

# UWOFA

## Bargaining Bulletin

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### Double Whammy: Lower Salaries + Pension Risk for UWO Faculty

On July 1, 2010 the collective agreement governing the salaries and benefits of over 1,500 full-time and part-time faculty at UWO will expire. What will the compensation provisions of the CA that replaces it look like? It is too early to say, but recent statements from our Administration should leave little doubt that it will try to constrain salaries severely.

#### *The Story So Far*

Our Administration is engaged in a vigorous campaign to cut budgets and control spending. According to a lead article in Western News of Jan. 7<sup>th</sup>, "As Western administrators stress the need to keep expenditure growth at a rate equal to revenue growth, the importance of spending restraint will be central in budgetary planning." This is part of a general pattern and is consistent with the positions our employer has taken at the bargaining table with other groups. In the fall, UWO Food Services staff had to settle for scale increases of just 1.5% per year over two years. And while UWOFA won some other benefits for its Librarians and Archivists in negotiations that also ended in the fall, their two year agreement features scale increases of 1.5% as well. It's a safe bet that the employer is aiming to bring the faculty bargaining unit to heel as well.

At the same time that employees at UWO are supposed to be happy getting agreements with 1.5% scale increases, those at other Ontario universities are doing a lot better than that. Faculty at Guelph, McMaster and Queen's – which our Administration has long agreed are relevant salary comparators for Western – will receive scale increases of 3.25%, 3.0%, and 3.2% respectively in 2010-11, under existing agreements. Those agreements were penned before the world financial crisis hit in October 2008, but those Ontario universities that have settled since that time have also done much better than 1.5% on scale. Since October 2008 faculty salary settlements have been concluded at Ottawa, Ryerson, Wilfrid Laurier, Windsor and York. Scale increases for 2010-11 at these universities are 2.75%, 3.0%, 2.5%, 3.0% and 3.0%, for an average of 2.85%. If all base salary increases are taken into account, the average rises to 3.15%.

#### *Are Other Universities Richer?*

So are other Ontario universities richer than Western? Or can they afford larger increases because their faculty are paid less? Far from it. On the salary score, costs are much *smaller* at Western. Full-time faculty salaries at UWO in 2008-09 (the latest year for which salary data

are available) were 6.3% or \$7,500 behind those at the other Bovey 6 universities (Guelph, McMaster, Queen's, Toronto and Waterloo) according to Statistics Canada data. And, for the next few years, Western should have more cash than most other Ontario universities because it will not have to make the special pension payments required elsewhere due to large pension plan deficits. Rather than being unable to afford salary increases comparable to other institutions, Western is better able to afford them by far. The idea that Western is too poor to afford the kind of salary increases being seen elsewhere is a fantasy.

### ***Pensions: A Lucky Escape for our Employer, a Nightmare for Employees***

Special pension payments will be made by the employer at universities with defined benefit (DB) pension plans, which includes most other Ontario universities. The huge decline in investment values resulting from the financial crisis pushed many of those plans into deficit and their sponsors are required to make up the difference through special "going concern" and solvency payments. Western has escaped that burden because it has a defined contribution (DC) pension plan. Under a DC plan the burden of stock market losses falls on the pension members, not on the employer. So while at other universities the pension impacts of the financial crisis made the employer poorer and left faculty unscathed, at Western the opposite happened.

The Council of Ontario Universities (COU) recently received the report of its Working Group on University Pension Plans. This document estimates that employers' special payments will average 11% of provincial operating grants annually over 22 university pension plans. Since provincial grants average about 50% of the universities' operating budgets, this means there is now an annual "tax" on university operating budgets in the form of special pension payments, at a rate of at least 5%, that Western has completely escaped.

### ***The Bottom Line***

So, how large is the employer pension advantage at UWO? Western's operating expenditures in 2009-10 are slated to be \$540 million. Thus, 5% in Western's case is \$27 million, which is around 7% of salaries and benefits across all employee groups. Assuming the 7% rate applies to all employee groups, the saving for spending on full-time faculty can be estimated conservatively at \$17 million, or about \$13,000 per faculty member.

Somehow other universities find the money to pay salaries 6% higher than Western's *and* are now also expected to make large special pension payments. Rather than delivering *smaller* salary increases in 2010-11 than seen at other Ontario universities our employer can afford to provide larger increases in order to make our salaries more competitive, correcting a serious inequity and compensating us for an unprecedented hit on our pensions.