

Joint Committee Discussions

**University Administration
Opening Statement and Proposal
December 16, 2024**

University Administration Representatives

Dr. Susan Tighe, Provost and Vice-President (Academic)
Dr. Matheus Grasselli, Deputy Provost
Dr. Martin Horn, Acting Deputy Vice-President, Research

Introduction

Since the formation of the McMaster University Faculty Association (MUFA) in 1951, faculty members and those serving as part of the administration have benefited from a collaborative and constructive relationship.

Much of the work happens in the regular, ongoing meetings of the Joint Administration/Faculty Association Committee, also referred to as Joint Committee, which is a key instrument of collegial governance at McMaster. Over the years, Joint Committee members have been successful in advancing mutual priorities and responding to emerging challenges by working together.

At the heart of these discussions is a shared understanding of the importance of being financially prudent. Responsible financial stewardship is essential to ensuring McMaster's long-term ability to provide exceptional education, foster groundbreaking research, and maintain our standing as a leading university. By making thoughtful and balanced decisions, we can continue to meet the needs of our academic community today while securing opportunities for future generations.

As we enter the current remuneration negotiations, the focus continues to be on supporting faculty members and their scholarly activities while ensuring the institution remains financially sustainable at a turbulent time for our province's universities.

Background

Over the course of the administration's most recent agreement with MUFA, McMaster and universities across Ontario and Canada have encountered unprecedented funding challenges.

- **Provincial Funding**

There are three main challenges associated with the current funding model for Ontario universities.

1. Constrained Funding Per Student (WGUs)

Funding per eligible student has remained limited under the funding model introduced in 2016. This model, based on Weighted Grant Units (WGUs) paid per eligible student, assigns a specific value to each program of study to reflect its relative cost of delivery. Since 2016, the dollar value of WGUs has been kept constant, and consequently the real value of this funding has significantly eroded due to inflationary pressures.

2. Capped Student Eligibility (Corridor)

Despite an increase of more than 11% in domestic demand for university spaces since 2020, the number of students eligible for funding remains capped under the corridor model introduced in 2016.

3. Tuition Freeze

Tuition fees for students eligible for funding need to follow the Ministry of Colleges and Universities (MCU) Tuition Framework, which mandated a 10% tuition reduction in 2019 and subsequent freeze in 2020 that is still in place and will continue for at least the next three years. This freeze has significantly constrained revenue amid rising operational costs and inflation.

This revenue shortfall has become increasingly unsustainable for Ontario's universities, intensifying pressures to find alternative funding and cost-saving measures. Initial responses to the continuing tuition freeze were to find efficiencies in operations and to increasingly rely on revenue from international tuition, which is now limited by a new federal cap on study permits.

The combination of these factors — a low base funding level for WGU's per eligible student, the cap on eligible students, and the freeze on tuition fees paid by eligible students — has created financial challenges for universities. These constraints have limited universities' ability to meet rising domestic student demand and prevented expansion to align with growing needs.

As of Fall 2024, universities are negotiating the Strategic Mandate Agreement 4 (SMA4) with the Ministry of Colleges and Universities (MCU). However, the MCU has announced that there will be no revisions to the corridor for at least the first two years of SMA4. After that, there will be discussions and potential revisions, but no promises have been made.

Calls for institutional aid adjustments resulted in the Ontario government appointing a Blue-Ribbon Panel of experts to explore ways to ensure postsecondary education in the province is financially sustainable and continues to offer the best possible student experience.

- **Response to Blue-Ribbon Panel Report**

The [Blue-Ribbon Panel's report](#) was made public in February 2024. It presented various recommendations to support Ontario's post-secondary sector, including three key recommendations designed to improve the financial stability of institutions.

The three recommendations were: (1) to end the tuition freeze for domestic students, (2) to increase funding per student (i.e., the WGU value mentioned above) and (3) to increase the number of students eligible for funding (i.e., the cap in the corridor model mentioned above).

The government's response addressed only one of these key recommendations and even then, it fell short of the panel's proposal.

A one-time funding allocation of \$903 million over three years was announced for Ontario's 47 universities and colleges. This included \$700 million in operational support, far below the panel's recommendation of \$2.5 billion to stabilize the sector.

Of that amount, McMaster will receive funding increases over three years corresponding to 3%, 2% and 2% increases in WGU value, representing the following dollar amounts:

- \$7.3M increase in 2024/25
- \$5.0M increase in 2025/26
- \$5.1M increase in 2026/27

As such, Ontario universities continue to face substantial funding pressures, with many institutions projecting significant operating deficits. The current response leaves universities reliant on further advocacy for sustained, multi-year base funding to close the growing financial gap.

- **Cap on Study Permits**

The federal government's cap on study permits announced in January 2024 is already having a negative financial impact and will continue to affect international enrolment for years to come.

The projected financial losses do not factor in the potential impacts of the additional changes announced in September, which now include Master's and PhD students within the international student cap.

