENTO, CALIFORNIA 95814**

COMMISSION REPORT 83-33



DECEMBER 1983

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## INTRODUCTION

PURSUANT to Senate Concurrent Resolution No 51 of the 1965 General Legislative Session (reproduced in Appendix A), the Coordinating Council for Higher Education and subsequently the Postsecondary Education Commission has annually submitted to the Governor and the Legislature an analysis of faculty salaries and fringe benefits at the University of California and the California State University

The initial methodology for the preparation of the report was developed jointly by the Coordinating Council, the two segments, the Department of Finance, and the Office of the Legislative Analyst. In 1977, a technical advisory committee consisting of representatives from these groups reviewed the method employed during the previous decade. Based on the advice of that committee, in June of that year the Commission adopted the revised methodology which is reproduced in Appendix B. These revisions related largely to the computation of fringe benefits and the number of reports to be prepared.

In accordance with the revised procedure, Commission staff transmits two reports each year to the Governor, the Legislature, and appropriate State officials.

- The first, prepared in the fall on the basis of preliminary data, is designed primarily to assist the Department of Finance in preparing salary recommendations for the Governor's Budget that is presented to the Legislature in January.
- The second, prepared in the spring, updates the data of the preliminary report, adds information on faculty salaries in the California Community Colleges and medical faculty salaries in the University, and provides comparative information on salaries for selected administrative positions within the University and State University. The second report is useful to legislative fiscal committees during budget hearings.

Both reports compare faculty salaries and the cost of fringe benefits in California's public universities with those offered by groups of com-

parison institutions that meet certain criteria and agree to exchange salary and fringe benefit data.

The comparison institutions used in the development of the current report are the same that have been used since 1974.

### *For the University of California*

- 1 Cornell University
- 2 Harvard University
- 3 Stanford University
- 4 State University of New York at Buffalo
- 5 University of Illinois
- 6 University of Michigan-Ann Arbor
- 7 University of Wisconsin-Madison
- 8 Yale University

### *For the California State University*

- 1 Bowling Green State University
- 2 Illinois State University
- 3 Indiana State University
- 4 Iowa State University
- 5 Miami University (Ohio)
- 6 Northern Illinois University
- 7 Portland State University
- 8 Southern Illinois University
- 9 State University of New York at Albany
- 10 State University of New York College at Buffalo
- 12 University of Colorado
- 13 University of Hawaii
- 14 University of Nevada
- 15 University of Oregon
- 16 University of Southern California
- 17 University of Wisconsin-Milwaukee
- 18 Virginia Polytechnic Institute and State University
- 19 Wayne State University
- 20 Western Michigan University

For brevity, the University's comparison institutions are often referred to as the "Comparison Eight" and those of the State University as the "Comparison Twenty."

# ONE

## *Faculty Salaries*

THE condition of faculty salaries in the University of California and the California State University is unusually complex this year. For the first time in at least 20 years, salary increases at the University and State University in 1983-84 did not become effective with the beginning of the State's fiscal year on July 1, 1983. Instead, the University will grant an average faculty salary increase of 6 percent effective January 1, 1984, from salary appropriations and also on that day return the current special 3 percent employer retirement contribution, begun in 1966, to the faculty salary base and have faculty pay the 3-percent retirement contribution themselves. The University will then grant an additional salary increase of 1 percent on April 1, 1984, from its salary equity fund. The State University will grant an average faculty salary increase of 5.8 percent on January 1, 1984, and based on negotiations with the California Faculty Association, it will use an additional 0.2 percent to provide enhanced dental benefits, also beginning on that date.

These sequential increases pose a problem for comparing this year's salaries at the University and the State University with their respective comparison groups of institutions. *Unless noted otherwise, all tables, charts, and calculations in this report are based on predicted salaries at the University and State University that will apply after April 1, 1984, but these figures imply that these average salaries existed throughout the entire 1983-84 fiscal year when, in reality, actual salaries for 1983-84 are lower.* Rather than a 10 percent salary increase in 1983-84, University faculty will have received approximately a 4.75 percent increase, while State University salaries will have risen approximately 4.1 percent.

Representatives of the two segments and Commission staff agreed that this report should reflect the final outcome of the 1983-84 range adjustments because (1) the purpose of the report is to predict where faculty salaries at the University and State University will stand in relation to those at their respective comparison groups of institutions on July 1, 1984 -- the beginning of the next fiscal year -- and (2) the full-range ad-

justment will become the salary base for the 1984-85 budget. *Therefore, this report overstates 1983-84 faculty salaries in the University and State University in order to accommodate the appropriate 1984-85 comparisons.*

### **SOURCES AND USES OF FUNDS FOR SALARY INCREASES**

Under the 1983-84 Budget Act, faculty salary and benefit increase monies were provided to the University and the State University in two funds:

- A *General Salary Increase Fund* computed by multiplying each segment's 1983-84 salaries and wages line item by five percent, and
- An *Equity Adjustment Fund* consisting of a single \$600,000 appropriation to each segment.

#### *University of California*

The University of California is implementing its 1983-84 salary increases as follows:

##### *1 General Salary Increase Fund*

A 6 percent across-the-board salary increase will be provided to all faculty effective January 1, 1984.

##### *2 Equity Adjustment Fund*

A 1 percent across-the-board salary increase will be provided to all faculty effective April 1, 1984. Funds for this increase will be drawn from the Equity Adjustment Fund and from funds provided from redirection of monies associated with other, lower priority, University budget items.

##### *3 Other Funding Sources*

A 3 percent across-the-board salary increase will be provided to all faculty effective January 1, 1984. This increase, while technically a salary augmentation, will be implemented by reducing the State's retirement contribution by 3 percent and providing that amount directly to the faculty member in the form of salary. The 3 percent sum will, however, then

be withheld via a mandatory payroll deduction and applied to each faculty member's retirement program

### *The California State University*

The California State University is implementing its 1983-84 salary increases this way

#### 1 *General Salary Increase Fund*

A 5.8 percent across-the-board salary increase will be provided to all faculty effective January 1, 1984

A 0.2 percent increase in *benefits* will be provided to all faculty in the form of an improved dental plan effective January 1, 1984

\$300,000 is being provided to recruit new faculty in high-demand fields such as engineering and business administration under the Market Condition Salary Supplement (MCSS) program developed pursuant to the State University's collective bargaining agreement with its faculty. These funds are being used to augment salaries for new faculty employed on or after September 1983

#### 2 *Equity Adjustment Fund*

\$150,000 will be used to augment salaries of new faculty employed after January 1, 1984, in high-demand fields under the MCSS program

The remaining \$450,000 in equity adjustment funds along with monies drawn from other salary and wages line items will be used to fund the State University's Management Personnel Plan and Executive Compensation Program.

### **CALIFORNIA'S CURRENT AND PROJECTED LAG BEHIND OTHER STATES**

Table 1 at the right shows the lag that now exists for average University and State University faculty salaries behind those of their respective comparison groups of institutions, as well as the lag that will exist for 1984-85 unless they are able to increase their average salaries. As can be seen, in 1984-85 the University will need a projected increase of 12.8 percent in average nine-month faculty salaries in order to bring these salaries up to the average of those in its comparison eight institutions. The State

University will need a projected increase of 10 percent in order to bring its salaries up to the level of its comparison 20 institutions

**TABLE 1** *Current and Projected Lags in Average Faculty Salaries at the University of California and the California State University Behind Their Respective Comparison Institutions, in Percent*

Salary Lags and Increases	University of California	California State University
Lag as of September 1983	-14.3%	-9.4%
January 1, 1984 Salary Increase	+9.0%	+5.8%
Lag after January 1, 1984, Salary Increase	-4.9%	-3.0%
April 1, 1984 Salary Increase	+1.0%	---
Lag after April 1, 1984 Salary Increase	-3.9%	-3.0%
Projected 1984-85 Salary Increases for Comparison Institutions	+8.57%	+6.8%
Projected 1984-85 Lag Prior to Salary Increases Approved by Legislature and Governor	-12.8%	-10.0%

*Note:* These percentage lags in faculty salaries are not directly additive down each column because salary increases affect the base upon which subsequent computations are made

Source: California Postsecondary Education Commission staff analysis

## RECENT TRENDS IN AVERAGE FACULTY SALARIES

Figures 1 through 4 on pages 6 and 7 show graphically the levels of average nine-month faculty salaries at the University and the State University in contrast to their comparison institutions since 1976-77, adjusted to their own particular staffing pattern

### *University of California*

Figure 1 on page 6 shows increases in these all-ranks salaries at the University and its comparison institutions (As noted earlier, the average salary indicated for the University in 1983-84 will not be attained until after raises are granted in April )

A more direct comparison of differences in average faculty salaries between the University and those of its comparison institutions appears in Figure 2 on page 6 It shows that for the eight years from 1976-77 through 1983-84, University salaries have been ahead of the average of its comparison institutions during only one year (1980-81) by a relatively small amount -- \$262 -- but have lagged behind them during the remaining seven years by much larger amounts The greatest lag in the University's salaries behind its comparison institutions -- \$3,346 -- occurred in 1982-83, but during two other years (1978-80), the lag exceeded \$1,000 The indicated lag for 1983-84 exceeds \$1,600, but the actual lag is \$3,530 when the University's actual average salaries, rather than year-end averages, are used for this year's calculation

The three years in which the University's average faculty salaries have fallen farthest behind those in its comparison institutions have been in 1978-79 and 1982-83, when the State granted no salary increases, and in 1983-84 when salary increases have been delayed until January

### *The California State University*

Figures 3 and 4 on page 7 display the relationship of average nine-month faculty salaries in the California State University to those in its 20 comparison institutions for the past eight years, adjusted to the State University's staffing pattern, with a projection into 1984-85 (Again, as noted earlier, the indicated State University average salary for 1983-84 will not be attained until after raises are granted in January )

Figures 3 and 4 indicate that the average nine-month faculty salary in the State University has exceeded the average in its comparison 20 institutions during five of the last eight years In 1978-79 and 1982-83, however, when no salary increases were granted, it fell below average, and it fell still further behind in 1983-84 when State University salary increases were below those granted by the comparison 20

## RECENT TRENDS IN SALARIES BY RANK

### *University of California*

Turning to trends in faculty salaries by rank, Table 2 below shows where the University has stood among all nine institutions for each of the past seven years at each professorial rank

*TABLE 2 Ranking of Professorial Salaries for the University of California Among the Institutions Compared for the Faculty Salary Reports, 1976-77 - 1982-83*

