

Annual Report
of the
Budget Advisory Committee

McMaster University Faculty Association

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June 12, 2009



Budget Advisory Committee, 2008/09

Virginia Aksan, History

John Berlinsky, Physics & Astronomy

Trevor Chamberlain, Finance & Business Economics

Khalid Nainar, Accounting & Financial Management

Gladys Peachey, Nursing

Herb Schellhorn (Chair), Biology

Byron Spencer, Economics

“The Two Solitudes” (with apologies to Hugh MacLennan)

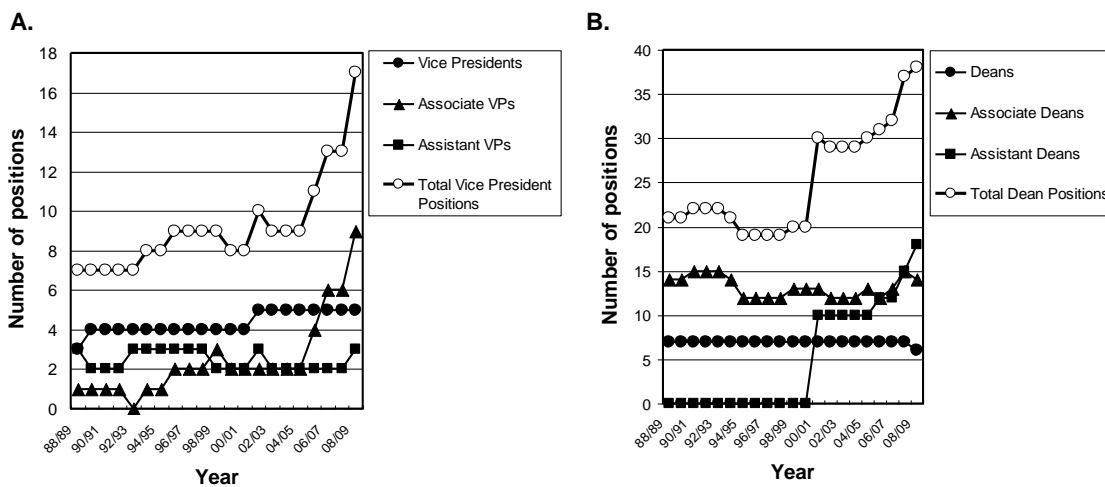
**MUFA Budget Advisory Committee
June 12, 2009**

This document is the second annual report of the McMaster University Faculty Association Budget Advisory Committee. The primary mandate of this committee is to examine the resource allocation of the University in relation to McMaster’s twin missions of teaching and research. Last year’s report focused on the growth in revenue and the lack of adequate faculty renewal, which remain ongoing concerns, although there has reportedly been some recent progress on the latter. This year, however, the committee decided to concentrate on the question of the size and compensation of the University Administration in response to growing faculty concern about increasing disparities between academic and administrative salaries (*the two solitudes*), and the lack of transparency concerning compensation structure. Last summer, *The Hamilton Spectator* obtained compensation agreements for the President (June 11, 2008) under the Freedom of Information Act. Further information concerning the Vice-Presidents and Associate Vice-Presidents of McMaster University was released in October 2008. This led to pressure on other universities across the country to reveal details of administrative compensation. The new data has allowed for comparison, not only with respect to compensation at other universities and the community at large, but also with spending priorities at McMaster.

Over the past ten years, the province has made dramatic increases in university funding to support the huge growth in undergraduate and, more recently graduate enrolment. At the same time, the size of the Administration has mushroomed in contrast to the faculty complement (Figures 1-2). This report will focus on three aspects of the problem of the growth of the Administration: *size, compensation, and oversight*.

THE EVER-INCREASING SIZE OF UNIVERSITY ADMINISTRATION

Examination of the numbers of senior administrators over the last 20 years reveals that during the Rae (1990-1995) and Harris (1995-2002) years, when provincial transfers were stable, the Administration complement was also relatively stable. However, since 2002, coinciding with increased funding as a consequence of the McGuinty “Reaching Higher” program, there has been a rapid growth in the size of the senior Administration. This is apparent at both the vice presidential (Figure 1 A) and decanal levels (Figure 1B). (Though not shown



in this report, increasing numbers of associate chairs have also increased the size and expense of administration at lower levels.)

