

12-3-02
FS mtg

Date: October 11, 2002
To: Chancellor [_____]
From: Gretchen M. Bataille
Senior Vice President for Academic Affairs
RE: 2002-2003 EPA Salary Resolution
Xc: Chief Academic Officers; Chief Financial Officers

On behalf of President Molly Corbett Broad, I am forwarding instructions to guide the allocation of salaries for 2002-2003. Please feel free to call or email me at bataille@northcarolina.edu if you have questions about the attached "*Resolution on Salary Increases 2002-2003.*"

This memo and the accompanying documents have been prepared to provide specific information on salary ranges for administrative officers as well as guidance for the campus decisions that must be made regarding the distribution of faculty and other EPA salary funds. This year the legislature has not provided funds for salary increases for faculty or non-faculty EPA. Funds accruing from vacant lines may be used for faculty or non-faculty EPA salary enhancement. Some campuses have salary funds available from campus-initiated tuition increases that were approved by the Board of Governors. Those campuses that have additional funds available for salaries through campus-initiated tuition increases must distribute funds based on plans submitted and approved by the President and Board of Governors. The plan for your campus is attached as *Attachment (I)*. For many campuses, there are funds for faculty salary increases but little available for non-faculty EPA.

This document provides advice as campuses determine the best use of limited resources to retain faculty and administrators.

Administrative salary ranges for 2002-2003 were approved by the Board of Governors on July 12, 2002. Each chancellor has been provided with information on the relative relationship of administrative salaries to peer CUPA data. Campuses will forward information to the Board of Governors consistent with existing policy.

Campuses must submit the following information according to the *Salary Planning and Approval Calendar 2002-2003* (see page 6) to guide this year's salary allocation process:

1. Salaries need to be submitted for approval for those administrators for whom salary ranges have been established as well as other senior administrators listed under Section I.B. of the attached "*Resolution on Salary Increases 2002-2003.*"
2. Faculty and non-faculty EPA salaries will be submitted on BD 119 forms.

For those campuses that have been granted management flexibility to appoint and fix compensation, only the following information will need to be submitted:

1. Salaries that are recommended to be increased 15% or more or exceed the established salary range with accompanying justification.
2. Updates to salary ranges established by the Board of Trustees that have occurred since management flexibility was granted if such information was submitted already.

A PERSPECTIVE ON FACULTY SALARY ADJUSTMENT

Some faculty have expressed concern about the restrictions on the use of funds for market and equity. It is critical to note that the General Assembly provided no funds for any salary increases for UNC employees. For this reason, the distribution of limited funds must be guided by the principles we have repeatedly articulated regarding the need to retain key faculty through competitive salaries. Such faculty are, by definition, meritorious or we would not be considering them for market or equity adjustments.

Many of the campuses have been utilizing peer data to determine salary levels adjusted for rank and discipline. If your campus has not done so, I urge you to begin the process. This process provides a way to make external comparisons. **The peers used in the 1999 University Faculty Salary Study will be considered your institutional peers unless or until system-wide changes are made in the lists.** Many disciplines have data available from professional associations that provide benchmarks for market salaries. Oklahoma State University provides assistance by conducting "special studies" by discipline and by peer institutions. In addition, the *Chronicle of Higher Education* provides comparative information on faculty salaries. The *Chronicle* information must be used judiciously given that these are averages that are not adjusted for disciplinary differences. The information can be helpful in comparing average salaries by rank with peer institutions, however. Although this year's state funds do not provide the opportunity for meaningful salary adjustments, there may be opportunities for salary adjustments using campus-based tuition increases, grant funds, or endowment funds. In every case, distribution of salary funds must be based on a fair and equitable process. If grant funds are used to

enhance salaries, it is critical that any increase is consistent with the funding agency policies.

The state funds available this year will not bring us closer to our goal of the 80th percentile of our peers; however, that goal remains among the highest priorities of the Office of the President and the Board of Governors. The most recent analysis (June 2001) from SREB shows salaries at UNC campuses remain below the U.S. average for public four-year colleges and universities.

Principles for Salary Adjustments

1. The legislature has provided no funds for salary adjustments this year. Salary increment funds available from vacant lines, campus-based tuition income, or non-state funds should be distributed based on market and equity. Equity increases might be interpreted as "internal" measures—that is, equity increases are recommended based on relative salaries in rank at your institution. Inequities can arise for a variety of reasons, and it is imperative to take a comprehensive look each year to determine the outliers at the low end of the salary scale. If the low salary is justified because of poor performance, measures must be considered to provide professional development opportunities. No salary increases may be given to low-performing employees.
2. For those campuses with funds available as a result of tuition increases, the campuses must have a plan that allocates these funds in an equitable manner that is responsive to the intent of the Board of Governors to assist us in retaining our best faculty and to bring classes of faculty within the four ranks to market levels. These funds must be included with other available funds and distributed at the same time. The following guidelines apply to the distribution of those funds.
 - a. External market forces result in different minimum salaries needed to attract and retain faculty in different disciplines, but a rational "internal market" can reward faculty for both the research and creative activities valued by the external market and for valuable institutional contributions that may not be valued externally. Among these institutional contributions are those critical to the teaching mission (both undergraduate and graduate) and the service mission of the University. The differential weight put on these activities will vary, as do the missions of the UNC institutions.
 - b. Criteria for the distribution of salary funds must be clearly understood by the faculty. While the authority and responsibility for distribution of funds may vary from campus to campus, such decisions should be based on discussions of the criteria and the process by the faculty in the departments with the final criteria recommended by the chair and the