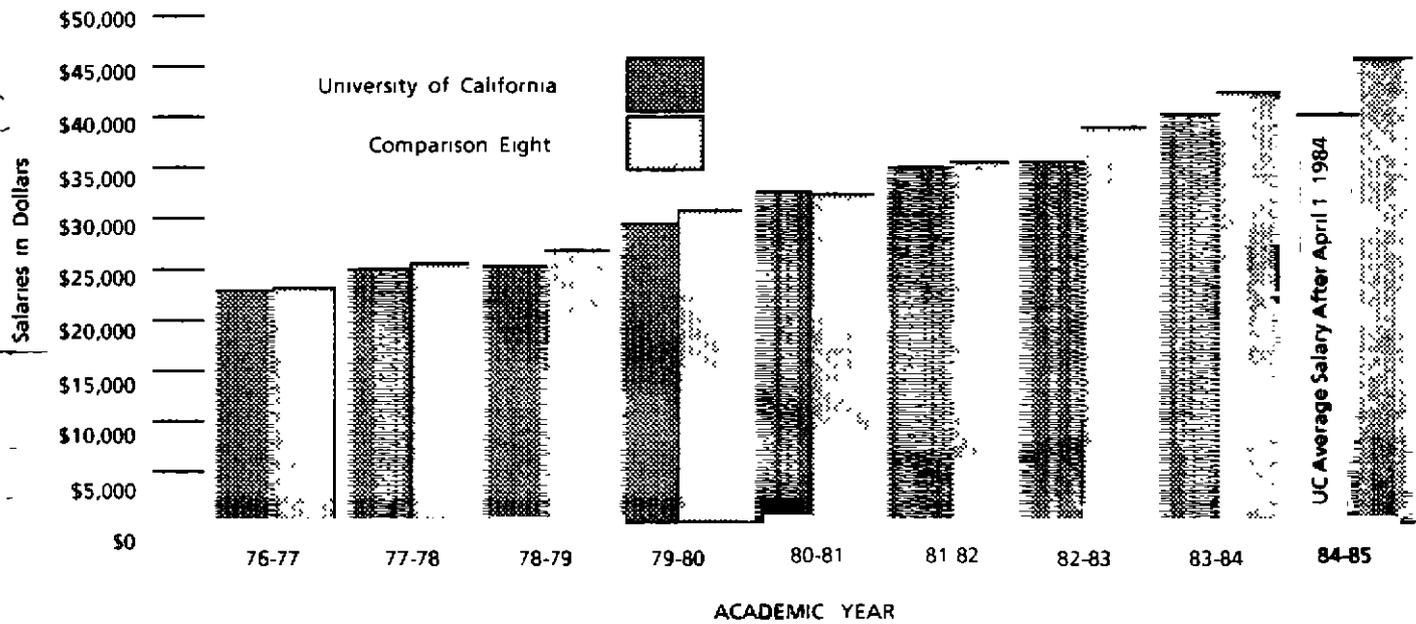
Year	Professor	Associate Professor	Assistant Professor
1976-77	5	5	2
1977-78	6	7	2
1978-79	8	9	7
1979-80	5	4	2
1980-81	5	5	3
1981-82	5	6	6
1982-83	7	8	9

Source California Postsecondary Education Commission staff analysis

It indicates below average levels or consistently large lags at the University's upper two ranks over virtually all seven years, with particularly low levels in 1978-79 and 1982-83, the two years in which the University granted no salary increases at all

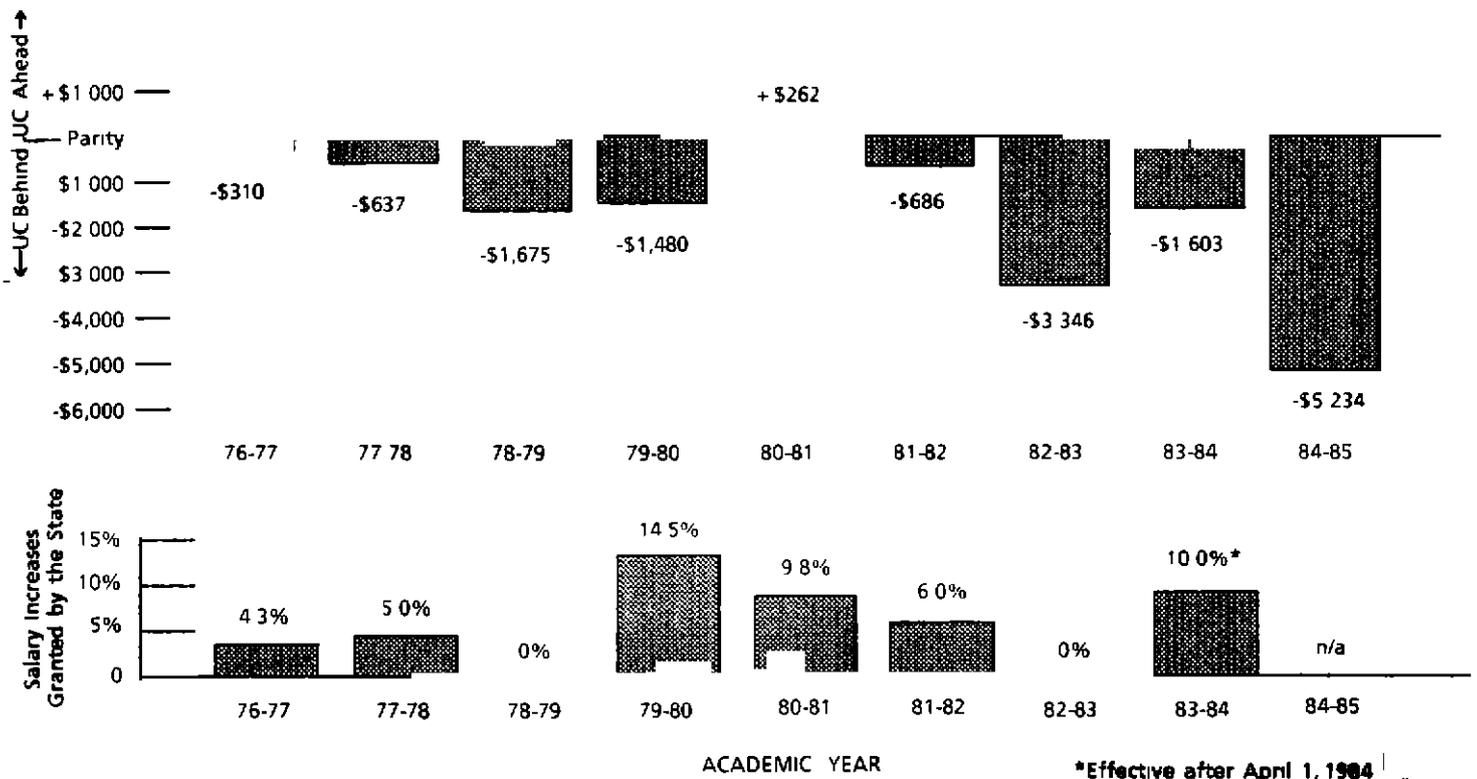
Throughout these seven years, its average salary for professors never rose higher than fifth position and that for associate professors never exceeded fourth position Certainly, since 1981 the University has not enjoyed a favorable position in recruitment of new faculty at all levels To bring the University's average nine-month salaries up to parity for 1984-85 would require increases for professors of \$6,082, for associate professors of \$3,894, and assistant pro-

**FIGURE 1** All Ranks Average Nine-Month Faculty Salaries at the University of California and Its Eight Comparison Institutions, 1976-77 through Projected 1984-85



Source: California Postsecondary Education Commission staff analysis.

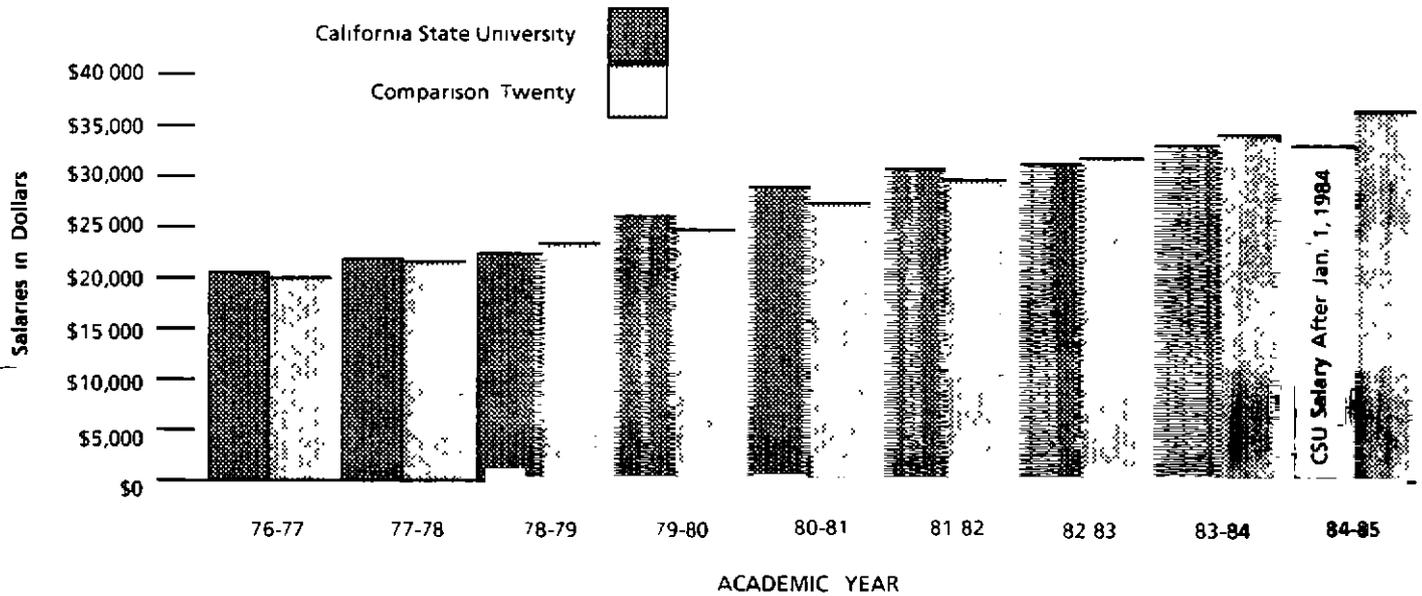
**FIGURE 2** Difference in All Ranks Average Nine-Month Faculty Salaries Between the University of California and Its Comparison Institutions, 1976-77 through Projected 1984-85, and Salary Increases at the University, 1976-77 Through 1983-84



\*Effective after April 1, 1984

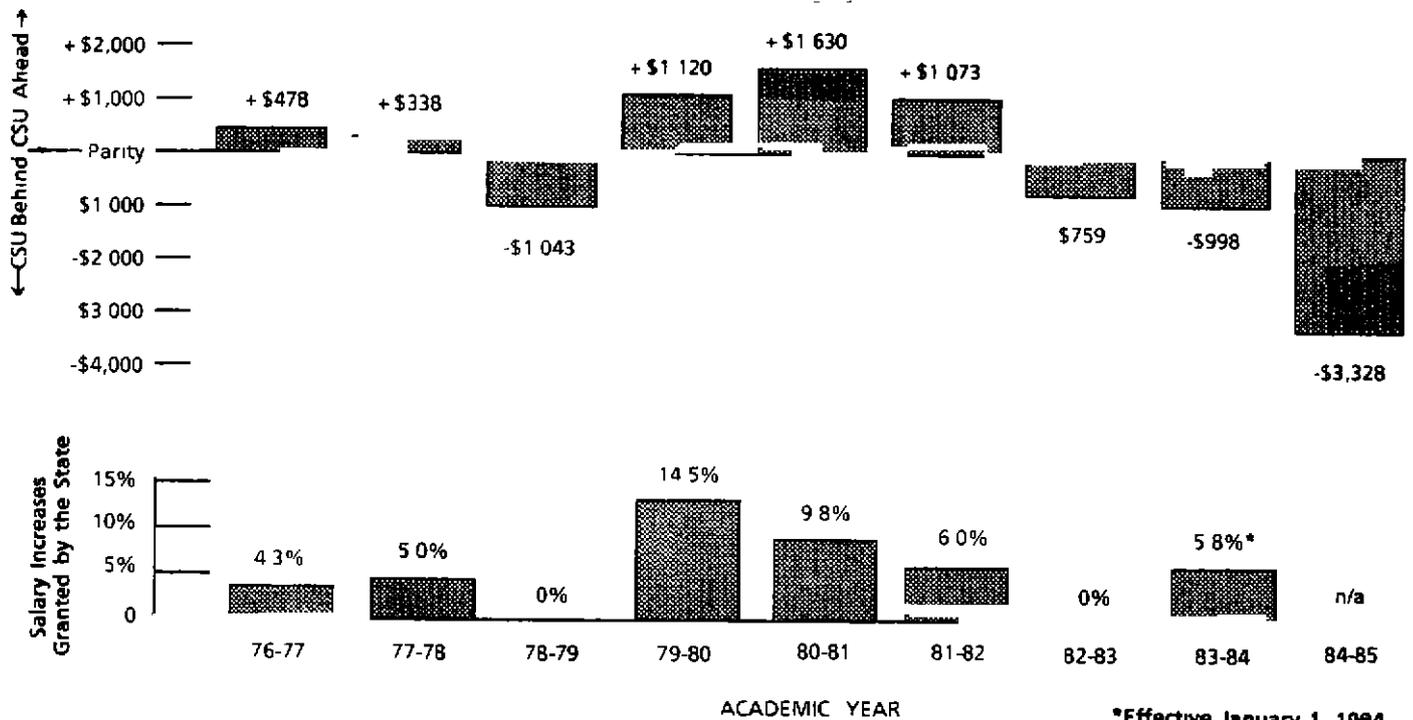
Source: California Postsecondary Education Commission staff analysis.