There has been a 60% increase in enrolment at McMaster over the last eight years and during this time the number of administrators at the level of dean and up has increased enormously. These additional positions require infrastructure, which represents a further reduction of resources for teaching and research. The number of faculty members, an important determinant of academic quality, has remained relatively stagnant over the last few years, as shown in Figure 2.

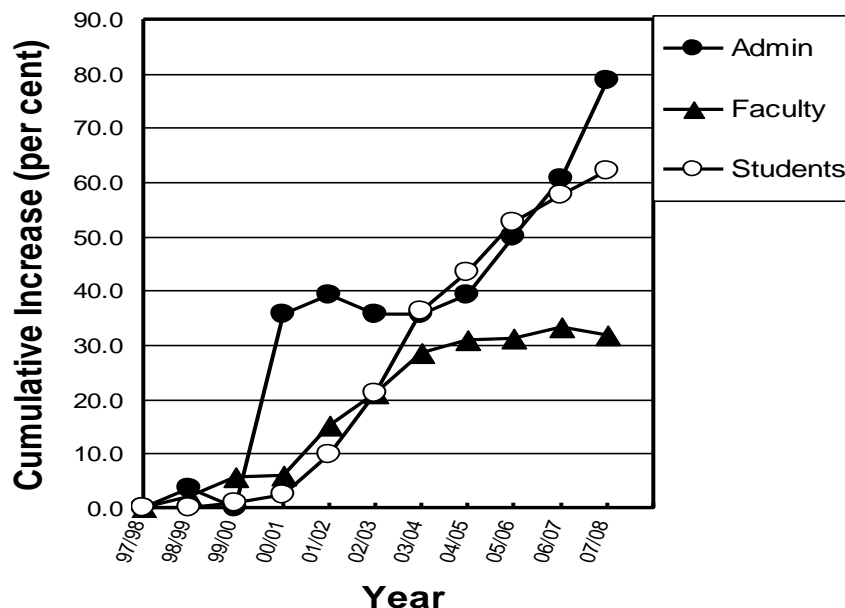


Figure 2 – Relative Growth in McMaster Administration, Faculty and Students (full-time equivalent undergraduate students). Data were obtained from the McMaster Office of Budget and Analysis and MUFA.

The expansion of the senior Administration has outstripped the rapid expansion in student numbers, while faculty size has not kept pace, exacerbating a student to faculty ratio problem that was first identified several years ago in Refining Directions documents. At the time that Refining Directions was approved, the student faculty ratio was twenty-four and planning documents proposed a decrease to twenty-two. Despite having ample resources to address this problem, lack of commensurate faculty hiring has resulted in the current student faculty ratio of twenty-nine, the highest of comparator universities in Ontario (the G6 research-intensive universities). See the Provost’s report

http://www.mcmaster.ca/vpacademic/documents/state_of_the_academy_september_2008.pdf.

While the growth in Administration size is not unique to McMaster, it is a source of concern because of the decline in the quality of the teaching environment, evident in capped courses, classes so large that course management has replaced teaching, shortages of undergraduate and graduate supervisors, and reduced time to devote to research opportunities at McMaster University.

COMPENSATION OF UNIVERSITY ADMINISTRATORS

Considerable concern has been expressed within McMaster and the wider community about the individual compensation that senior McMaster administrators receive in salary and benefits. In this report, we have charted the expenditures on senior administrators (deans and above) over the period during which there were

rapidly increasing revenue allocations from the Ministry of Training Colleges and Universities (Figure 3). This can be compared to changes in revenue and changes in faculty salary compensation (Figure 4). Last year's Budget Advisory Committee report revealed that there had been substantial drops in spending on faculty salaries as a proportion of the University budget (this is true irrespective of whether one uses the original data reported to Statistics Canada or the revised figures subsequently disclosed by the Administration – both show more than a 25% drop in the faculty salary component as a fraction of expenditures).

How does McMaster compensate its top administrators versus its top researchers (Figure 3)? Over the period 2001 to 2008, salaries of McMaster's top five administrators increased 77%. At the same time, compensation for an identifiable group of ten senior researchers comparable in career stage, those holding Tier 1 Canada Research Chairs, increased only 36%. In some cases, these researchers have increases that are predicated on holding a Tier 1 Research Chair – compensation that can be lost should the research chair not be renewed. The results presented in Figure 3 understate the real increase in senior administrator cost relative to faculty inasmuch as, when new positions are created, individuals are promoted into these positions with significant salary increases, or are added through external recruitment. Furthermore, each new senior administrative appointment adds additional support staff and is accorded the various other accoutrements of becoming a McMaster VIP – and such costs are not captured in the data shown in Figure 3.