McMaster's Approach to Financial Resources

McMaster remains committed to the system of shared governance we have at our university that is the hallmark of academic decision-making. It depends heavily on the participation of our colleagues, including members of McMaster's Budget Committee.

Our collaborative and transparent approach to the allocation of financial resources is meant to ensure our investments enable the academic mission of advancing knowledge and supporting student success.

Strategic Investments for Academic and Institutional Excellence

The coordinated decentralization at McMaster empowers leaders to make decisions based on the needs of their Faculty or university area.

Strategic investments are crucial for creating a robust ecosystem that enhances the core academic mission. They support the immediate educational and research needs

and build a sustainable framework for long-term success, ensuring that McMaster remains at the forefront of academic and societal advancements.

Examples of investments made to advance McMaster's institutional priorities are listed below.

Teaching and Learning: The university has invested in staffing and training to explore the opportunities and risks of generative Artificial Intelligence, to improve cybersecurity and other emerging issues.

Research and Scholarship: Investments have been made to grow McMaster's nuclear enterprise, research security and work to support innovation, commercialization and entrepreneurship.

Engaging Local, National, Indigenous and Global Communities: Increased efforts were directed to support reputation management, fundraising and alumni engagement as the university prepares for a major fundraising campaign.

Operational Excellence: The university has focused on effective responses to increased regulatory reporting requirements, investments in in-house staff to reduce external costs and new revenue generation strategies, such as the creation of the Real Estate, Ancillaries and Partnership portfolio.

Inclusive Excellence: Staff were hired to support this strategic priority both centrally and embedded within a Faculty. In addition, the university implemented the following two initiatives.

1. Gender Equity in MUFA Faculty Salaries

In April 2015, Joint Committee released a statement announcing the decision to apply an adjustment of \$3,515 to the base salary of each female faculty member on the CP/M scheme as of July 1, 2015. The decision was based on a study carried out by the Office of Institutional Research and Analysis with the input of the executive members of the McMaster University Faculty Association (MUFA) that revealed a gender pay gap in salaries of McMaster faculty.

According to the latest study reflecting the sample of full-time MUFA faculty as of October 1, 2023, a gender pay gap no longer exists. The [full study](#) can be found on the Office of Institutional Research and Analysis website.

While a comparison of the median and average salary of the 1,015 full-time MUFA faculty showed lower salary for females relative to male colleagues, the study shows that several independent factors account for the salary difference and not gender. The independent variables considered were Gender, Rank, Years in Rank, Years in Rank Squared, Faculty, Appointment Stream, and Highest Degree earned.

2. Inclusive Hiring

The Strategic Excellence and Equity in Recruitment and Retention (STEER/R) Program was launched in November 2020 to advance the pursuit of inclusive excellence at McMaster.

Two key initiatives supported by STEER/R were the hiring of exceptional Black and Indigenous scholars. Over the course of the current agreement with MUFA, the university hired 12 Black and 7 Indigenous scholars between 2021-24.

These initiatives reflect a commitment to fostering a diverse academic community. It is an approach that enriches academic and research quality, and positions McMaster as a leader in equity and inclusion in higher education.

McMaster's Fiscal Reality

The university is positioned to deliver another break-even, or structurally balanced, budget as we start the planning process for the 2025-26 fiscal year. This is due to efforts made by McMaster's faculty and staff to manage costs at a time when funding is stagnant.

It is important to note that achieving a structurally balanced budget cannot rely on investment returns, which are not guaranteed and can be volatile. A fixed amount of investment income is allocated to the budget each year to stabilize operations for periods when investment returns are weak, with the remainder used to support long-term capital projects and strategic initiatives.

Given these complex challenges, McMaster enters negotiations with a commitment to maintaining a balanced approach. The focus remains on supporting faculty's academic mission and scholarly aspirations while navigating the financial pressures affecting Ontario's universities.

We also recognize that workload is a significant challenge, and we are committed to working together with MUFA to find sustainable solutions to ensure faculty members are well supported.

University Administration's Remunerations Proposal

Not all universities responded the same way when the Ontario government introduced Bill 124 in 2019. This law, officially called the Protecting a Sustainable Public Sector for Future Generations Act, capped wage increases for public sector employees, including university faculty, at 1% per year for three years.

At McMaster, faculty members received additional contingent increases on top of the 1% allowed by Bill 124, setting the university apart from many others in Ontario where faculty did not see increases beyond the mandated cap.

This was a result of the university and MUFA coming together during negotiations for the last remuneration agreement and developing a solution that would provide more certainty to faculty members as Bill 124 loomed.

The university and MUFA agreed on contingent salary increases that would apply if legally permitted. In the event of the contingent increases being deemed illegal, the university and MUFA agreed on an enhancement to the Career Progression/Merit (CP/M) Structure.

McMaster faculty members received the enhancement to CP/M in Years 1, 2, and 3, and also received the contingent salary increases in Years 2 and 3 of the agreement. A summary of this compensation is below.