**FIGURE 3 All Ranks Average Nine-Month Faculty Salaries at the California State University and Its Twenty Comparison Institutions, 1976-77 through Projected 1984-85**



Source California Postsecondary Education Commission staff analysis.

**FIGURE 4 Difference in All Ranks Average Nine-Month Faculty Salaries Between the California State University and its Comparison Institutions, 1976-77 through Projected 1984-85, and Salary Increases at the State University, 1976-77 through 1983-84**



\*Effective January 1, 1984.

Source. California Postsecondary Education Commission staff analysis.

fessors of \$3,552, representing increases of 12.9, 12.2, and 13.3 percent, respectively

For each academic rank, Figures 5 through 10 in Appendix C present data similar to Figures 1 and 2. From these displays, the following observations can be made.

- At the full professor rank, over the eight-year period, the University's average salary exceeded the average of the comparison eight during two years -- 1979-80 and 1980-81 -- but by less than \$200 per year. During the other six years, the University has lagged behind the average of the comparison eight, with the amount of lag exceeding \$3,000 per year during 1982-83 and near \$2,000 in 1983-84.
- Among associate professors, average salaries in the University exceeded the average in the comparison eight only once during the eight years -- and then by only \$7 per year. The largest lag, exceeding \$2,800 per year, occurred in 1982-83.
- Assistant professor's salaries at the University were above average during four of the eight years but have lagged since 1981-82.

### *The California State University*

Figures 11 through 18 in Appendix C display relationships for salaries for each of the four instructional ranks used by the State University and its comparison 20 institutions. From these figures, several observations are particularly noteworthy:

- Average nine-month salaries for professors in the State University were above average of its

comparison institutions during four of the eight years

- Salaries for associate professors were above average during six of these years
- Salaries for assistant professors were above average for the same six years, and the corresponding amounts above parity were about equal
- Salaries for instructors in the State University have ranged from approximately \$1,000 to over \$3,000 above average for each of the eight years
- The salaries for professors, associate professors, and assistant professors all dropped below average in 1978-79 and 1982-83, when no salary increases were granted

When the State University's 1983-84 average nine-month academic rank salaries are compared to those at its comparison group of institutions for 1984-85, the following amounts will be needed to bring its salaries up to the average of its comparison institutions: professors, \$3,854, associate professors, \$1,732, and assistant professors, \$1,279. Its salaries for instructors will still be \$680 above average. These figures correspond to disparities of -10.2 percent, -10.1 percent, -9.6 percent, and 3.3 percent, respectively.

The figures and percentages for instructors should not imply that the salaries for State University instructors should be reduced, since the definition of instructors varies so greatly among institutions.

## TWO

### *Fringe Benefits*

WHILE adequate salaries are vital to the maintenance of a competitive position for faculty recruitment and retention, fringe benefits and other conditions of employment also play important roles in this process

The methodology adopted by the Commission in 1977 for the preparation of the annual faculty salary and fringe benefit report notes that the use of fringe benefit comparisons with other institutions can often be seriously misleading. It cites as an illustration the fact that if an employer adds to a pension fund to improve its actuarial integrity, it increases the cost of the benefit package but does not result in any new or additional benefits. A reverse example has occurred this year when the State deferred its \$101.4 million contribution to the University's retirement system. While the deferral is not expected to affect employee retirement benefits, and thus is not reflected in this report, it nevertheless represents a substantial one-year de-

crease in the cost of the University's faculty fringe benefits. Similarly, wide variations in the costs of health insurance programs exist among geographical areas, with those in California much higher than those paid by midwestern institutions, yet the benefits of these programs appear to be similar.

#### UNIVERSITY OF CALIFORNIA

Table 3 below presents the projected average costs of fringe benefits at the University of California and its comparison institutions. It indicates that if the University is granted the 12.8 percent average faculty salary increase that is needed to bring its salaries up to the same level as its comparison institutions, its fringe benefits would need to be adjusted upward also by 3.7 percent or \$1,224 in order to keep its fringe benefit costs at the level of its comparison institutions.

**TABLE 3** *Projected Difference in the Cost of Fringe Benefits at the University of California and Its Eight Comparison Institutions, 1984-85*

Comparison Institutions	<u>Professor</u>	<u>Professor</u>	<u>Professor</u>	<u>Average</u> <sup>1</sup>
1982-83 Average Cost of Fringe Benefits <sup>2</sup>	\$ 9,145	\$6,721	\$5,719	
1977-78 Average Cost of Fringe Benefits	5,556	3,788	3,165	
1984-85 Projected Cost of Fringe Benefits <sup>3</sup>	11,162	8,454	7,246	\$ 9,995
 University of California				
1983-84 Average Cost of Fringe Benefits <sup>4</sup>	9,843	7,401	6,583	8,831
Percentage adjustment needed to make the University's fringe benefits equal to the 1984-85 projected average comparison fringe benefits	13.4%	4.2%	10.1%	13.2%
	Less (adjustment for the effect of 12.8 percent range adjustment).			9.5
	Net adjustment needed to achieve parity			3.7

<sup>1</sup> Average based on the projected 1984-85 staffing pattern of the University.

<sup>2</sup> Computed from confidential data received from comparison institutions.

<sup>3</sup> Compound annual growth rate over the five-year period for each rank is used for the two-year projection.

<sup>4</sup> Equivalent to an average of \$23,212.00 plus 15.96 percent of average salary.

Source: Adapted from data supplied by the Office of the President, University of California.

It should be noted that prior to the action of the Regents on November 14, 1983, that returned the State's special retirement contribution of 3 percent to the employees' salary base, the comparison of fringe benefits indicated that benefit costs at the University would need to be adjusted downward by 21.4 percent or \$2,400

### THE CALIFORNIA STATE UNIVERSITY

Table 4 presents the projected average cost of fringe benefits at the California State University and its 20 comparison institutions. These data indicate that if the State University is granted the 10 percent average faculty salary increase that is needed to bring its salaries up to the average of its comparison institutions, an adjustment of -38.1 percent (-\$3,883) in its fringe benefit costs would be in order to keep these costs equal to the average for the comparison institutions.

It should be noted that the Trustees and the California Faculty Association negotiated to place 0.2 percent of this year's salary increases

into an improved dental plan. The State University, unlike the University, has not implemented a Tax Savings Plan. Therefore, this increase in cost of fringe benefits appears directly as a benefit contribution in order to take advantage of tax savings.

### SUGGESTED ACTION ON FRINGE BENEFITS

Because the data in Tables 3 and 4 deal only with costs, and because the quality of individual benefits in the comparison institutions is unknown, the Commission continues to hold that parity should not be sought for fringe benefit costs. Instead, in keeping with prior Commission policy, the Commission and the segments continue to agree that fringe benefits for faculty should correspond to those for all other State employees.

### NEW COMPLICATIONS IN THE CALCULATION OF FRINGE BENEFITS

The latest report of the American Association of University Professors on the economic status of

**TABLE 4** *Estimated Average Cost of Fringe Benefits at the California State University and Its Twenty Comparison Institutions, 1984-85*

	California State University		Comparison Institutions	
	<u>1983-84</u> <sup>1</sup>	<u>1984-85</u> <sup>2</sup>	<u>1983-84</u>	<u>1984-85</u>
Professor	\$10,908	\$11,173	\$8,506	\$9,524
Associate Professor	9,122	9,342	6,785	7,581
Assistant Professor	7,712	7,891	5,427	6,057
Instructor	6,658	6,811	4,295	4,812
All-Ranks	\$9,951	\$10,191	\$7,582	\$8,483
Percentage adjustment needed to make California State University fringe benefits equal to the 1984-85 projected average comparison fringe benefits				-19.9%
Less (adjustment for the effect of 10 percent increase in salary funds)		(\$607.76)		18.2%
Net adjustment needed to achieve parity				-38.1%

1 Based on actual 1983-84 average salaries

2 Based on final 1983-84 salaries after granting increase of 5.8 percent on January 1, 1984

Source: Commission staff analysis of data supplied by the California State University

the profession (July-August 1983) lists average salaries, compensation, and fringe benefits as a percentage of salary for faculty at 2,579 institutions for the 1982-83 fiscal year. For the University of California, it lists fringe benefits as a percentage of salary as 27 percent at six campuses and 28 percent at the other three. For the State University, it lists these benefits as 26 percent at nine campuses and 25 percent at ten. Nationally, fringe benefits range from a low of 1 percent at a community college outside of California (and 2 percent for one California Community College), to a high of 88 percent in one New England theological seminary. Many public colleges and universities are listed in the 25-28 percent range of the University and State University.

The Chamber of Commerce of the United States reports that the expense of benefit plans in business and industry climbed from 18.7 percent of payroll in 1951 to 37.3 percent in 1981 ("As Fringe Benefits Go Under the Gun," p. 94), with much of the growth attributed to rapid escalations in health coverage. This growth can be stated in another way. Fringe benefits cost businesses an estimated \$540 billion last year, up from \$150 billion in 1971.

A number of the nation's Fortune 500 companies and several colleges and universities are trying to curb or reduce these costs through adopting "flexible-benefit" or "cafeteria" plans, some of which use salary reductions or higher deductibles for health benefits. These plans allow employees to select a limited number of benefits they want from a menu of coverages. Under them, for example, a young employee might choose fewer pension and life insurance benefits in favor of more vacation time.

Among corporations that have adopted this approach, PepsiCo is so pleased with its plan begun in 1980 that it will expand its coverage from 15,000 workers this year to 45,000 in 1984. Its benefit directors find that in those divisions without the plan, health benefit costs are increasing by 15 to 18 percent annually, compared to 10 to 12 percent in divisions using it.

Among academic institutions taking advantage of the salary reduction approach to fringe benefits, Dickinson College, St. Olaf College, and Carnegie-Mellon, Harvard, and Yale Universities adopted such plans in 1980, and Stanford expects to offer it in 1984. (The latter three universities are among the eight comparison institutions for the University of California, which, as indicated earlier in this report, has just adopted part of this approach for 1983-84.) Under this approach, employees reduce their taxable income by designating part of their salary to pay for "menu" items such as medical care, dental care, child care, life insurance, added retirement, and legal services. These items are treated as nontaxable fringe benefits at tax time ("College Employees Reduce Taxes Under New Approach to Benefits," 1983, p. 19).