The American Association of University Professors (AAUP) recently observed, "between 1995–96 and 2005–06 (American) presidential salary increases were more than six times greater than faculty salary increases." For a more detailed discussion of the disconnect between administration and faculty salaries see, "The Two Cultures of Academe" (<http://www.aaup.org/AAUP/pubsres/academe/2008/JA/Feat/matt.htm>)

"2007-08 Report on the Economic Status of the Profession" (<http://www.aaup.org/AAUP/comm/rep/Z/ecstatreport2007-08/survey2007-08.htm>)

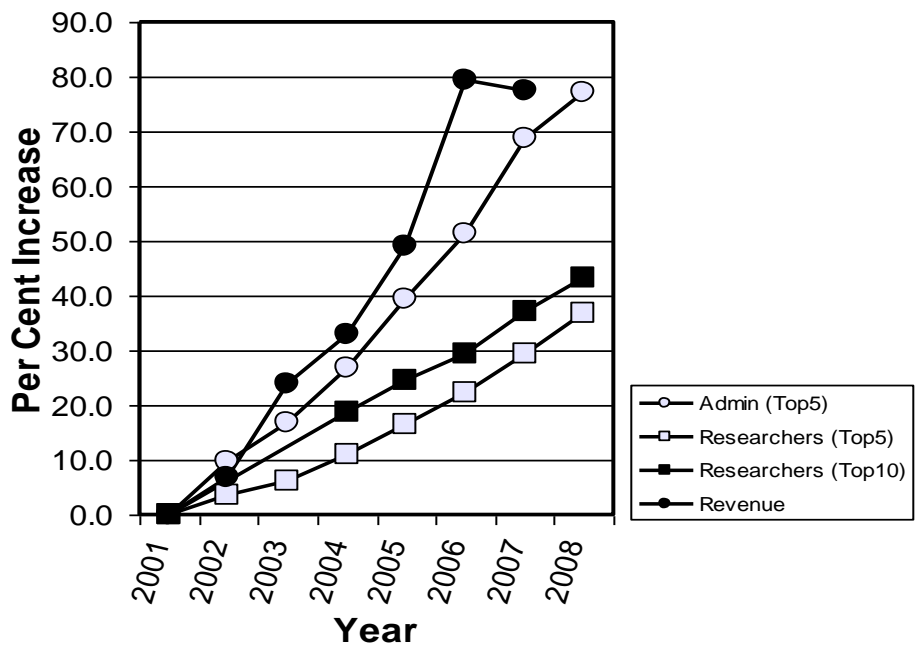


Figure 3 – Relative increase in salaries of senior administrators and researchers.

Administration data are for 5 senior administrators who have held administrative positions over the time period 2001 to the present. Top researchers are defined as the group of Tier I Canada Researchers who do not hold administrative positions. Revenue is defined as provincial operating transfers and tuition. Data for salaries were obtained from the annual Ontario salary disclosure list and is thus based on calendar year while revenue is based on the fiscal year ending March 31 (data for 2008-2009 not yet available).

Why are there such large discrepancies in compensation practices for these two groups? While faculty salary increases are negotiated in periodic bargaining and are limited by alleged resource scarcity and the settlements made at comparator universities, administrator salaries are determined by a Board of Governors committee that has few comparators to employ. Interestingly, the latter process has resulted in a pattern of salary increases that closely tracks increases in available revenue (Figure 3). The reputation of a university depends more on the quality of its faculty than on the quality of its administration, and it is thus surprising that compensation strategies do not reward research excellence as much as administration. Worse still, senior administrators repeatedly paint a bleak picture of future University finances while receiving rich and increasing compensation, undermining trust within the University. It is incumbent on the Board of Governors to develop more appropriate compensation policies and fulfill its fiduciary role.