- **Recent Compensation**

Year 1 (July 1, 2022-June 30, 2023): 1.0% Across-The-Board (ATB) + 130 par units for CP/M (increase over the normal 120)

Year 2 (July 1, 2023-June 30, 2024): 1.0% ATB + \$1,050 fixed amount ATB + 125 par units for CP/M. Flat dollar was equal to 0.58%

Year 3 (July 1, 2024-June 30, 2025): 1.0% ATB + \$1,330 fixed amount ATB + 125 par units for CP/M. Flat dollar was equal to 0.66%

The par units for the CP/M structure returned to 120 par units per 100 faculty members for the CP/M Year 2024

Proposed Compensation

Of note, the remunerations discussions will also include terms for McMaster's librarians who are members of MUFA.

- **Term**

The university proposes a 3-year term, effective July 1, 2025, to June 30, 2028.

- **Salary**

Across the Board (ATB) Salary Increases: The university proposes the following ATB increases for all MUFA members:

Year 1: 2.5%, effective the first day of the first pay period following July 1, 2025

Year 2: 2.5%, effective the first day of the first pay period following July 1, 2026

Year 3: 2.5%, effective the first day of the first pay period following July 1, 2027

- **Salary Floors**

The university proposes that salary floors and breakpoints in the CP/M scheme be adjusted to reflect the equivalent Across the Board increase on July 1 of each year of the contract, while maintaining the total pool of CP/M units at 120 par units per 100 faculty members.

Extended Health Benefits

Providing a competitive and sustainable compensation package, including robust health benefits, is essential for attracting and retaining talented faculty members who are critical to our university's research and academic mission.

At McMaster, the employer directly funds the health benefits provided to employees. With the university shouldering the full financial responsibility of rising health benefit costs, it is crucial to have a benefits plan that balances the needs and interests of faculty with long-term affordability.

The health benefits proposed in this agreement aim to ensure the continued provision of high-quality support for faculty while addressing the financial sustainability required to maintain these offerings over time. This approach reflects our shared commitment to supporting faculty well-being and ensuring McMaster remains a destination of choice for top academic talent.

- **NEW Gender Affirmation Benefit**

The university recognizes the profound impact that gender affirmation processes can have on the lives of our faculty members and their families. Understanding the unique challenges and the importance of support during this journey, the university proposes a new benefit aimed at providing meaningful assistance.

The university proposes a new \$10,000 lifetime maximum benefit per person for gender affirmation, available to each faculty member and each of their eligible dependents, effective July 1, 2025.

This benefit is designed to alleviate some of the financial burdens associated with gender transition, ensuring that our faculty members and their eligible dependents can access the necessary resources and care with greater ease. This new benefit will supplement the existing mental health, extended health, paramedical and prescription drug benefits

to enable comprehensive support. By offering this support, we continue to foster an inclusive and supportive environment where all members of our community can thrive.

- **NEW Health Care Spending Account**

The university proposes a new Health Care Spending Account (HSA) benefit of \$500 per benefit year for each faculty member, effective July 1, 2025.

The HSA may be used to cover a wide range of health and dental expenses for each faculty member and can be used for their eligible dependents, allowing for personal customization of this benefit.

Faculty members will have the flexibility to use their HSA dollars to either “top up” traditional benefits by covering any out-of-pocket expenses (such as co-pays, deductibles, or amounts in excess of annual maximums) or to cover benefits not eligible under the benefit plan. For example, a member could use their HSA dollars to top up their coverage for a major dental procedure, or for the services of an acupuncturist that is not covered under paramedical services.

- **NEW Prior-Authorization of Prescription Drugs**

To ensure the long-term sustainability of McMaster’s benefits plan, the university proposes introducing a Prior Authorization process for certain prescription drugs, effective July 1, 2025. Administered by Sun Life, this approach will promote responsible benefits management while maintaining high-quality health care outcomes for faculty members.

Prior Authorization ensures that medications meet Health Canada approval and specific medical eligibility criteria before they are covered. This step safeguards the integrity of the benefits plan by confirming that the most effective, evidence-based treatments are being utilized. It also helps to manage the increasing costs of claims, supporting the sustainability of the plan for all members.

Key Features of the Proposal

- **No Impact on Current Users:** Faculty members and dependents already using medications that will fall under Prior Authorization as of 120 days before the effective date will be grandfathered and automatically pre-approved.
- **Maintained Drug Formulary:** The current list of covered prescription drugs will remain unchanged, ensuring continuity in access.
- **Enhanced Access to Care:** Faculty members can benefit from Sun Life’s Preferred Pharmacy Network, which provides additional support and convenience.

By introducing Prior Authorization, McMaster is taking a proactive step to balance the needs of faculty members with the university’s responsibility to sustain the benefits plan

for the future. This change allows us to continue offering a competitive and comprehensive health package while ensuring the plan remains viable in the years ahead.