Such salary reduction plans are operating under Section 401K of the Tax Code, based on the Revenue Act of 1978, which established a taxation policy for employer-employee flexible-benefit plans that allow employees to choose between cash and nontaxable fringe benefits. The Treasury Department, however, has not endorsed salary reductions for fringe benefits. Instead, it has expressed its concern about the practice, particularly in view of the federal deficit problem. According to one estimate, "401K" tax breaks for employer-provided fringe benefits will reduce the federal government's tax collections by more than \$83 billion in the fiscal year beginning October 1, 1983. Nonetheless, many personnel specialists are convinced that the concept of flexible benefits will undergo little change when Treasury Department regulations are finally written because traditional benefit plans are no longer responsive to the needs of today's diverse workforce.

Adoption of such plans by the institutions included in the Commission's annual faculty salary reports is adding greater complexity to segmental and Commission attempts to compare the costs of fringe benefits between the segments and their respective comparison institutions.

## APPENDIX A

### *Senate Concurrent Resolution No. 51, 1965 General Session, Relative to Academic Salaries and Welfare Benefits*

WHEREAS, The Joint Legislative Budget Committee pursuant to House Resolution No. 250, 1964 First Extraordinary Session, has had prepared and has adopted a report of the Legislative Analyst containing findings and recommendations as to salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education; and

WHEREAS, The study of the Joint Legislative Budget Committee found that the reporting of salaries and fringe benefits as it has been made previously to the Legislature has been fragmentary and has lacked necessary consistency, with the result that the Legislature's consideration of the salary requests of the institutions of higher learning has been made unnecessarily difficult; and

WHEREAS, The report recommends that the Legislature and the Governor should receive each December 1 a report from the Coordinating Council for Higher Education, plus such supplementary information as the University of California and the California State Colleges desire to furnish independently, containing comprehensive and consistently reported information as outlined specifically in the report adopted by the Joint Legislative Budget Committee; and

WHEREAS, The reporting recommended by the committee would include essential data on the size and composition of the faculty, the establishment of comprehensive bases for comparing and evaluating faculty salaries, the nature and cost of existing and desired fringe benefits, the nature and extent of total compensation to the faculty, special privileges and benefits, and a description and measurement of supplementary income, all of which affect the welfare of the faculties and involve cost implications to the state now, therefore, be it

*Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Coordinating Council for Higher Education in cooperation with the University of California and the California State Colleges shall submit annually to the Governor and the Legislature not later than December 1 a faculty salary and welfare benefits report containing the basic information recommended in the report of the Joint Legislative Budget Committee as filed with the President of the Senate and the Speaker of the Assembly, under date of March 22, 1965.*

**APPENDIX B**  
*Methodology Employed by the Commission  
in Preparing Faculty Salary Reports*

Commission Resolution 17-77, June 13, 1977

Concerning the Methodology Employed for the  
California Postsecondary Education Commission's  
Annual Reports on  
Faculty Salaries and Fringe Benefits

- WHEREAS, The University of California and the California State University and Colleges have expressed reservations with the methodology used for the California Postsecondary Education Commission's recent reports on faculty salaries and fringe benefits, particularly with respect to the computations for fringe benefits, and
- WHEREAS, Commission staff convened a technical advisory committee, consisting of representatives of the segments, the Department of Finance, and the Office of the Legislative Analyst to advise on possible revisions of the existing methodology, and
- WHEREAS, The committee met on five occasions to thoroughly review and discuss the methodology for the reports on faculty salaries and fringe benefits, not only with respect to the computations for fringe benefits, but also regarding all other aspects of the methodology, and
- WHEREAS, Based on the advice of the committee, a revised methodology has been developed by Commission staff; now therefore, be it
- RESOLVED, That the California Postsecondary Education Commission adopt the attached document entitled, Revised Methodology for the Preparation of the Annual Report on University of California and California State University and Colleges Faculty Salaries and Fringe Benefits, 1978-79, which by reference becomes a part of this resolution, and be it further
- RESOLVED, That copies of this resolution be transmitted to the Governor, the Legislature, the Department of Finance, the Office of the Legislative Analyst, the Regents of the University of California and the Trustees of the California State University and Colleges.

REVISED METHODOLOGY FOR THE PREPARATION OF THE ANNUAL REPORT ON  
UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY AND COLLEGES  
FACULTY SALARIES AND FRINGE BENEFITS, 1978-79

INTRODUCTION

The methodology to be employed for the 1978-79 report contains a number of substantive modifications from that adopted by the Commission in September, 1974 and used for the annual reports for 1975-76, 1976-77, and 1977-78.

In developing this new methodology, both the University of California and the California State University and Colleges conferred with a number of groups and individuals, including representatives of faculty organizations. Subsequently, each segment submitted proposals for changes in the existing methodology. These proposals were then considered by a technical advisory committee established by the Commission consisting not only of Commission staff and segmental representatives, but also of representatives of the Department of Finance and the Office of the Legislative Analyst.

In the past year, one aspect of the annual report on faculty salaries and fringe benefits was heavily criticized; namely, the treatment of the comparison of fringe benefits. This criticism centered on two major points. The first related to the recent practice of treating the cost of fringe benefits and the salary adjustments required to achieve parity as additive to produce a figure for "Total Equivalent Compensation" (TEC). This practice will be discontinued in subsequent years. The second criticism stemmed from the fact that the comparison method was limited to the employer cost of benefits (expressed as a percentage of payroll). Since there is, at best, only an indirect relationship between the value of fringe benefits to the employee and the cost of those benefits to the employer, the use of fringe benefit comparisons with other institutions can often be seriously misleading.

Although the basic difficulties with fringe benefit comparisons were noted in the report for the 1977-78 fiscal year, it is proposed that a much more definitive disclaimer be included in the text for the 1978-79 report. Clearly, a benefit package of given cost may be very different from another benefit package of the same cost when the two are defined and administered differently. By way of illustration, if the employer adds to a pension fund to improve its actuarial integrity, it increases the cost of the benefit package but does not result in any new or additional benefits.

The Commission will continue to show the results of the comparison survey regarding the cost of fringe benefits but will display it

separately from the salary data and will include a sufficiently detailed explanation of the issues so as to avoid misunderstanding or inappropriate use of the figures.

The second major change is the elimination of the "Cost of Living Adjustment for Salaries." For the past three years, an adjustment has been made in the projected salaries of the comparison institutions to account for changes in the rate of inflation. This adjustment has been widely misunderstood. It is not an escalator clause of the kind frequently found in collective bargaining agreements; it is an index only of changes in the rate of inflation and not a measure of inflation itself.

The other changes are essentially technical in nature. To date, all ranks average salary and fringe benefit projections have been made on the basis of prior year (for the preliminary report) and current year (for the final report) segmental staffing patterns. Since these elements of compensation are implemented in the budget year, it is desirable to establish a staffing pattern for that year. This will be done by the University of California for the 1978-79 report and by the California State University and Colleges beginning in 1979-80.

The final change will affect only the computation of fringe benefits for the California State University and Colleges. That system previously based its fringe benefit projections on the assumption that no salary increase would be granted. Because an increase in salary automatically increases applicable fringe benefits, a degree of distortion occurs. The University of California uses a system whereby a salary increase is computed first, the automatic increases in fringe benefits resulting from that increase accounted for, and the fringe benefits calculated after this accounting. The Commission believes the latter approach to be more reasonable and has therefore adopted it for both segments.

## METHODOLOGY

The procedures to be employed for the 1978-79 budget year and in subsequent years are as follows:

### A. NUMBER AND TIMING OF REPORTS

Two reports will be prepared each year. The first report, based on preliminary data, will be submitted to the Department of Finance in November. The final report, based on the most current data, will be submitted to the Legislative Budget Committee in April. In order to meet these submission dates, the University of California and the California State University and Colleges will forward data on comparison institutions and segmental faculty salaries to Commission

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staff by mid-October for the preliminary report and by late February for the final report.

## B. PRINCIPLE OF PARITY

The report will indicate what adjustments would be needed for the forthcoming year for salaries and costs of fringe benefits for University of California and California State University and Colleges' faculty to achieve and maintain rank-by-rank parity with such salaries and costs of fringe benefits provided faculty in appropriate comparison institutions. A separate list of comparison institutions will be used by each of the California segments of higher education. The report will separate calculations and displays of data related to percentage increases required for parity in salaries from those related to fringe benefit costs.

## C. COMPARISON INSTITUTIONS<sup>1</sup>

Comparison institutions for the University of California will be:

Cornell University  
Harvard University  
Stanford University  
State University of New York at Buffalo  
University of Illinois  
University of Michigan at Ann Arbor  
University of Wisconsin at Madison  
Yale University

Comparison institutions for the California State University and Colleges will be:

### East

State University of New York at Albany  
State University of New York College at Buffalo  
Syracuse University  
Virginia Polytechnic Institute and State University

### West

University of Southern California  
University of Hawaii  
University of Nevada  
University of Oregon  
Portland State University

1. If any institution is omitted for any reason, a replacement will be selected based upon the established criteria by Commission staff in mutual consultation with the segments, the Department of Finance, and the Legislative Analyst. The Attachment indicates the criteria for selection of the comparison institutions.

Other

University of Colorado  
Illinois State University  
Northern Illinois University  
Southern Illinois University  
Indiana State University  
Iowa State University  
Wayne State University  
Western Michigan University  
Bowling Green State University  
Miami University (Ohio)  
University of Wisconsin at Milwaukee

D. FACULTY TO BE INCLUDED AND EXCLUDED

The faculties to be included in the comparisons are those with full-time appointments at the ranks of professor, associate professor, assistant professor, and instructor, employed on nine and eleven month (prorated) appointments, (both regular and irregular ranks as appropriate), with the exception of faculties in the health sciences, summer sessions, extension programs and laboratory schools, provided that these faculties are covered by salary scales or schedules other than that of the regular faculty. At the rank of instructor, full-time equivalent faculty are used because of the preponderance of part-time appointments at this rank.

The faculty members to be included are those assigned to instruction (regardless of the assignments for research or other university purposes), department chairmen (if not on an administrative salary schedule), and faculty on salaried sabbatical leave.

E. COMPUTATION OF AVERAGE SALARIES AND COST OF FRINGE BENEFITS

For each academic rank within the California State University and Colleges' comparison groups, the total actual salary dollars for the combined group is divided by the number of faculty within the rank to derive average salaries by rank for their comparison institutions as a whole. Average costs of fringe benefits will be computed in a similar manner.

For the University of California's comparison groups, the average salary by rank is obtained for each comparison institution. The single average salary (for each rank) for the comparison group is then calculated by adding the average salaries at the eight comparison institutions and dividing by eight, thereby giving equal weight to each institution regardless of the number of faculty. The same procedure should be used to compute the cost of fringe benefits.

#### F. FIVE-YEAR COMPOUND RATE OF SALARY AND FRINGE BENEFIT GROWTH

For the preliminary report, a five-year compound rate of change in salaries and fringe benefits at each rank at the comparison institutions will be computed on the basis of actual salary and fringe benefit data of the preceding year and of the prior five years.

