

QUFA Executive Update on Financial Situation at Queen's

In April 2009, the Queen's Board of Trustees and Administration fixated on QUFA's refusal to consider a pay cut equivalent to five days on behalf of its Members. Focusing on this ran the obvious risk of creating division among Queen's employees. It could also be read as an attempt to turn students, alumni and the Kingston community against faculty. Administration has only now said it will no longer pursue this suggestion.

The focus on pay cuts could also be seen as an attempt to divert attention away from the role of the Board and the Administration in the current financial situation, including an attempt to dodge their obligations under a collective agreement that was signed in good faith by both the University and QUFA in June 2008, just one year ago.

QUFA is taking this opportunity to review the situation and to consolidate and affirm certain points that we have communicated in statements sent to Members and posted on the QUFA website. We would also like to remind our Members why QUFA refuses to betray the powerful principles that a collective agreement represents.

The information that follows falls within the three categories: financial management and governance issues, altering Queen's education priorities, and ignoring the principles of a contractual agreement.

Financial Management and Governance Issues

The budget issues at Queen's need to be seen as resulting from a series of Board and Administration decisions made over the past several years, and not resulting solely from the current economic situation. Sadly there appears to be a lack of a balanced approach to decision making. Some examples:

- The Board has continued to pay not only the former Principal but also other high-ranking administrators who have left Queen's in the last couple of years. QUFA assumes that the Board will justify this as the honouring of contractual obligations. Why should all employees not be respected and have their contracts honoured?
- At least twenty years ago Queen's was told by outside experts that its administrative operating systems were badly out of date. By not fixing this earlier, Queen's Administration has burdened University employees for years with the cost of an outmoded, unwieldy and inaccurate system for producing information about finances and human resources. After another consultant's report about 6 years ago, the University finally initiated the Queen's University Administrative Systems Review (QUASR) in 2005. The implementation of this new system to upgrade software for financial, human resources and student services systems will cost \$33 million and will result in an annual charge of \$3 million for at least the next ten years. It is long overdue and integral to the proper running of the University. It is too bad that the Administration did not plan to do this earlier, during better economic times.

- The Board has stated that it will employ no deficit financing beyond the coming year, and passed the current Operating Budget at its May meeting with great reluctance because it included a small deficit of \$8 million (or a little over 2% of the total operating expenses). Governments and businesses the world over are agreed that this is the time to use short-term deficit financing in order to get over this cyclical hurdle, when the interest rate has not been lower in many decades. Clearly the Board did not conservatively and adequately plan for the vagaries of the market, where it is entirely predictable that upward and downward trends will occur at some point. The Board's responsibility is to plan for these eventualities.

At the same time, the Board and University Administration have embarked on capital projects that have added stress to University finances which have already been underfunded by Ontario provincial governments over three decades. The Principal says that for Queen's to maintain its high credit rating, it must bring its operating deficit under control. If this is the case, then why is the University starting to build before first securing full funding through the Capital Projects Budget? Shortfalls in interest or interest/principal that cannot be covered by the Capital Projects Budget are covered by the Operating Budget, but the Operating Budget is supposed to be for the day-to-day expenses of running a university, not for capital projects.

- The Queen's Centre is running significantly over budget. Although Phases II and III of the Queen's Centre have now been put on hold, the completion of Phase I will result in long-term debt, with the burden of servicing \$107 million of that debt falling on the Operating Budget. Just over a year ago the Administration said on more than one occasion that the Queen's Centre funding would not affect the Operating Budget. Principal Williams now says that annual budgeted amount for principal and interest charges for the Queen's Centre will be \$6 million starting in 2010-2011, coming out of the Operating Budget
- Other building projects have also affected the Operating Budget, including the reconstruction of University Avenue, the renovation of Richardson Hall, the Electrical Sub-station Co-generation Facility, Biosciences, and Chernoff Hall. By the 2010 budget year, the University projects that \$13.2 million will be required for Capital Projects Financing and Deferred Maintenance compared to \$5.9 million in 2008-09.
- The Principal has finally said that the University is willing to consider selling some of its properties to address financial shortfalls. Leveraging them in some other way could also be considered, creating short-term financial liquidity to relieve the immediate pressure and give time to plan how to address financial issues for the longer term.

What is most distressing is that there seems to be no long-term academic plan to guide decision making around financial recovery. Indeed, there is no evidence of a sound, long-term debt recovery plan even devoid of academic considerations, only short-term solutions with no guarantee that any money saved will support the academic mission of the University.