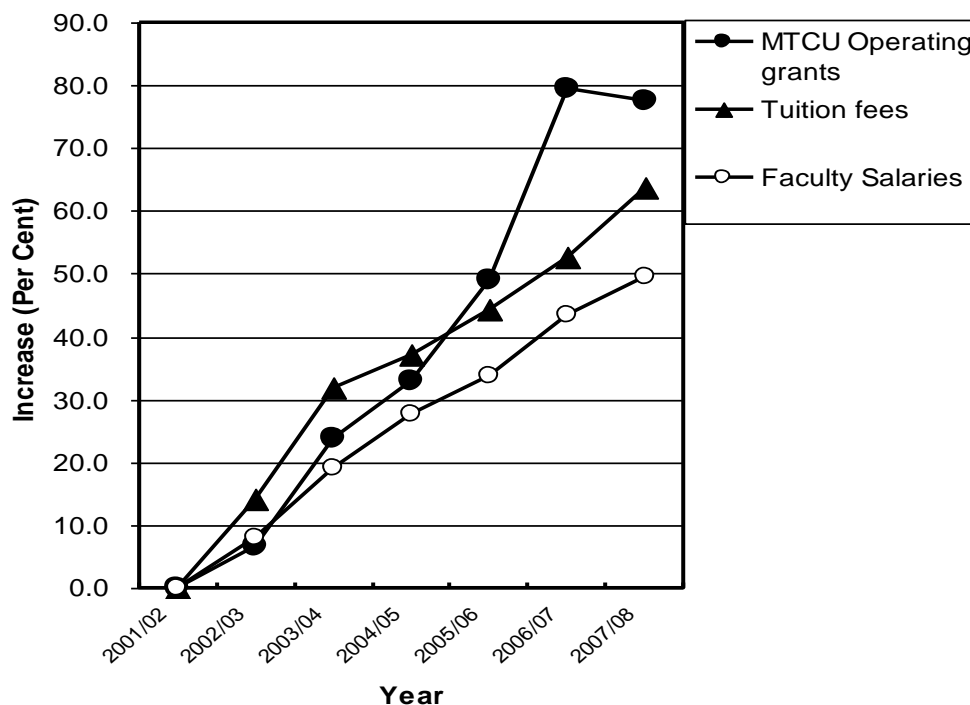


Figure 4 – Increase in Student-based revenue (provincial grants and tuition) and the total faculty salary component of the Operating Budget. Data from the COU database and MUFA faculty records.

OVERSIGHT OF McMASTER'S ADMINISTRATIVE STRUCTURE

Temporary Measures

The salary freeze announced by the Administration for the President and Vice-Presidents this year is a first step. However it should be recognized for what it is — a suspension in the rate of increase of already disproportionate compensation and, as such, a weak argument for limiting compensation increases to other groups on campus. The next step must be to address the salary and compensation disparity between academic researchers and administrators. Correcting the difference in Figure 3 would, for example, require a multiple year freeze of administration salaries, which we urge the Administration to consider as an acceptable beginning of a conversation about its commitment to equity and resource conservation in difficult times.

University Governance

Inasmuch as growth and compensation trends in the University over the past few years have varied widely from published Administration goals in planning documents such as Refining Directions, a reasonable inference is that there may be serious underlying problems in the University's governance that interfere with effective strategic planning. This issue will be addressed in a subsequent MUFA brief planned for Fall 2009.

University Accountability

Accountability is a responsibility that all members of the University share. The Administration should provide to the University community robust analyses of metrics in the form of complete documents that go beyond presentations at town hall meetings. In last year's report, we noted that neighbouring universities provide substantive cross-university comparisons issued by their Provost's Offices — a practice that has, regrettably, not yet been adopted at McMaster. Instead, at McMaster, most financial information is released under the Business Management Office rather than through the Office of Institutional Research and Analysis's web site, and these data can sometimes be misleading. For, example, the Administration's practice of presenting revenue as a series of bar graphs (exemplified by Figure 3 of the Provost's Report 2008), masks the large revenue increase that has occurred over the past few years by presenting provincial transfers as components rather than as an aggregate total.

