



# The University of North Carolina

OFFICE OF THE PRESIDENT

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Date: August 29, 2005

To: Chancellors

From: Gretchen M. Bataille 

Re: 2005-2006 EPA Faculty and Non-Faculty Salary Resolution

Copy: Chief Academic Officers; Chief Financial Officers

On behalf of President Molly Corbett Broad, I am forwarding instructions to guide the allocation of salaries for 2005-2006. Please feel free to call or email me at [bataille@northcarolina.edu](mailto:bataille@northcarolina.edu) if you have any questions about the attached "*Resolution on Faculty and Non-Faculty EPA Salary Increases 2005-2006.*"

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 funds. This year the legislature has provided a pool of \$850 or 2%, whichever is greater, for salary increases. Funds accruing from vacant lines, endowments, campus-initiated tuition increases, or grants also may be used for faculty or non-faculty EPA salary enhancement.

This document provides advice as campuses determine the best use of limited resources to retain faculty and administrators. We are limited by the Office of State Personnel as to what we can do to effect change in SPA salaries; however, this memo includes as *Appendix 1* information you may find helpful in considering ways to address SPA salaries

Pursuant to a delegation of authority granted by the Board of Governors on August 12, 2005, the Committee on Personnel and Tenure approved the administrative salary ranges for 2005-2006 on August 29, 2005. 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 without Management Flexibility to Appoint and Fix Compensation must submit the following information according to the Salary Planning and Approval Calendar 2005-2006 (see page 7) 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 by the Board of Governors, listed under

D:\My Documents\SALARY DOCS\2005 - 2006 SALARY PROCEDURES\SALARY RESOLUTION\Memo to chancellors.doc

Appalachian State University

East Carolina University

Elizabeth City State University

Fayetteville State University

North Carolina Agricultural and Technical State University

North Carolina Central University

North Carolina School of the Arts

North Carolina State University at Raleigh

University of North Carolina at Asheville

University of North Carolina at Chapel Hill

University of North Carolina at Charlotte

University of North Carolina at Greensboro

University of North Carolina at Pembroke

University of North Carolina at Wilmington

Western Carolina University

Winston-Salem State University

2. Section II.B. of the attached "*Resolution on Faculty and Non-Faculty EPA Salary Increases 2005-2006*" as well as other similarly-situated administrators. (*Attachment A* of the Salary Resolution.)
3. 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 be submitted:

1. Salaries that are recommended to be increased \$10,000 or more AND 15% or more or exceed the established salary range, along with accompanying justification.
2. Updates to salary ranges established by the Board of Trustees that have occurred since management flexibility was granted.
3. *Attachment A* of the "*Resolution on Faculty and Non-Faculty EPA Salary Increases 2005-2006*," listing salary increases approved by the Board of Trustees for Senior Academic and Administrative Officer, for information purposes only, by October 31, 2005.
4. Faculty and non-faculty EPA salaries will be submitted on BD 119 forms.
5. Report in response to Policy 600.3.4 "Granting of Management Flexibility To Appoint and Fix Compensation" (*Appendix 2.*) This report is due on or before October 1, 2005.

## A PERSPECTIVE ON FACULTY SALARY ADJUSTMENT

Each year that we must address salaries with minimal or no contributions from the state provides a challenge to us in responding to salary needs. 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. Merit, market, and equity must be the primary measures for decisions on individual salary increases.

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, as this process provides a way to make external comparisons. This information has been provided to Chancellors and Chief Academic Officers. **The peers used in the 1999 University Faculty Salary Study will be considered your institutional peers until system-wide changes are made in the lists based on the current peer study.** 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 have provided a pool of 2% for salary adjustments, there may be opportunities for salary adjustments using campus-initiated 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 source policies.

The state funds available this year do not address our goal of reaching the 80<sup>th</sup> 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 2004) 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 funds for permanent salary adjustments this year. In addition, salaries may be increased by using available campus funds. Salary increment funds available from state or non-state funds should be distributed based primarily on merit, 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 scales. 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. It is important to note that the Board of Governors has placed its highest priority on the use of campus-initiated tuition increases to improve academic quality. Campus-initiated tuition increases may be used for faculty salaries; however, such use must be consistent with the Board of Governors' directive.
2. Campuses must have a plan that allocates 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 three professional ranks to market levels. The following guidelines apply to the distribution of any salary funds:
  - (a) Salary funds distributed to EPA employees shall include \$850 as a minimum. The following exceptions may be made:

- i. New EPA employees hired for 2005-2006 are exempt from this provision;
- ii. EPA continuing employees who have had salary increases because of retention, equity, or new assignments for 2005-2006 are exempt from this provision; and
- iii. EPA employees who have fixed term contracts that have established 2005-2006 salaries are exempt from this provision.

(b) All salary increase funds above \$850 (or a pro-rata amount for permanent, part-time EPA employees) shall be used only to address merit, market and equity issues.

(c) 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.

(d) Criteria for the distribution of any 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.

(e) Plans for 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.

(f) Exceptional performance is a necessary condition for any salary adjustment based on merit during a time when funds are limited.

(g) 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.

(h) CAOs/Chancellors may differentiate in the distribution of available 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 include 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 impossible to address these issues comprehensively, but it is important that any discussion of salary include reference to those salary inequities that continue to grow within the UNC campuses.

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 80<sup>th</sup> 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 Faculty and Non-Faculty EPA Salary Increases 2005-2006*” 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](mailto:jassmith@northcarolina.edu)) is available to answer technical questions about the salary process.

GMB/la  
Attachments

## Salary Planning and Approval Calendar 2005-2006

- August 29, 2005      Committee on Personnel and Tenure approves 2005-06 Salary Resolution and administrative salary ranges
- August 29, 2005      Mail Salary Policy to campuses (via overnight courier)
- September 30, 2005    Campuses submit requests for increases of 15% or more, medical school exceptions, and senior academic and administrative officers to Senior Vice President for Academic Affairs (see Resolution on Faculty and Non-Faculty Salary Increases, Part III – 2)
- October 1, 2005      Annual Report in response to Policy 600.3.4 “*Granting of Management Flexibility to Appoint and Fix Compensation*”
- October 19, 2005     Final action by BOG on required approvals for salary increases
- October 21, 2005     BD 119 due to Office of the President for campuses both on Central Payroll and *without* management flexibility to appoint and fix compensation (ECSU, FSU, NCA&T, NCCU, NCSA)
- October 31, 2005     Information copy of BD 119 due to Office of the President for campuses with management flexibility to appoint and fix compensation (ASU, ECU, NCSU, UNC-A, UNC-CH, UNC-C, UNC-G, UNC-P, UNC-W, WCU, WSSU)
- October 31, 2005     Monthly payroll – salary increases included in October payroll

*Note: Calendar Revised on August 29, 2005*