





MEMORANDUM OF AGREEMENT FOR 2019

Between

**UNIVERSITY OF CAPE TOWN
(UCT)**

And

**UNIVERSITY OF CAPE TOWN ACADEMICS' UNION
(AU)**

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1. Period of agreement

This agreement will operate, unless otherwise stated, for the period 1 January 2019 to 31 December 2019.

2. Scope of agreement

The agreement will apply to the bargaining unit as agreed in 2009.

3. Increases in the Cost of Employment

The Standard Academic Salary Package (SASP) for Academic staff is based on the total Cost of Employment.

According to Stats SA the Western Cape CPI in June 2018 was 5.4%. The overall academic salary increase for 2019 will thus be 6.4% as per the Pay Policy Agreement.

The increases for 2019 will be structured in the following way:

Rank	UCT 2018 SASP	Increase	UCT 2019 SASP
Lecturer	639 848	6.8%	683 358
Differential	23%		22.2%
Senior Lecturer	786 717	6.1%	834 707
Differential	19.3%		20%
Associate Professor	938 204	6.8%	1 002 002
Differential	24.5%		23.5%
Professor	1 167 756	6.0%	1 237 822

Appendix 1 (attached) sets out the Pay Policy Agreement for Academic staff for 2019 – 2021.

It is agreed that the non-salary demands for 2019 will be negotiated separately.

Signed at **RONDEBOSCH** this^{12th} day of*December*..... 2018.

UNIVERSITY OF CAPE TOWN

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UCT ACADEMICS' UNION

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Pay Policy Agreement for Academic Staff

(2019 to 2021)

1. Introduction

The previous pay policy (2011-2017) sought to set levels of remuneration at amounts which would enable the University of Cape Town (UCT) to attract, retain and motivate staff, recognising the pre-eminent position it holds as a leading research intensive university, nationally and internationally. To this end the approach was to benchmark UCT academic salaries against the 75th percentile of a group of comparator universities; namely, those universities which share a similar research-led culture to that at UCT. These universities constitute UCT's major competitors for staff, and face similar challenges in terms of spending demands and opportunities to earn income. The agreed benchmark was chosen to balance the competing demands of simultaneously attracting and retaining staff on the one hand and ensuring that the salary component of the overall budget does not negatively impact UCT's ability to provide an operational environment (and budget) conducive of a leading university's needs to competitively support teaching and research.

Over the past number of years it has become evident that our comparator universities are themselves now striving to set their salaries at the 75th percentile with the result that the salary range across these universities has become very flat. The 75th percentile has thus come to have relatively little meaning in practice, and a new approach to determining UCT academic salaries over the next three-year time frame is proposed. Non-salary demands are not included here, but will be negotiated annually.

2. Context

In striving to ensure that UCT academic staff are remunerated towards the top of the national academic market, the pay policy that has guided UCT academic staff remuneration for the past 7 years, UCT SASP, has been set at the 75th percentile of a set of nine comparator universities¹. This strategy has worked with some success in that UCT salaries have remained close to this benchmark and thus ensured payment towards the upper end of the competitive market. Despite this success, the approach and the REMchannel² data set used have been problematic for a number of reasons:

- lack of clarity on whether premiums have been included in the dataset or not, thus resulting in not necessarily comparing like with like;
- not all the comparator universities have been able to provide data on the total guaranteed package without premiums;
- the necessary data are available only in the year of negotiation and thus a retrospective correction was necessary;
- concerns with the actual quality of the REMchannel data;
- the current situation is that only four of the nine comparator universities are providing premium free data on their total guaranteed packages.

A recent concern is that the comparator universities are themselves now aiming for the 75th percentile for their own remuneration packages, and the slope of the dataset has thus flattened to the extent that

¹ Comparator universities: NMU, NWU, RU, SU, UFS, UJ, UKZN, UP, WITS.

² REMchannel® is an internet-based remuneration survey run by PwC.

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roughly 5% variation on the 75th percentile covers the range from the 50th to the 90th percentiles (Figure 1). It is argued here that a new approach needs to be adopted.