Performance of University Administrators

All non-administrative faculty are subject to peer review for research excellence and student evaluations of the quality of their teaching. Given the widespread recognition of the value of student teaching evaluations in improving our teaching effectiveness, it is surprising that universities do not employ analogous procedures for the review of administrative faculty. Such review(s) would provide useful feedback to individual administrators on the effectiveness of their activities and would be an invaluable guide in professional improvement. Annual faculty reviews of administrators would not only contribute to compensation review practices, but also bring such reviews into line with practices employed for other groups on campus (namely, the teaching and research faculty and the management group). Further, annual reviews could become effective multi-year indicators of individual performance which would be useful for reappointment or promotion considerations. Such use would help *ad hoc* appointment committees in deliberations that would then be less susceptible to the vagaries of individual committees. This type of performance review would, almost certainly, obviate the need for the external polling of members of a faculty, as was necessary in the recent reappointment of the Dean of Business.

TOTAL REVENUE AND EXPENSE REPORTS

Like other Canadian universities, McMaster reports financial information to Statistics Canada and this can be used to examine year-to-year trends and to compare information between universities. Revenue trends point to continuing substantial increases in revenues from government transfers and tuition (Figure 4, Figure 5). Because of changes in reporting academic salaries, it is difficult to assess expenditures depicted in Figure 6. The single date point, which shows an increase in expenditures on faculty in 2006/07, appears to result from using a different, larger group (i.e. including, perhaps, more medical faculty) than the data for previous years. MUFA will continue to monitor these data on an annual basis. Despite the developing recession, operating revenues from the province and tuition continue to be stable and, as yet, there has been little indication of change in provincial funding policies. Indeed, McMaster's most recent Consolidated Budget projects a balanced operating budget for fiscal 2009/10.

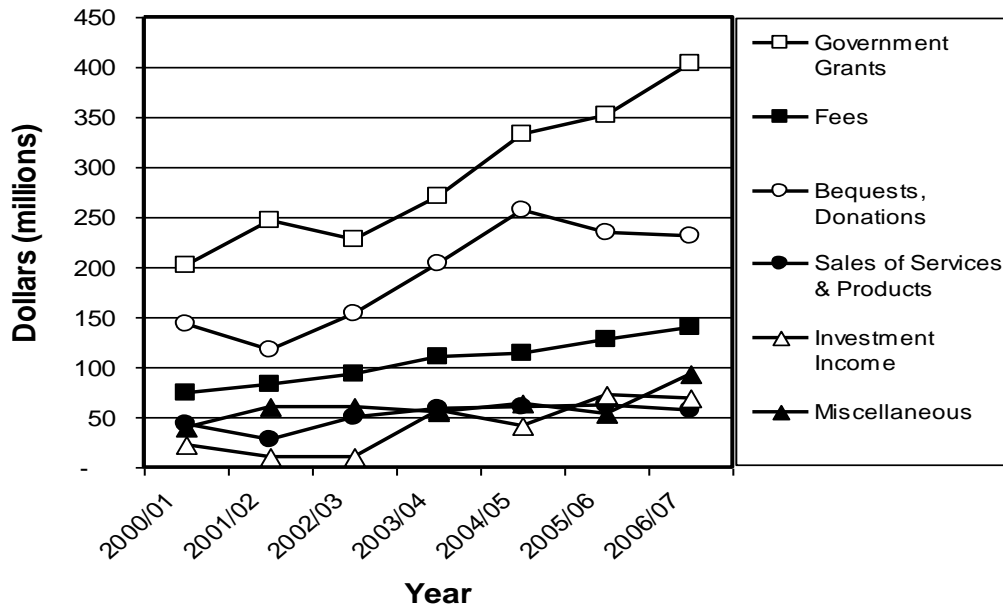


Figure 5 – Sources of University Revenue. Note that government grant income rose 52 million. Total revenue from all sources (including research grants, donations, fees etc) rose 10%, from \$901 million to \$993 million.