In obtaining compound rates of change at the comparison institutions, each segment will compute the average salary and fringe benefit costs by rank for their respective comparison institution groups as specified in Section E above. Each will then calculate the annual compound growth rate changes in average salaries and fringe benefit costs for each rank (over the five-year period) at their respective comparison institutions. These rates of change will then be used to project average salaries and costs of fringe benefits for that rank forward for two years to the budget year.

The same procedure will be used in producing the final report, except that the base year for the comparison institutions will be moved forward one year, permitting the use of a one-year projection rather than the two-year projection necessary in the preliminary report. The California segments will use actual current salary and fringe benefit data as reported by the comparison institutions rather than budgeted figures.

#### G. ALL-RANKS AVERAGE SALARY AND FRINGE BENEFIT COSTS

Average all-ranks average salaries and fringe benefit costs projected for the budget year will be calculated for each segment, using the average salaries and fringe benefits by rank projected for the budget year for the comparison groups and the staffing pattern in the appropriate California segment. The California State University and Colleges will use the current year staffing pattern while the University of California will use a staffing pattern projected for the budget year. These all-ranks average salary and fringe benefit amounts for the budget year constitute the salaries and fringe benefits to be provided to the corresponding California segment for that segment to achieve parity, rank-by-rank, with its comparison group. The average all-ranks salaries and fringe benefits thus projected to the budget year for each California segment will then be compared with the current all-ranks average salaries and fringe benefits for that segment to determine the percentage increase required by the segment to achieve parity. For the 1978-79 report, the California State University and Colleges will modify the percentage difference (to 1/10th of a percentage point) to account for merit increases, promotions, and faculty turnover. This adjustment will not be necessary for the University of California since the projection of the staffing pattern into the budget year will account for these adjustments automatically. In subsequent years, the California State University and Colleges will use the same procedure as the University of California.

#### H. SUPPLEMENTARY INFORMATION

The Commission will prepare supplementary tables containing five years of trend data, with the data for the most recent year supplied by the segments.

1. Number of full-time faculty by rank;
2. Number and percent of new and continuing full-time faculty with the doctorate by rank;
3. Number and percent of full-time faculty with tenure or security of appointment by rank;
4. Separations of full-time faculty with tenure or security of appointment by rank;
5. Destination of faculty who resign, by rank (indicating the name of the institution for those faculty remaining in higher education);
6. Sources of recruitment by rank;
7. Faculty promotional patterns.

## ATTACHMENT

### CRITERIA FOR SELECTION OF COMPARISON INSTITUTIONS

The following criteria will be used to select comparison institutions for the University of California:

1. Each institution should be an eminent major university offering a broad spectrum of undergraduate, graduate (Masters and Ph.D.), and professional instruction, and with a faculty responsible for research as well as teaching.
2. Each institution should be one with which the University is in significant and continuing competition in the recruitment and retention of faculty.
3. Each institution should be one from which it is possible to collect salary data on a timely, voluntary and regular basis. (Not all institutions are willing to provide their salary data, especially in the detail required for comparison purposes.)
4. The comparison group should be composed of both public and private institutions.

In selecting these institutions, stability over time in the comparison institutions group is important to enable the development of faculty salary market perspective, time serious analysis, and the contacts necessary for gathering required data.

The following criteria will be used for selection of comparison institutions for the California State University and Colleges. The institutions selected according to these criteria are those which have approximately the same functions with regard to undergraduate and graduate instruction, and with which the California State University and Colleges compete for faculty.

#### 1. General Comparability of Institutions

The expectations of faculty at the comparison institutions should be relatively similar to those prevailing at the California State University and Colleges. Consequently, the comparison institutions should be large institutions that offer both undergraduate and graduate instruction. Excluded from consideration under this criterion were:

- a. Institutions with less than 300 faculty members;

- b. The 20 institutions that awarded the greatest number of doctoral degrees during the ten-year period, 1959-60 through 1968-69. (These 20 institutions awarded nearly half of all doctoral degrees awarded in the U.S. during this period);
- c. Community Colleges and colleges without graduate programs;
- d. Institutions staffed with religious faculty.

2. Comparability of States' Ability to Support Higher Education

The basis of financial support available to the comparison institutions should be relatively similar to that of California. Excluded from consideration were:

- a. Institutions in states where the per capita income in 1970 was more than ten percent below the U.S. average. (California's per capita income was approximately 14 percent above the U.S. average.) The criterion was applied to both public and private institutions;
- b. Institutions in New York City and Washington, D.C., because of the high cost of living and the much higher than average incomes in these cities.

3. Competition for Faculty

Institutions on the comparison list preferably should be institutions from which California State University and Colleges' faculty are recruited or vice versa.

4. Similarity of Functions

The comparison group should include institutions that are among the largest institutions with graduate programs but which do not grant, or grant very few, doctoral degrees.<sup>1</sup> (Nine CSUC campuses are among the 20 largest such institutions in the country.)

5. Fringe Benefits

The comparison institutions should provide fringe benefits, including a retirement program, that vests in the faculty member within five years. This criterion was applied by generally excluding from consideration institutions with nonvesting retirement programs.

1. Category IIA in the AAUP report.

6. University of California Comparison Institutions

The comparison group of institutions developed for the California State University and Colleges should not include institutions used by the University of California in determining its faculty compensation.

7. Acceptance as Comparison Institution

The comparison institutions preferably should be institutions that have been accepted previously for the purpose of comparing faculty salaries in the California State University and Colleges.

8. Senior or Tenured Faculty

The comparison group of institutions should have a faculty mix ratio in their upper two ranks that is similar to the ratio of faculty in the upper two ranks of the California State University and Colleges.

*APPENDIX C*  
*Faculty Salaries by Rank*

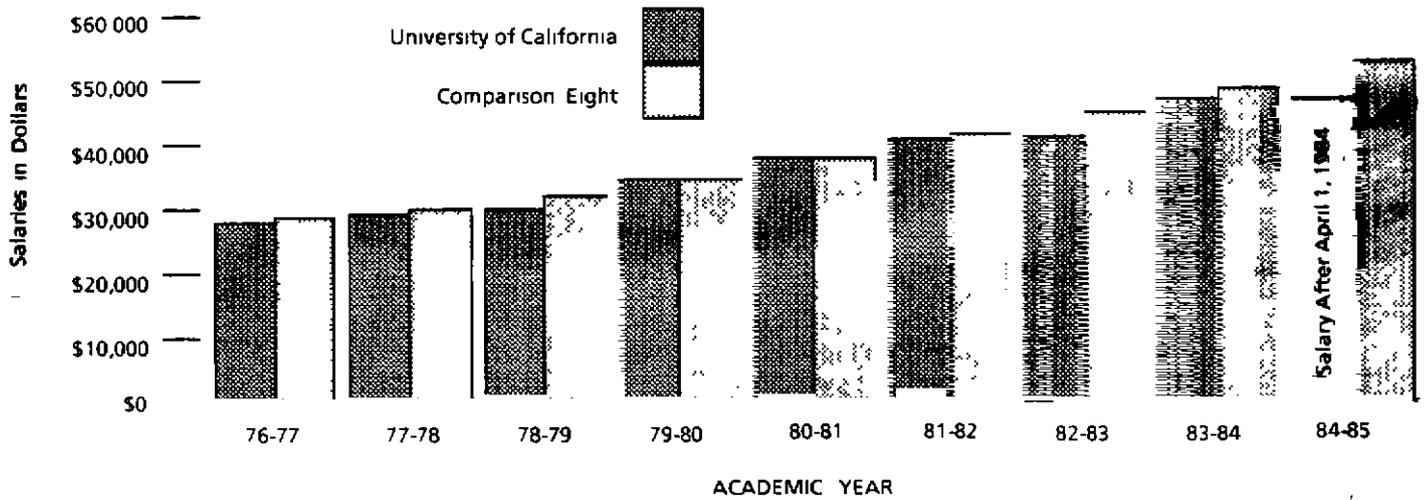
**UNIVERSITY OF CALIFORNIA**

<b>Professors</b>	<b>29</b>
<b>Associate Professors</b>	<b>30</b>
<b>Assistant Professors</b>	<b>31</b>

**THE CALIFORNIA STATE UNIVERSITY**

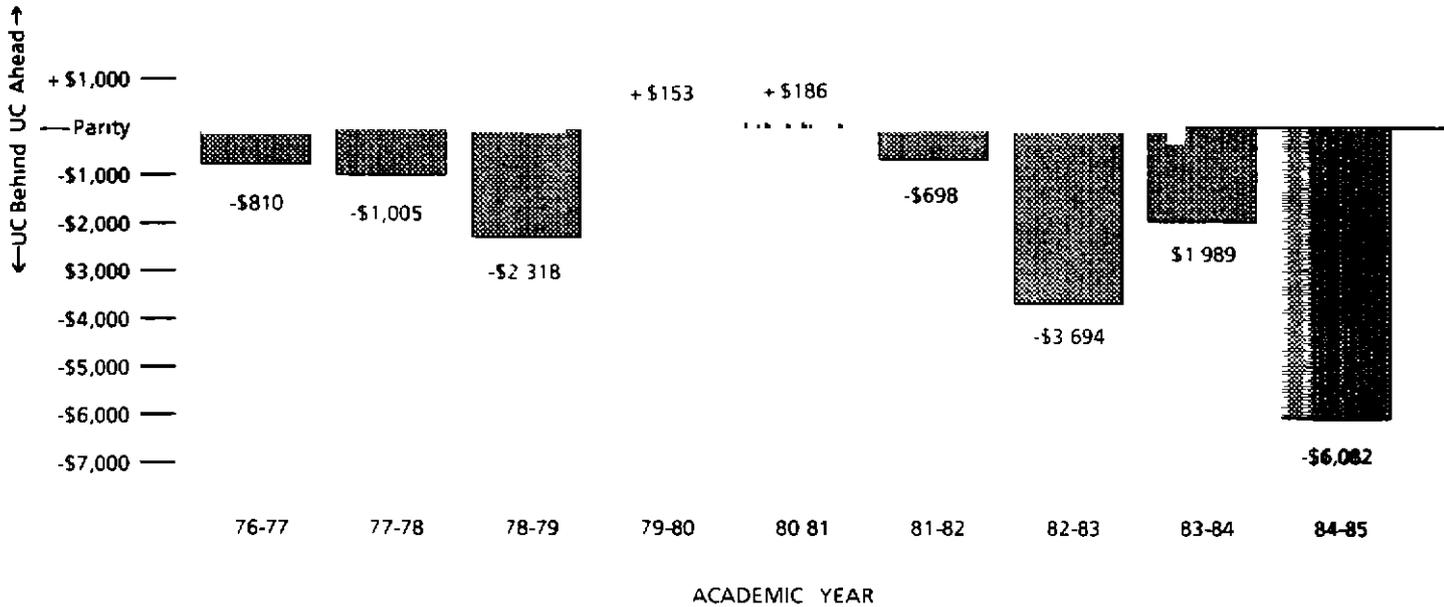
<b>Professors</b>	<b>33</b>
<b>Associate Professors</b>	<b>34</b>
<b>Assistant Professors</b>	<b>35</b>
<b>Instructors</b>	<b>36</b>

**FIGURE 5** Average Nine-Month Salaries for Professors at the University of California and Its Eight Comparison Institutions, 1976-77 through Projected 1984-85