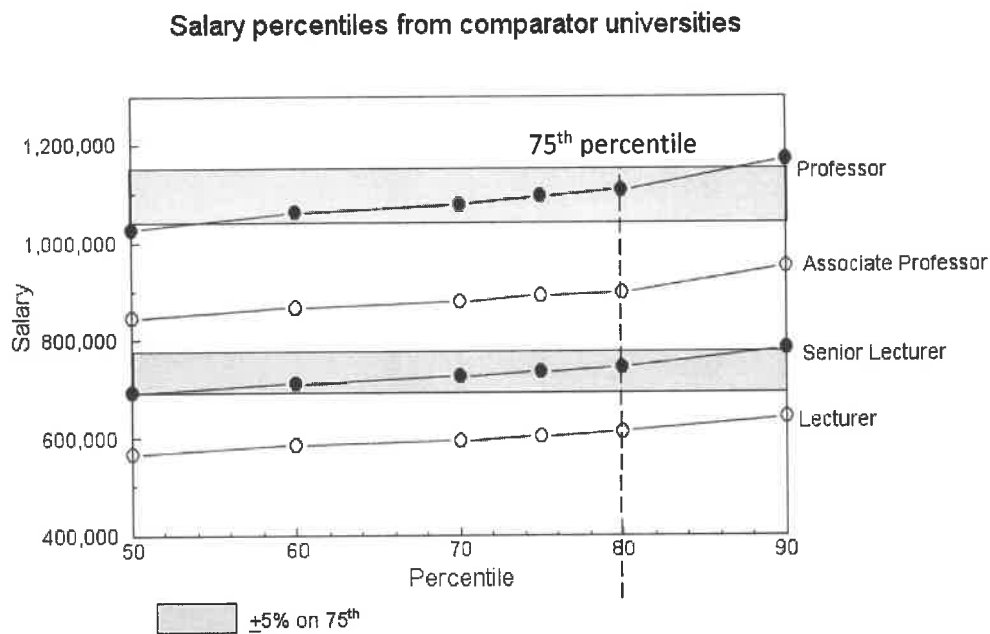


Figure 1: Salary percentiles from comparator universities over the range 50th to 90th percentile for 2017 (data from REMChannel). The yellow band shows a ±5% range on the 75th percentile for Senior lecturers and Professors by way of illustration.

3. Setting of annual salary adjustments

Although set to approach the 75th percentile of the comparator universities, the past four years (the only years for which REMChannel data are available without premiums or HoD allowances) have shown that UCT academic salaries increases have in fact very closely tracked CPI +1 (Figure 2).

Given this close alignment for the past four years, and the wish to break from using the 75th percentile as a hard benchmark, coupled with wanting UCT academics to be paid slightly above inflation to ensure a level of life-style improvement between promotions (there are a maximum of three promotions across the career of an academic; for many only two), it is agreed that for the next three years (2019 to 2021) UCT academic salaries for each rank will be set to reflect an increase on the previous year by an amount matching Western Cape CPI+1 (CPI as reported for June by Stats SA in the year preceding implementation). In committing to this forward projection, the assumption is that the next three years are likely to closely reflect the past four years in terms of SASP plus CPI+1 tracking the 75th percentile of the comparator universities, so maintaining UCT academic salaries towards the upper end of the competitor market.

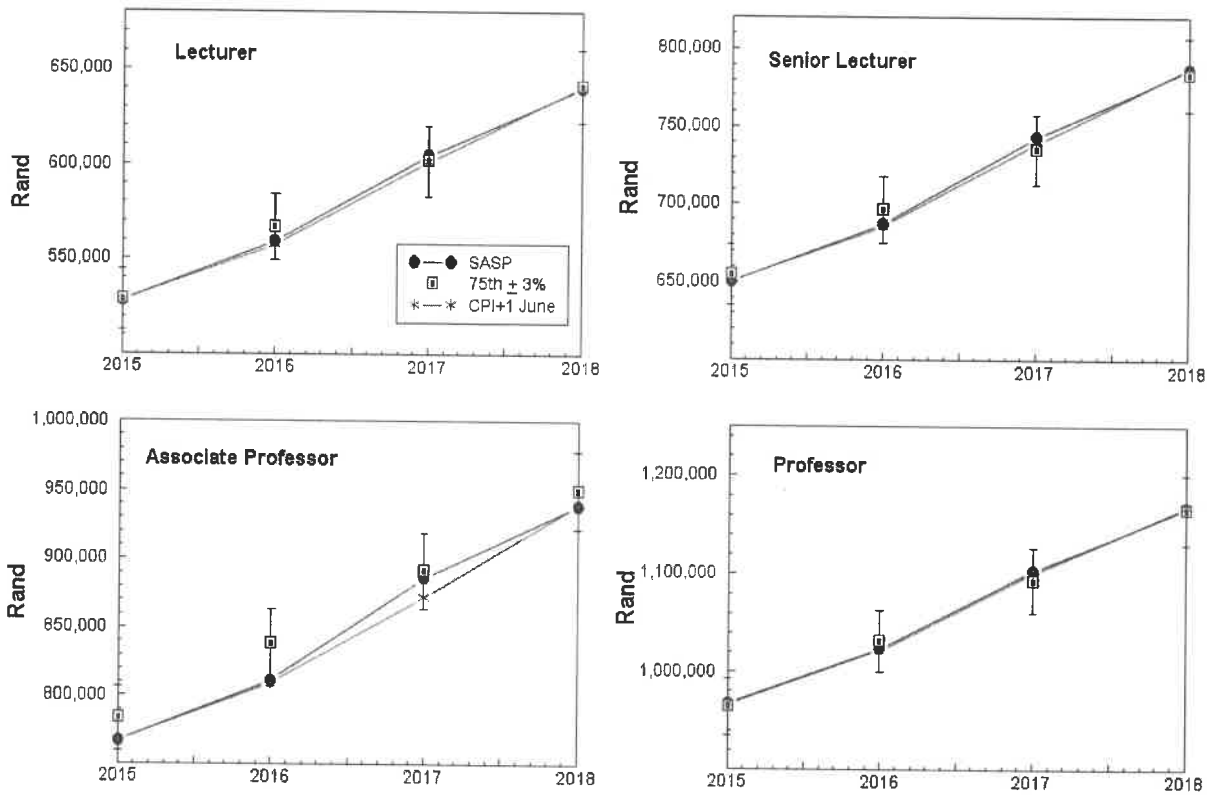


Figure 2: Variation of UCT SASP for the years 2015 through 2018 (black trend) in comparison to a trajectory of UCT SASP 2015 increased annually by CPI plus 1 percent (red trend). Partly filled squares show the 75th percentile value for each year with 3% tolerance bars.

