

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

DISCUSSION ITEM

For Meeting of September 26, 2018

PLAN FOR NARROWING UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT NON-REPRESENTED STAFF SALARY RANGES

EXECUTIVE SUMMARY

In April 2017, the California State Auditor (CSA) made several recommendations to the University of California Office of the President (UCOP) regarding staff pay. One specific action the CSA set for April 2019 was that UCOP “narrow its salary ranges.” The Regents requested that UCOP develop a plan for narrowing ranges by October 2018.

In August 2018, the Regents Working Group on UC Office of the President Salary Ranges convened to review and ultimately endorse the proposed approach. While the President and Chief Operating Officer of the University have the authority to narrow UCOP’s salary ranges, UCOP is seeking concurrence from the Governance and Compensation Committee as well. The proposed methodology includes the following:

- As a prerequisite to narrowing the ranges, adopt the methodology for weighting public and private sector data for non-represented Career Tracks positions
- Narrow the UCOP Career Tracks salary structure’s salary grade range width percentages to 60 percent at the lowest grade to 105 percent at the highest grade (compared to 103 percent and 177 percent today, respectively)
- After holding flat for two years, adjust the UCOP Career Tracks salary structure to align with the current labor market

The net result of applying the above methodology continues to show the majority of employees clustering around the midpoints of their respective ranges. This and other implications of narrowing the ranges will be studied in the coming months. UCOP will return to the Regents in March 2019 with an update prior to the April 2019 CSA deadline for narrowing the salary ranges.

BACKGROUND

Career Tracks provides the framework for addressing human capital and assists the University in managing human resources effectively. This job classification framework aligns non-represented

staff jobs to their respective labor market by occupation and career level/scope of responsibility. Career Tracks utilizes the common practice of grouping similar jobs into salary grades on a salary structure based on their median market values. These structures are developed using data from third-party salary surveys and adjusting for the local cost of labor.¹

Career Tracks simplifies various business processes including classification, recruitment, and the ability to quickly compare staff salaries relative to the labor market in which the University competes for talent (external equity). The program also supports career progression and provides managers with tools to motivate and retain staff in the University's "Pay for Performance" culture. This ensures consistency and internal equity, and creates developmental opportunities for staff across the University.

Career Tracks allows the University to proactively identify and mitigate compliance risks related to extending job offers by providing needed market intelligence regarding salary data. It was first implemented at UC Berkeley in 2009 and at UCOP in 2013. Implementation continued across the rest of the University's campuses and medical centers through July 2018. Currently, two locations, both with a campus and a medical center, are working towards completing Career Tracks after their implementation of UCPATH.

Senior Management Group (SMG) positions, which account for approximately 200 administrative leadership positions across the University, are managed outside of Career Tracks using a salary-setting approach called Market Reference Zones (MRZs). Last year, in response to the State audit, the Regents approved revised MRZs for certain SMG positions. The revised MRZ methodology changed the weighting of public and private sector salary data, redefining the University's approach to competitive compensation and the competitive labor market by incorporating data from the State of California and California State University.

To be consistent, UCOP applied this revised MRZ weighting methodology to Career Tracks jobs. As a prerequisite to developing the plan to narrow Career Tracks salary ranges, the University worked with Sullivan, Cotter and Associates (Sullivan Cotter), the same independent firm used for the MRZ project, to confirm that the University's approach to collecting base salary data is consistent with the MRZ methodology.

Sullivan Cotter also provided guidance on compensation-related practices in the higher education marketplace. They reviewed existing salary structures of the University's comparator universities (a group of 32 public and 26 private California Postsecondary Education Commission and Association of American Universities institutions). With this data, the University confirmed that the UCOP Career Tracks salary structure design and number of salary grades is consistent with the comparator group.

However, Sullivan Cotter determined that UCOP's salary range widths (i.e., the difference between the minimum and maximum pay of a salary grade, expressed as a percentage of the

¹ UC applies geographic differentials to its Career Tracks salary structures based on data from Economic Research Institute (ERI).

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minimum) of the salary grades are wider than those of other higher education institutions with a similar number of grades. Sullivan Cotter recommended that UCOP revise the salary range widths to reflect the market practice of higher education comparators (see Attachment 1, Page 15 for a comparison of UCOP’s current salary structure against the salary structures of comparator institutions). Under this approach, UCOP Career Tracks salary structures would narrow, starting with a set range width of 60 percent at the lowest grade and increase incrementally by three percent for each grade up to a set range width of 105 percent at the highest grade.

Sullivan Cotter also recommended that UCOP consider overall market movement, as it has not adjusted the Career Tracks salary structure in two years while working on the CSA recommendations. Based on currently available market data, Sullivan Cotter found that market rates for the UCOP Career Tracks jobs in the Oakland area have increased by 5.5 percent for UCOP ranges and 5.2 percent for Office of the General Counsel (OGC) ranges since last updated in 2016.²

Since implementing Career Tracks in 2013, UC has once narrowed salary ranges and once held ranges to prior-year levels based on market assessments and internal analyses as part of the University’s normal compensation review process. UC’s intention across the University was to review the salary range widths, recognizing that narrowing salary range widths does come with potential implications beyond employees falling above or below their new salary ranges. Narrowed ranges may also result in possible pay compression, as well as equity and development challenges. These considerations will need to be examined as part of a continued review by UCOP to meet the next CSA recommendation, which is to “set targets for any needed reductions to salary amounts using the results from its public and private sector comparison and adjust its salaries accordingly.” This recommendation is currently proposed for review at the March 2019 Regents meeting.

Career Tracks is a Universitywide program, so narrowing UCOP salary ranges may have a ripple effect on campus locations. The impact of these changes on other University locations is not yet known, but could be substantial, as UCOP comprises less than one percent of the total Universitywide employee base. It is expected that other locations will experience implications similar to those described above.

In August 2018, UCOP and Sullivan Cotter met with the Regents Working Group on UCOP Salary Ranges to present the above analyses and recommendations. The Working Group membership consists of:

Regent Tauscher, Chair	Regent Makarechian
Regent Elliott	Regent Pérez
Regent Graves	Regent Sherman
Regent Lansing	President Napolitano

² This assessment is based on currently available market data through July 2018; new survey data will be available at the end of 2018/beginning of 2019 and would need to be factored into the recommendations for narrowing UCOP’s salary ranges by April 2019.

Chair Kieffer also attended this meeting.

At the meeting, the following topics were presented and discussed:

- Application of the methodology used to revise the MRZs to UCOP non-represented staff salary structures
- Survey methodology for benchmarking and weighting public and private sector data for UCOP non-represented staff jobs
- Market findings on salary range widths
- Analysis of UCOP Career Tracks salary ranges relative to approved survey methodology and current market data
- Options for narrowing UCOP Career Tracks salary ranges
- Potential implications of narrowing UCOP Career Tracks salary ranges

The working group endorsed the recommendations from Sullivan Cotter. While the President and Chief Operating Officer of the University have the authority to narrow UCOP's salary ranges, UCOP is seeking concurrence from the Governance and Compensation Committee.

Key to Acronyms

CSA	California State Auditor
MRZs	Market Reference Zones
OGC	Office of the General Counsel
SMG	Senior Management Group
UCOP	University of California Office of the President

[Attachment 1: UCOP Non-Represented Staff Salary Range Review](#)