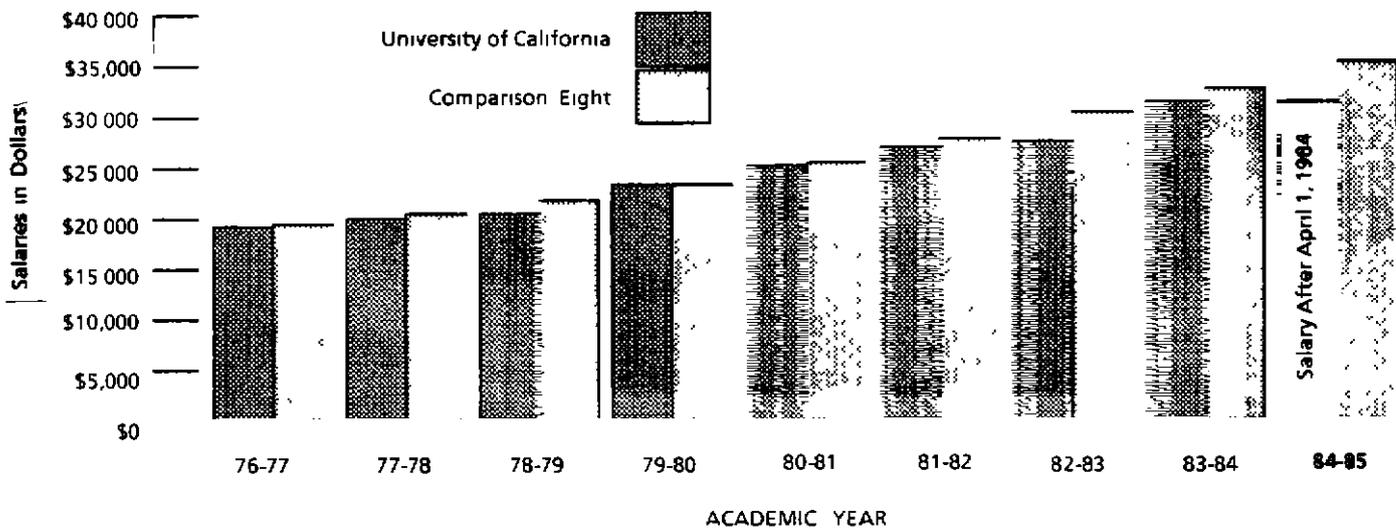
Source: California Postsecondary Education Commission staff analysis.

**FIGURE 6** Difference in Average Nine-Month Salaries for Professors Between the University of California and Its Comparison Institutions, 1976-77 through Projected 1984-85



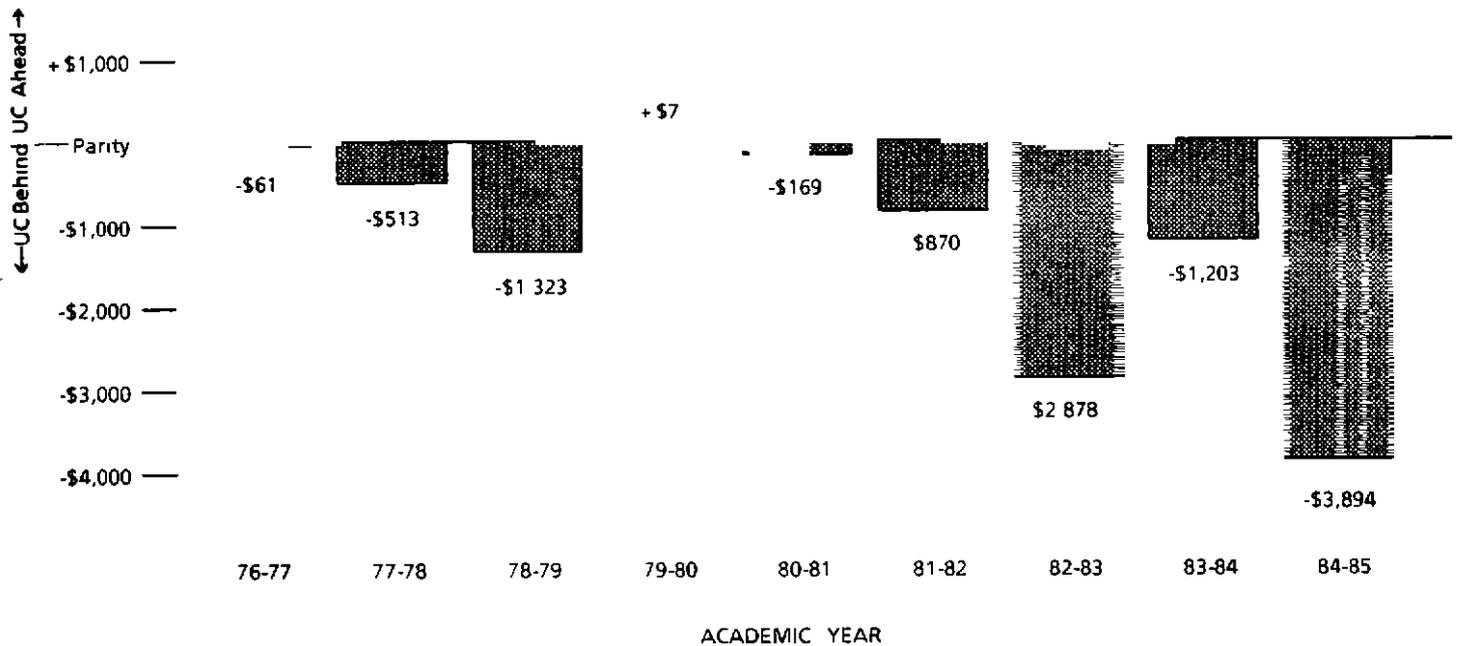
Source: California Postsecondary Education Commission staff analysis.

**FIGURE 7 Average Nine-Month Salaries for Associate Professors at the University of California and Its Eight Comparison Institutions, 1976-77 through Projected 1984-85**



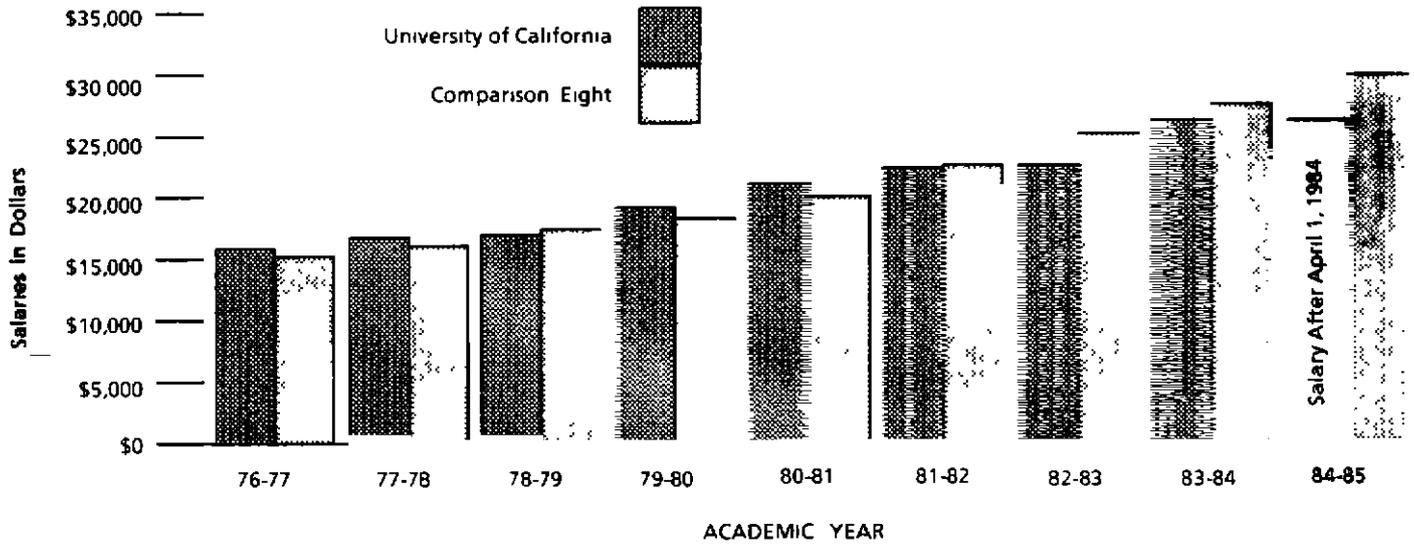
Source California Postsecondary Education Commission staff analysis.

**FIGURE 8 Difference in Average Nine-Month Salaries for Associate Professors Between the University of California and Its Comparison Institutions, 1976-77 through Projected 1984-85**



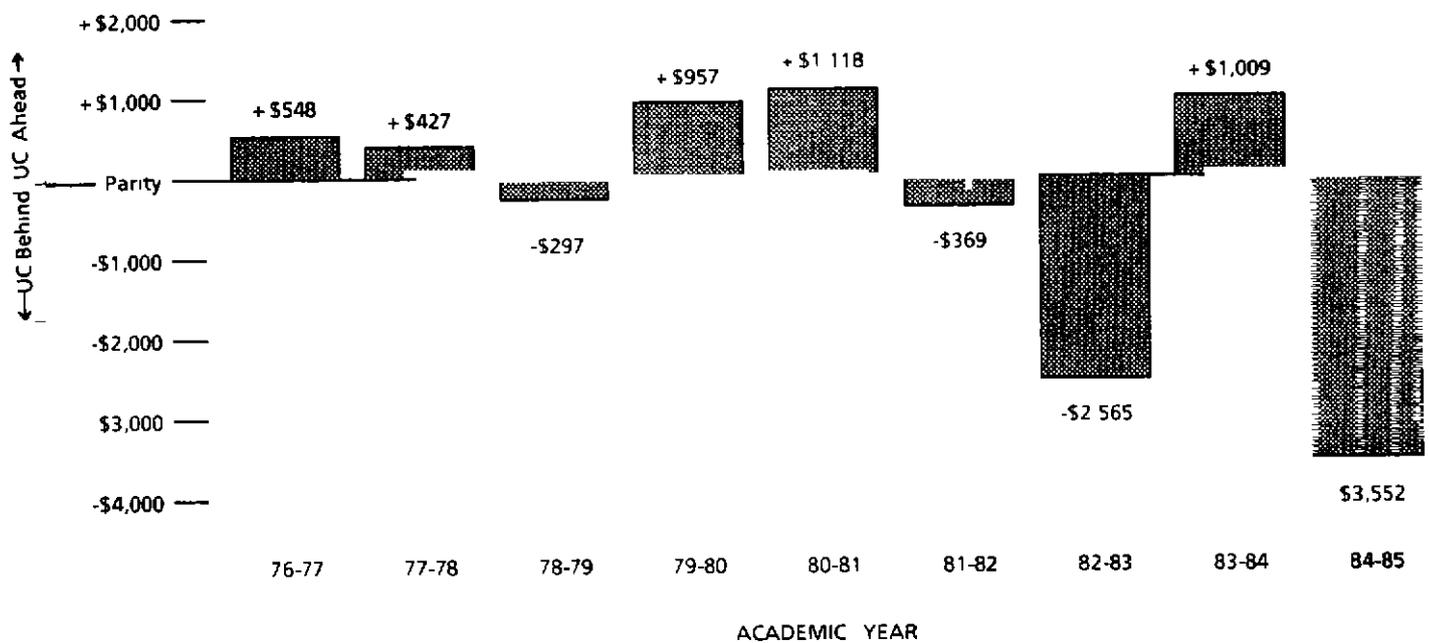
Source California Postsecondary Education Commission staff analysis.