4. Referencing the 75th percentile

Despite the 75th percentile no longer being used as the primary benchmark, 2018 UCT SASP falls very close to the 2018 75th percentile (excluding premiums and HOD allowances) for all ranks. It remains important that UCT remunerate academic staff towards the upper end of the comparator universities and therefore the 75th percentile ($\pm 3\%$) of the comparator universities' total guaranteed packages (excluding premiums and HoD allowances) will remain a secondary benchmark to which the UCT SASP values at each rank will be compared prior to negotiation of a new pay policy in 2021.

5. Differentials between academic ranks

In line with national and international practice, the 2011-2017 pay policy accommodated a set of differentials between academic ranks to provide incentives across the life-span of an academic career (there are only three promotion opportunities).

It is agreed that the differential between ranks of 18-22%, with 20% being the ideal, be maintained. However, either Management or the Academics Union may propose minor adjustments to the differentials between ranks if motivated for on strategic grounds, or where the differentials lie outside the preferred range. Any such changes must occur without impacting the total academic salary budget as determined by an increase of Western Cape CPI+1 applied to SASP for all ranks in the year of

negotiation. Any such changes will thus impact the actual value of “Western Cape CPI+1” applied to the affected ranks for that year.

Present differentials are:

	2018 SASP	Differential %
Lecturer	639,834	23
Senior Lecturer	786,701	19
Assoc. Professor	938,177	24
Professor	1,167,736	

It is clear that in two cases current differentials between ranks currently lie outside the ideal 20%±2%.

6. Additional Salary Payments

In addition to standard remuneration at SASP towards the top of the academic market, it is important that UCT recognises additional market forces prevalent in some disciplines, the need to act strategically on occasion to attract or retain high performing staff or for reasons of transformation, and to reward high performing staff between promotions. UCT Management in conjunction with the AU will review all current premium payments and policies by end 2019 (with a formal mid-year report on progress) to develop a policy agreed with the AU on:

- Scarcity payments (discipline and individual; internal or external funding)
- Strategic payments to individuals
- Additional Payments

Merit Awards and Excellence Awards will be considered separately by the recently constituted HR Task Team that is investigating remuneration of academic staff, and on which the AU is represented. The HR Task Team will report on their progress at the above mentioned formal mid-year meeting. Changes to the Merit and Excellence Award policies, together with revised policies on Scarcity, Strategic and Additional Payments will inform negotiations in 2021 on a future pay policy.

A meeting will be held no later than the last week of February 2019 between the Academic Union and UCT Management to establish a timeline and process to review the Scarcity, Strategic and Additional Payment policies by end 2019.

7. Negotiation Process

Given that this agreement is a three-year agreement, annual negotiation on salary increases is not strictly relevant or necessary. Nevertheless, it is important that there is an annual formal interaction between Management and the Academics’ Union so that all are aware of the University’s broader financial situation. The process to be followed annually is:

- Parties (i.e., Union and Management) agree on the June Western Cape CPI figure (drawn from Stats South Africa data for the year proceeding implementation).
- The current SASP value for each academic rank is then increased by the agreed Western Cape CPI+1.
- The total academic staff salary bill is then determined and agreed.

- Either party may raise the issue of differentials between ranks, recognising that any proposed changes must occur within the agreed total salary bill (previous bullet) for that year.
- If parties agree on the salary rise for each rank, taking into account any agreed changes to differentials between ranks, then the negotiation process for salary increases is complete.
- A dispute may occur should agreement fail to be reached on what an appropriate differential is between ranks.
- In the event of a dispute, resolution will be attempted via the agreed procedures as outlined in the Recognition Agreement with the AU.

8. Review of the Pay Policy Agreement


This Pay Policy Agreement will be in place for three years (2019 through 2021), at which time it will be re-negotiated (i.e. during the course of 2021) taking into consideration agreements with the AU with regard to scarcity payments, strategic payments to individuals, additional payments, merits awards and excellence awards. The Pay Policy Agreement will be reviewed at the request of either party at an earlier stage if a party believes that circumstances require a review. If no new agreement can be reached following such a review this agreement will continue to apply.

Signed at **RONDEBOSCH** this 12th day of December 2018.

UNIVERSITY OF CAPE TOWN

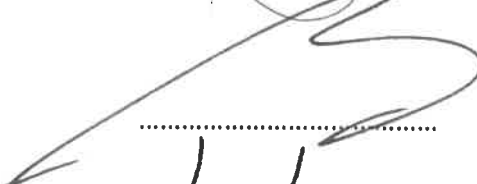
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