dean. It is recommended that faculty be engaged in the discussions of the process and in establishing the criteria for merit within the unit. The final administrator approving salary adjustments will be the final arbiter of the criteria.

- c. Plans for overall salary adjustments must address a broad range of problems: salaries below external market value; salaries below internal market value; inequities resulting from the lack of reward for meritorious performance for several years; salary compression and inversion; and inequities that may exist for individuals or entire groups.
 - d. Satisfactory performance is a necessary condition for any salary adjustments.
 - e. Plans for evaluating performance should accord appropriate weight to teaching and research and should include service to the institution and profession. Deans and chairs are accountable for assuring that faculty contributions in all areas are reflected in the process of evaluation.
 - f. CAOs/Chancellors may differentiate in the distribution of funds among colleges and departments based on documentable criteria, e.g. national peer comparisons.
3. Those campuses with funds available from grants or endowment funds may choose to make permanent or temporary adjustments that are consistent with the campus salary studies, endowment fund documents, and funding agency requirements.
- a. Faculty and administrative salaries may be increased permanently or temporarily with endowment funds if the use of such funds is consistent with the fund document or if the increase comes from non-restricted funds. Permanent increases to the base salary must be treated as all other salary increases for reporting purposes. If the funds will be temporary, the employee must receive, in writing, the terms of the salary increase.
 - b. Faculty salaries may be temporarily increased with grant funds for a portion of the annual salary; however, such use of funds must be consistent with the funding agency policy and the faculty member must receive, in writing, the terms of the salary increase.

Variables to Consider in Salary Adjustment

There are several variables that contribute to salary inequities that go beyond comparison with other institutions. These might be considered internal variables. It will be difficult to address all five of the problems simultaneously; however, it is important that we address salary issues comprehensively. To do so, we cannot set

aside pools of funds to address each problem, making the "balancing act" even more difficult.

- A. Salary Inversion. Over time and with the addition of new assistant professors at market salaries, it cannot be assumed that rank or length of service provide appropriate salary differentials. In recognition of rank and longevity, units need to consider how to restore the hierarchy of salary and rank (always with recognition of the contribution of merit to disparities that might exist).
- B. Salary Compression. Similar elements that contribute to salary inversion contribute to salary compression where the differences between salaries in ranks are minimal. Similar analysis is needed in this area. Consideration might be given to a campus policy that provides a set increase (\$2,000-\$4,000) for promotion to associate and full professors as a means of maintaining salary differentials among faculty ranks.
- C. Salary Depression. Statistics demonstrate that overall UNC salaries are lower than the 80th percentile of each set of campus peers. Analysis must restore our competitiveness with the external market in recognition of the mobility of our best faculty. The other aspect of salary depression is that we must restore reasonable minimum salaries for all faculty in recognition of the need to provide a respectable salary for a full-time faculty position.
- D. Inequities. It is important to establish similar salaries for "similarly situated" individuals by correcting any salary "irrationalities" that exist as a result of decisions made over time.

Process

The attached "*Resolution on Salary Increases 2002-2003*" governs salary decisions for the current year. In addition, you will receive detailed instructions for preparing the form BD-119, as well as a schedule for submission of information. James Smith (jassmith@northcarolina.edu) is available to answer technical questions about the salary process.

GMB/la
Attachments

Salary Planning and Approval Calendar 2002-2003

- July 12, 2002 Board of Governors approved 2002-2003 Administrative Salary Ranges
- August 9, 2002 Board of Governors approves request for delegation of authority to the Personnel and Tenure Committee to act on salary issues between meetings
- September 20, 2002 General Assembly approves budget
- October 10, 2002 P&T Committee meets to approve salary policy and to receive salary recommendations for Chancellors and Office of the President staff from President Broad.
- October 11, 2002 Mail salary policy to campuses (via overnight courier)
- October 23, 2002 Campuses submit requests for increases of 15% or over, medical school exceptions, and senior academic and administrative officers to Senior VP for Academic Affairs
- November 7, 2002 Next scheduled P&T meeting
- November 13, 2002 BD 119 due back to Office of the President for campuses on Central Payroll
- November 20, 2002 BD 119 due back to Office of the President for all other campuses
- November 27, 2002 Monthly payroll