**FIGURE 9** Average Nine-Month Salaries for Assistant Professors at the University of California and Its Eight Comparison Institutions, 1976-77 through Projected 1984-85



Source: California Postsecondary Education Commission staff analysis

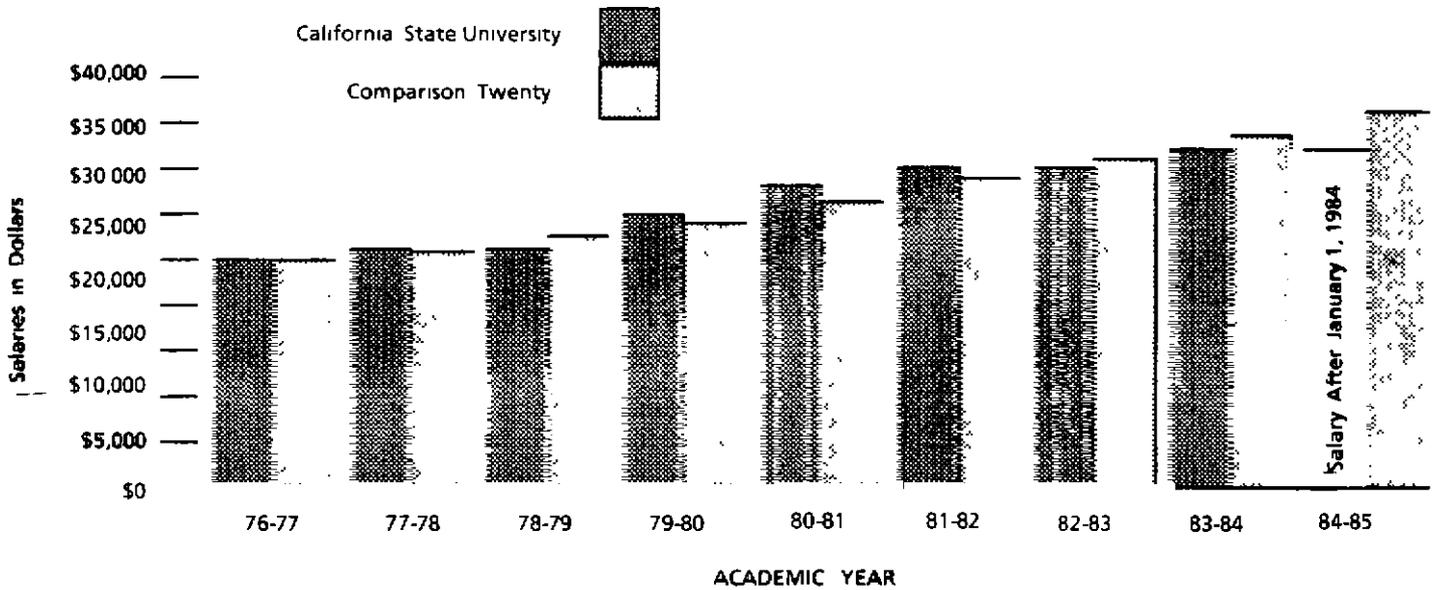
**FIGURE 10** Difference in Average Nine-Month Salaries for Assistant Professors Between the University of California and Its Comparison Institutions, 1976-77 through Projected 1984-85



Source: California Postsecondary Education Commission staff analysis.

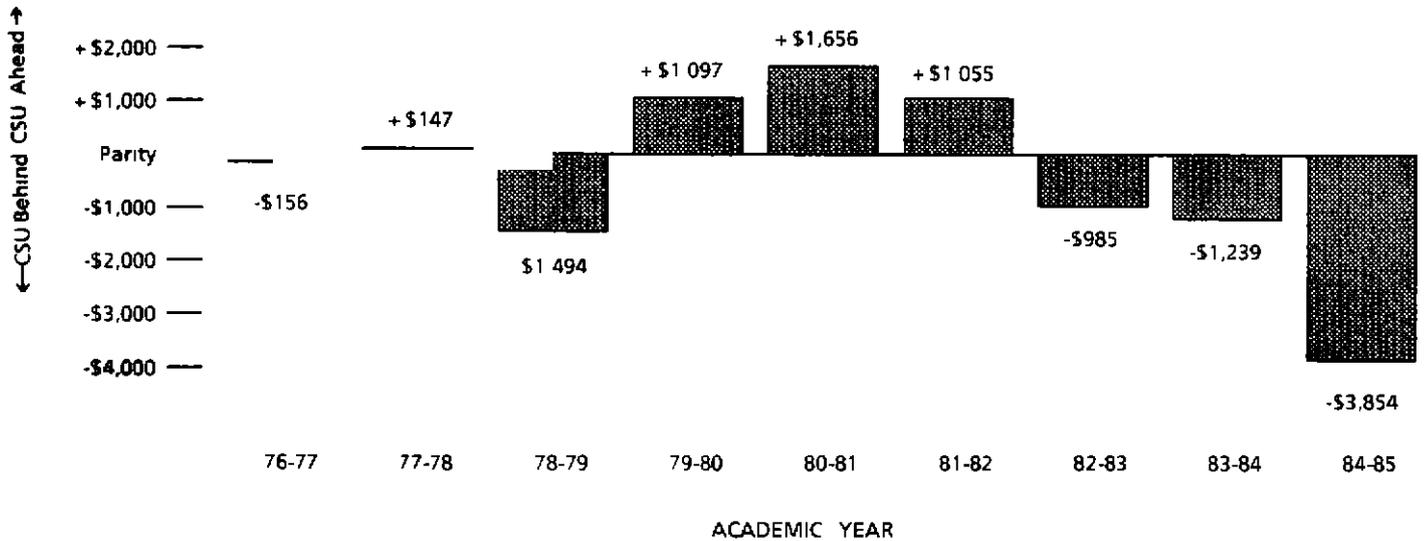
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**FIGURE 11** Average Nine-Month Salaries for Professors at the California State University and Its Twenty Comparison Institutions, 1976-77 through Projected 1984-85



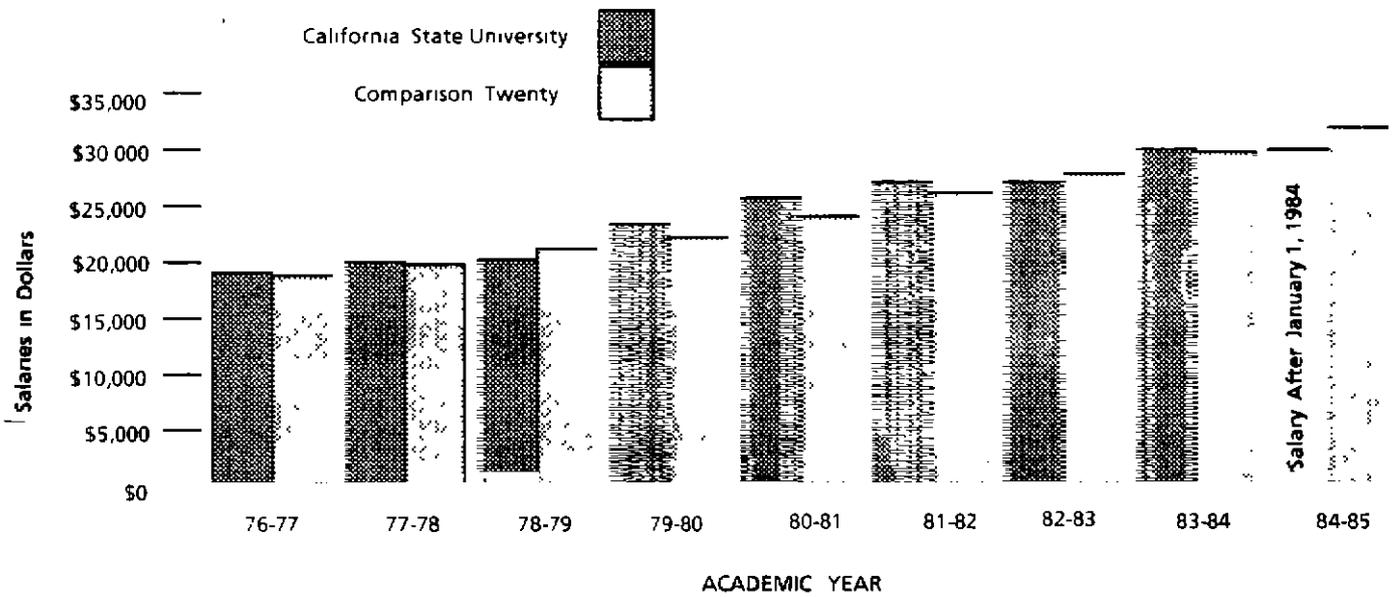
Source: California Postsecondary Education Commission staff analysis.

**FIGURE 12** Difference in Average Nine-Month Salaries for Professors Between the California State University and Its Comparison Institutions, 1976-77 through Projected 1984-85



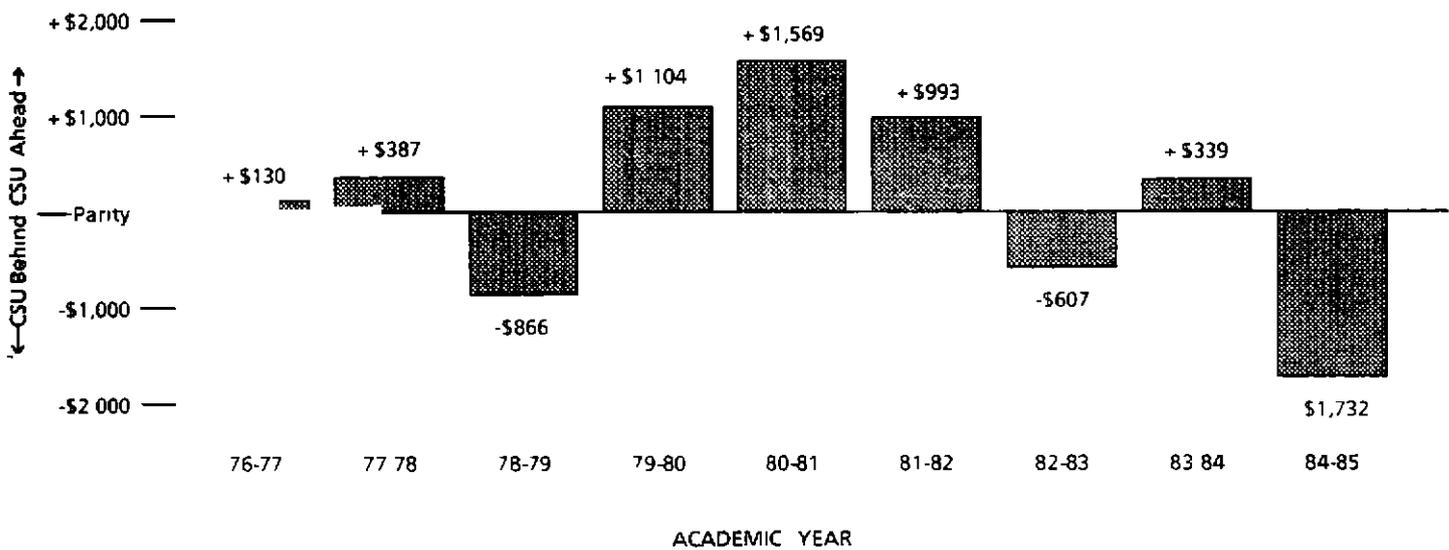
Source: California Postsecondary Education Commission staff analysis