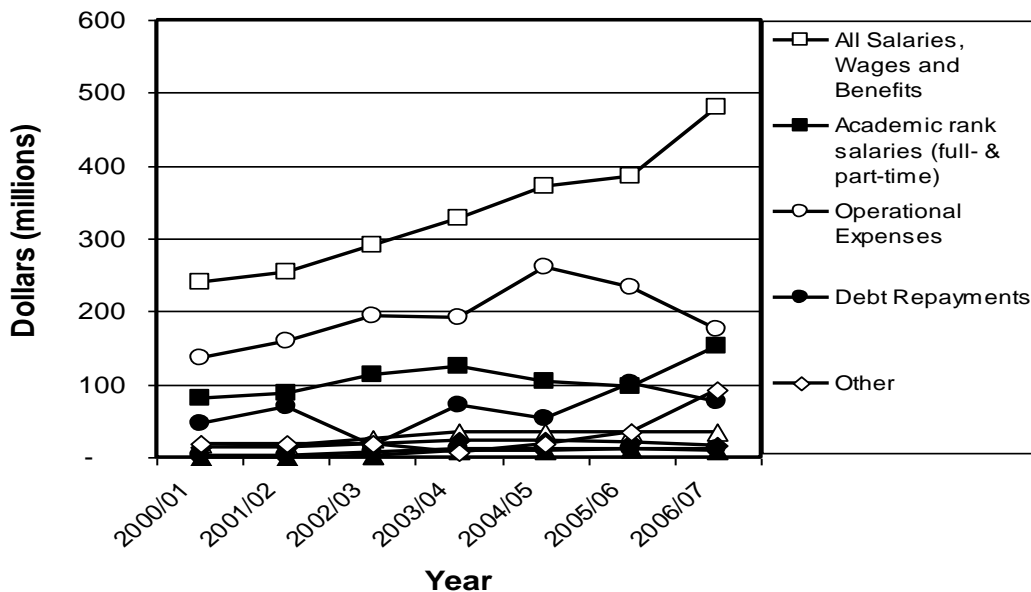


Figure 6 – University Expenditures. Note that the increase in Academic Rank salaries in the last two years is due to a change in the way McMaster reports data (see last year's Budget Advisory Report-MUFA website). Total Expenses rose from \$834 million to \$895 million resulting in an excess of revenue over expenses of \$99 million.

CONCLUDING REMARKS

In this document we have reviewed staffing, cost, and accountability of McMaster's Administration. We find that the number and cost of administrators at the decanal levels and above has increased dramatically over the past decade, even faster than the historic increases in student numbers and provincial funding that have occurred due to the Double Cohort and the Reaching Higher plan. This proliferation of administrators has drawn resources from teaching faculty at a time when more teaching resources are desperately needed. Furthermore, we note a significant gap in the accountability of senior administrators and suggest that their evaluation should include feedback by those who are affected by their performance, namely faculty and staff. The above considerations have led us to make the recommendations below.

RECOMMENDATIONS

1. That the MUFA Executive pursue a response to its resolution of December 11, 2008 calling for the Board of Governors to "develop and publish guidelines for compensation agreements: (<http://www.mcmaster.ca/mufa/AdminCompResolution-Final.pdf>). Justification must be made on the basis of factors other than simple increases in research revenue or ministry transfers.
2. That the University develop a plan to address, in a more meaningful way, the growing disparities in the growth of the administration, faculty and student numbers.
3. That the University should develop and deploy a methodology, such as that used for faculty members, to evaluate systematically administrators, including chairs, associate deans, deans, associate VPs, and VPs on an annual basis. [The President is already reviewed annually by the Human Resources Committee of the Board of Governors, which includes representation from stakeholders on campus.] This information would remain confidential but should be useful to provide constructive feedback to administrators and input for appointment committees.
4. That standard yearly accountability analyses comparable to those of comparator universities' reports (as recommended in last year's BAC report) be developed.

REFERENCES

Refining Directions

<http://www.mcmaster.ca/pres/refining/refining.pdf>

Provost Report Annual Report

http://www.mcmaster.ca/vpacademic/documents/state_of_the_academy_september_2008.pdf

The Two Cultures of Academe

<http://www.aaup.org/AAUP/pubsres/academe/2008/JA/Feat/matt.htm>

2007-08 Report on the Economic Status of the Profession

<http://www.aaup.org/AAUP/comm/rep/Z/ecstatreport2007-08/survey2007-08.htm>

Annual Report of the Budget Advisory Committee (June 24, 2008)

<http://www.mcmaster.ca/mufa/BACJune24final.pdf>

Letter from University President & Provost in response to the BAC Report of June 24, 2008 (July 22, 2008)

<http://www.mcmaster.ca/mufa/BAC-Pres&Provost.pdf>

BAC Response to July 22, 2008 Letter from University President & Provost (September 2, 2008)

<http://www.mcmaster.ca/mufa/BACResponse-Sept2.pdf>