Altering Queen's Educational Priorities

Plans to get past this difficult financial period must not be simply predicated on the best way to save money, but rather on the best way to save money with the University's primary mission, academic excellence, as the guiding principle. Best practice in the private business sector rejects the former, lauding those who put their primary mission at the forefront of any plan aimed at increased efficiencies. Given this, QUFA has concerns about the following:

- To save an estimated \$5-\$6 million in the salary budget line, part of the Operating Budget, the Administration is planning for the elimination of 54 full-time teaching positions over the next three years through attrition. This will increase the student to faculty ratio.
- Faculties have been told each year for about a decade that they would have to make do with a little less next year because the amount of provincial government funding was not certain, but very likely less than needed, and so their projected budgets must take this into account. Last fall this projected cut-back varied from 15-20% over three years, but it has generally been in the range of 5% for year one. In January 2009 the Administration told QUFA Council and Executive that in the past some of this "saved" money was reallocated to other projects within the University. QUFA asserts that the threat of scarcity must be a real one and not a manufactured one that allows the Administration to impoverish some programmes by transferring monies from them to favoured programmes without adequate explanation or scrutiny.
- QUFA maintains that QUFA Members' salaries account for about 13.7% of total University expenditures and about one third of the total salary bill for the University in 2007-08. The Principal has posted a chart that shows academic salaries at 53%. We cannot explain the discrepancy, but we conjecture that he has included academic salaries that are not QUFA Members' salaries (for example, clinicians). This skews the discourse with QUFA as we can speak only to Member salaries within the Operating Budget. In any case, the percentages are normal for organizations in the university and similar research-related sectors. To lower them would be to place lower priority on the work that forms the core mission of Queen's University.
- To be perfectly clear about QUFA's numbers above, the Queen's University Annual Report 2008 shows:
 - \$779,261,000 - total of all University expenses
 - \$312,307,000 - total salary mass at Queen's
 - \$106,452,448 - total of QUFA Member salariesThis means that QUFA salaries make up about 34% of all salary expenses at Queen's and about 13.7% of all expenses at Queen's
- It is practically impossible to discern exactly how much is paid to administrators at Queen's. Tracking the Principal, Vice-Principals and Deans is not sufficient as there are an ever-increasing

number of administrative offices and administrative positions at various ranks, not just at the most senior. As well, it is unclear whether the academic salary of Deans, VPs, and AVPs are being attributed to the faculty salary line or the administrative salary line. To add to the obfuscation, some of these salaries are paid on a consulting basis, so will not show up in the administration salary line at all. The point being that the Administration is supposed to support the education mission of a University, not hinder it by being overly large, demanding, and costly. QUFA Members want to know how much salary is education linked and how much administration linked, and the imprecision of the Administration's figures in their public relations releases continue to confuse.

- Administration has used virtualization in teaching as an example of how we can “do things differently” in order to save money. QUFA maintains that the drive behind virtualization should be pedagogical rather than financial, especially if the aim is to keep intact the primacy of the teaching and learning environment. Moreover, creating and maintaining such courses is very time consuming and as a result can be very expensive rather than a cost saving.

The Principles of a Contractual Agreement

The principals and presidents of our universities and their organization - the Council of Ontario Universities (COU) are calling faculty salaries the ‘problem’. A number of faculty associations in Ontario are currently at the bargaining table. This tactic seems designed to deflect attention from the real issues about the primary causes of financial shortfalls at our universities – including over-expansion and satellite campuses, ambitious building projects, pension liabilities, and investment mismanagement.

Our salary increases for the Collective Agreement 2008-2011 are similar to other universities in Ontario and across Canada. Our scale increases of 3.2% each year match the pattern of multi-year settlements. The Administration said nothing about budget difficulties when we agreed on compensation and signed the contract last June.

In April 2009 the Administration proposed early retirement incentives for faculty – details to be negotiated with QUFA. We agreed to discuss this if a phased retirement plan was also part of any package of retirement incentives. Their insistence on a ‘mutual benefit’ provision – essentially they could say no to any individual who wanted to retire – was a problem, but we agreed to discuss. On May 6th the Retirement Working Group was told by the Administration that “any movement on retirement incentives was contingent on other salary mitigation solutions.” While not agreeing to tie retirement to salary mitigation, we decided to keep talking and met on May 13th and 20th in an attempt to craft a possible one-time incentive for this year and a phased retirement plan for the future. The Administration told us on June 4th that they are discussing retirement and compensation issues internally and can't move forward until that is done.

QUFA and the Administration also agreed last year to appoint a Joint Committee to review career development models including the merit system, junior increments and the senior abatements and to

recommend possible alternative models and merit systems to the JCAA. This Committee has met once, on May 20th, but no further meetings have been scheduled as yet by the University. Despite QUFA's interest in undertaking a complete joint review of the current salary model and merit system, it has proven impossible to do this within the time constraints of the bargaining table. Our model was devised in the early 1980's and does not reflect current realities. QUFA hopes this Joint Committee can make thoughtful progress on this complex issue. It may result in long-term savings for the University.

Finally and perhaps most important is the issue of the Collective Agreement. We unionized a dozen years ago because we had been under attack for years by an Administration that used many of the same tactics we are currently facing. Democracy, equity, and transparency in personnel decision-making seemed an impossible dream. Unionization changed much of that, although there is always more work to be done. The foundational instrument by which unionization works is the Collective Agreement. It is a commitment made by two parties on the basis of prolonged and thoughtful discussion and negotiation. It confers obligations that weigh equally on both parties. Discussions that are legitimate within the confines of the Collective Agreement must be undertaken with good will, energy, and creativity. They should not be suspended or avoided.

QUFA Executive Committee

June 26, 2009

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