*Figure 13 Average Nine-Month Salaries for Associate Professors at the California State University and Its Twenty Comparison Institutions, 1976-77 through Projected 1984-85*



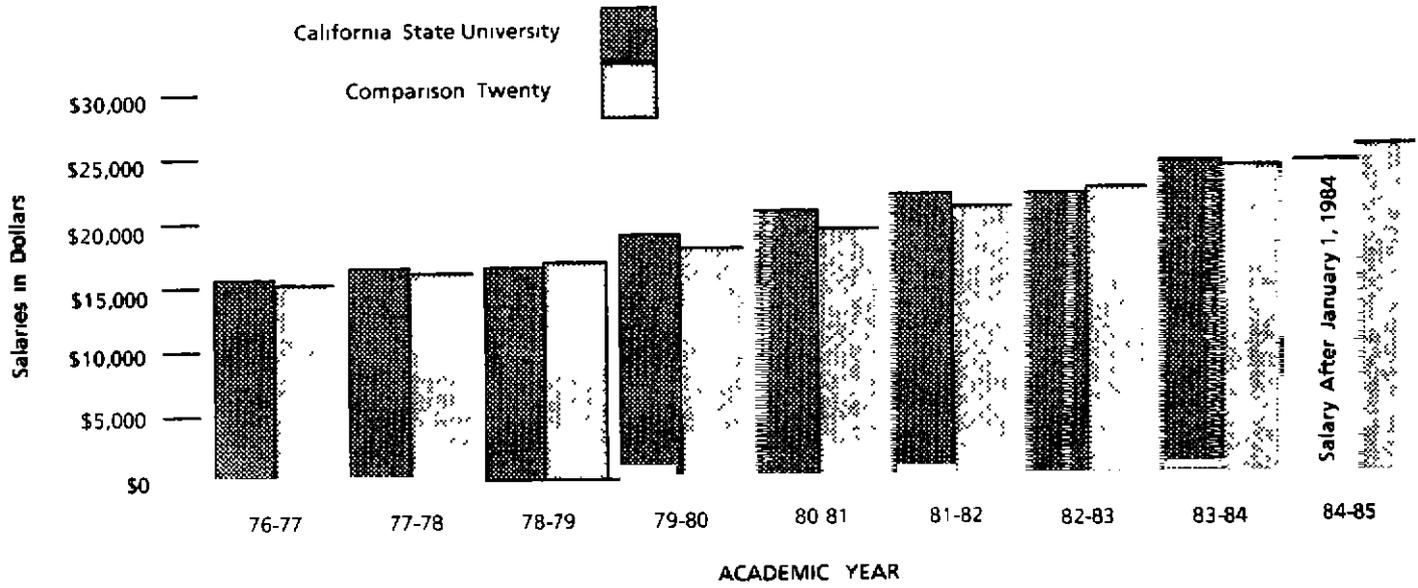
Source: California Postsecondary Education Commission staff analysis.

*FIGURE 14 Difference in Average Nine-Month Salaries for Associate Professors Between the California State University and Its Comparison Institutions, 1976-77 through Projected 1984-85*



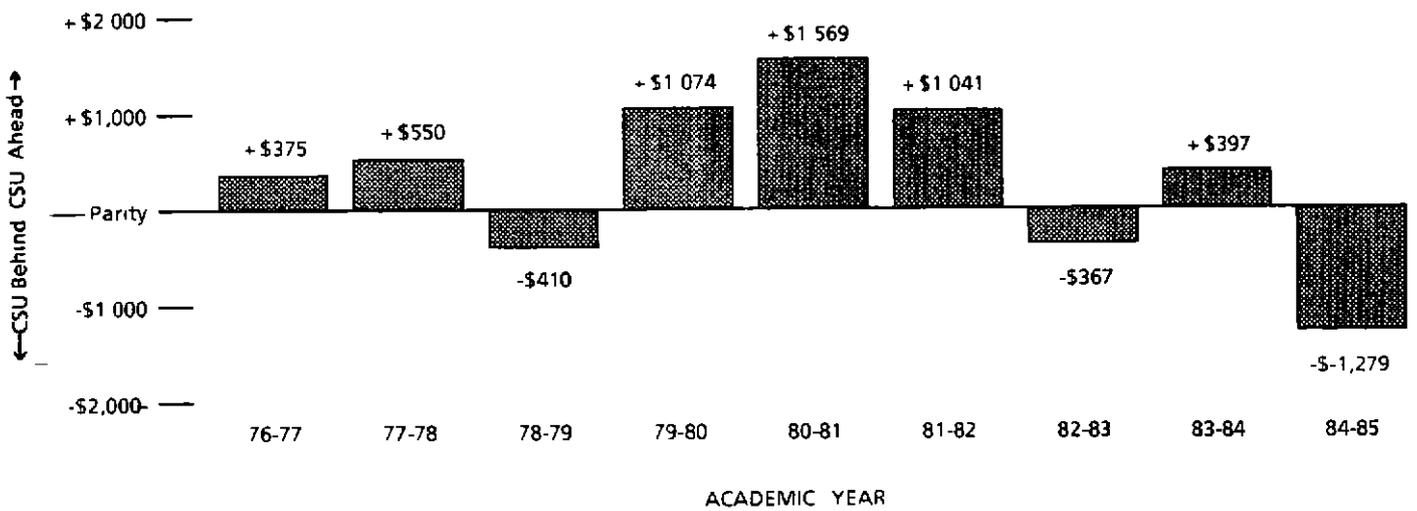
Source: California Postsecondary Education Commission staff analysis.

**FIGURE 15** Average Nine-Month Salaries for Assistant Professors at the California State University and Its Twenty Comparison Institutions, 1976-77 through Projected 1984-85



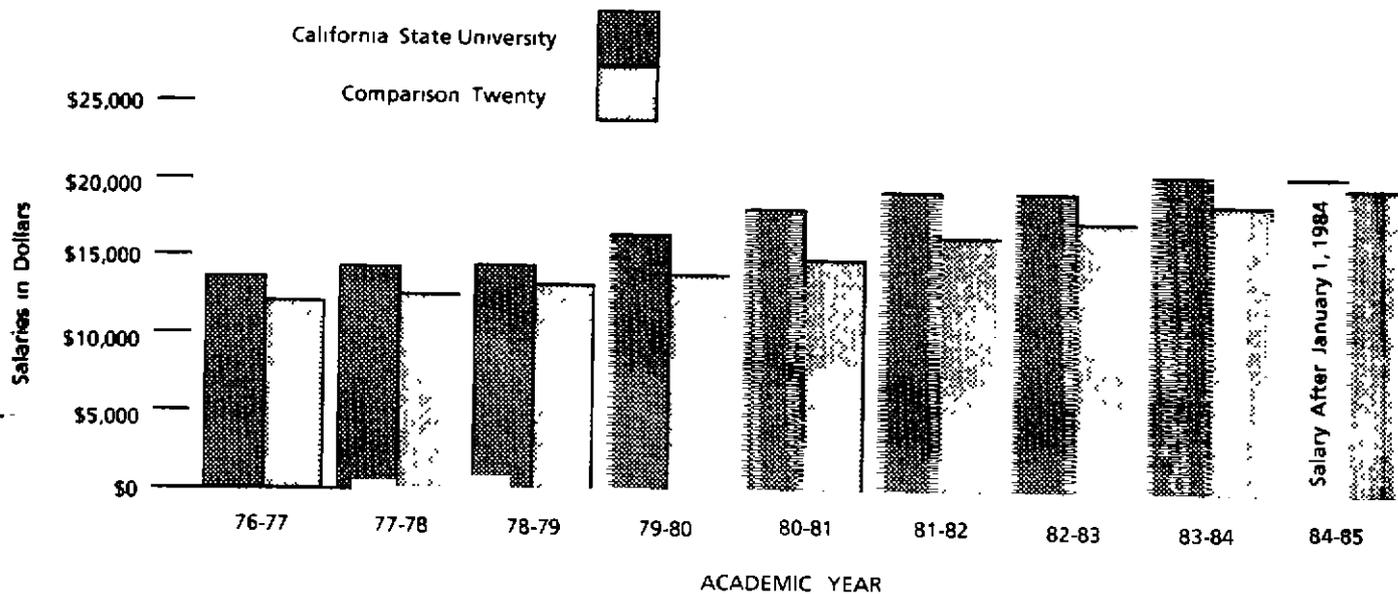
Source California Postsecondary Education Commission staff analysis.

**FIGURE 16** Difference in Average Nine-Month Salaries for Assistant Professors Between the California State University and Its Comparison Institutions, 1976-77 through Projected 1984-85



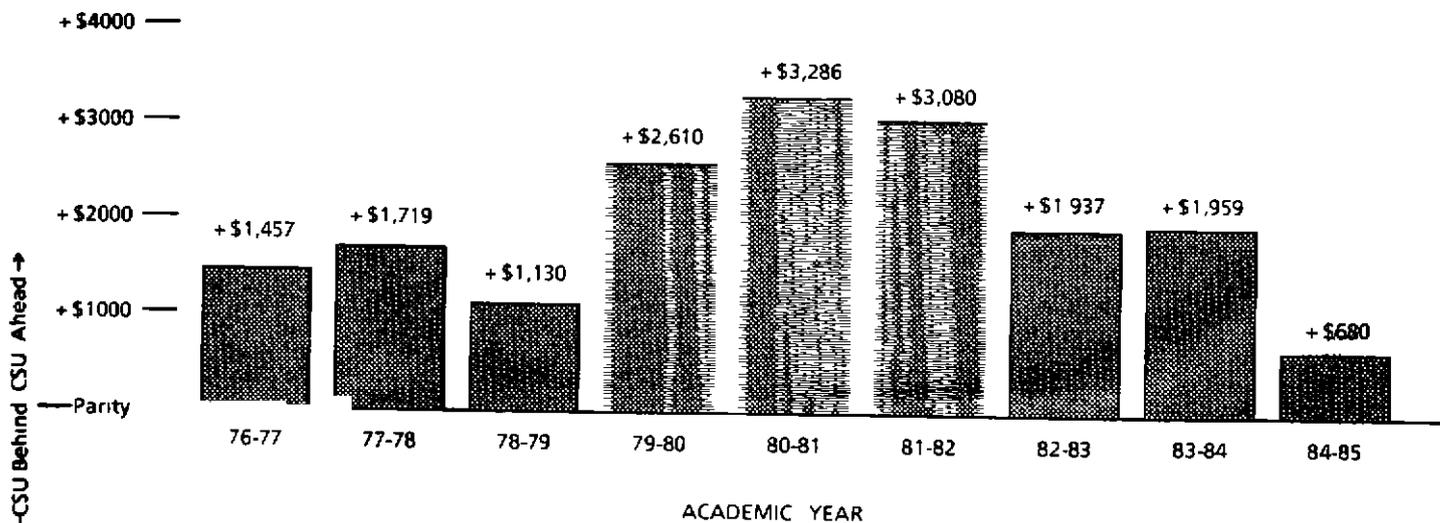
Source California Postsecondary Education Commission staff analysis.

**FIGURE 17** Average Nine-Month Salaries for Instructors at the California State University and Its Twenty Comparison Institutions, 1976-77 through Projected 1984-85



Source: California Postsecondary Education Commission staff analysis

**FIGURE 18** Difference in Average Nine-Month Salaries for Instructors Between the California State University and Its Comparison Institutions, 1976-77 through Projected 1984-85



Source: California Postsecondary Education Commission staff analysis

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