

Remarks by J. Robert S. Prichard¹
at a C.D. Howe Roundtable Luncheon
with Professor John Chant
“How We Pay Professors and Why It Matters”
March 31, 2006, Toronto

Prior to the Rae Report last year, the Smith Report prepared by Dr. David Smith in 1996 was the best report on postsecondary education in at least 30 years. It represented the turning point for rebuilding the Ontario postsecondary system, coming after the brutally destructive budget cuts of the so-called Common Sense Revolution. We can trace much of the recovery of the system to the recommendations Dr. Smith made and the momentum for change his report created.

One component of Dr. Smith’s report has received less attention than it should. This was recommendation 16 which addressed faculty performance. In particular, Smith made the following recommendation:

Recommendation 16. We recommend that governing boards of colleges and universities ensure that a high proportion of compensation increase is awarded in recognition of excellence in teaching, and in the case of universities, of research performance, and that without becoming involved in individual cases, governing bodies ensure that appropriate processes are in place to assess and reward performance.

This recommendation was largely ignored in the aftermath of the Smith Report. The Rae Report also ignored it, preferring to speak in general terms about quality and to avoid engaging the sensitive issues of faculty performance and pay. I believe this is a shame. The issue of faculty performance and pay is centrally important to quality, and how we pay professors has a direct impact on their performance.

Dr. Chant’s superb Commentary for the C.D. Howe Institute, *How We Pay Professors and Why It Matters* (November 2005), provides ample support for this proposition. He succeeds in documenting persuasively the instinct we all have – that merit-based compensation, properly administered, can make an important contribution to overall performance. His work is, I believe, the best piece ever written in Canada on the subject and I congratulate him. The fact that the paper comes from a past chair of the Salary Committee of the Queen’s University Faculty Association gives it added credibility.

My only difference with Dr. Chant is with respect to this suggested reform -- tie university funding more closely to the number of students they attract. There is a well developed literature supporting this approach, originating with the case for student vouchers instead of direct funding of universities. My concerns with this approach are three-fold: one, it won’t happen in my lifetime; second, it won’t work; and third, it won’t

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make any significant difference anyway to the problem he has so beautifully analyzed. As a result, I want to endorse his analysis but advance a different proposal for reform. While more modest and incremental, I believe it can readily be implemented right away at no new cost to the Province, will work and will substantially solve the problem.

I propose the Province create and fund a new funding envelope within the existing funding formula expressly conditional upon each university addressing the issue of faculty performance. I recognize this could be controversial, but it would be good for the institutions and their faculty and students and improve performance. Let me make my case. In doing so, I will confine my argument to universities although I believe the same proposal would work equally well – and is as urgently required - in our colleges.

There is considerable skepticism about faculty performance outside universities. The jobs look easy, under-supervised and over-paid. In fact, being a faculty member at a university is extremely demanding and difficult. The salaries, while acceptable, are far from generous. The workload is heavy, the pressure is real and the competition is intense. Furthermore, the preparation for these positions is long and arduous and the people holding them are, on the whole, among the most highly educated and qualified in our society.

The problem with faculty compensation is not that it is too high. Indeed, I would argue it is, on the whole, too low. The real problem is the incredible variances in performance, from superb to weak, by faculty members who enjoy a very high degree of job security once they obtain tenure. In reality, it is difficult to keep faculty members stimulated and constantly performing at a high level throughout their career. It is hard and lonely work. In my view, universities have under-invested in coaching, encouraging, training, mentoring, supervising, evaluating and rewarding faculty members. We spend a lot on faculty compensation. In Ontario's universities alone, over 6000 faculty members receive salaries of over \$100,000. It is the biggest expense for each of our universities.

The advent of unionization since the 1970s has made this problem much worse. The significant majority of universities in Ontario are unionized. The exceptions at present are Toronto, McMaster, Waterloo and Guelph. As Dr. Chant documents, with unionization has come, in most cases, the virtual elimination of merit pay and a general tendency towards salary grids based principally on seniority alone. This has undermined the need for institutions to track and evaluate faculty performance as part of their human resources policies.

The absence of merit pay takes away a useful form of incentive for good performance. Equally important, however, it also takes away from the need to provide annual feedback and evaluation for faculty members, which in turn reduces the investment made by institutions in the constant development of the professoriate. It allows faculty members to go for years without serious feedback on their work and without all the good that comes from recognizing outstanding work and calling for improvements in cases where performance is less than satisfactory.

In other words, merit pay is an integral part of performance management and it has very significantly evaporated at Ontario's universities over the past 30 years. The Smith Report called for its re-introduction. I concur completely.

The difficulty for universities in re-introducing compensation based on performance is that faculty unions will not agree to it during normal collective bargaining. The unions will almost always prefer across-the-board and grid increases to genuine merit money because the latter leads to their members being treated differently and administrators having some discretion. These implications are reviewed as serious negatives by most faculty unions. Any university attempting to buy merit pay by tabling additional money at

the bargaining table will find that money quickly allocated to other purposes judged more worthy by the unions. Furthermore, no university will take a strike over this issue and it is a strike issue for the unions. If we want greater emphasis on performance-based pay, it will take external intervention to achieve the result.

At the same time, it would be dangerous and wrong for the government to directly legislate conditions of employment at our universities. It would violate the autonomy our universities require and I would oppose it strenuously. Instead, my proposal would permit universities to opt in to the system and reward those that do with additional financial resources. This respects autonomy but will get the job done.

The proposal is as follows. I suggest that the Province create a new envelope within the university funding formula and fund it at a substantial level – say \$50 million. The envelope would be part of the base funding formula for universities. \$50 million is enough to make a meaningful difference. Distribution of the fund would be proportional to each university's share of the overall university funding formula.

The \$50 million is not a new cost to the Province. The Province has already committed to a massive and very welcome infusion of new funds to enhance quality and expand places. I propose the \$50 million for this new envelope simply be a claim on these new funds which will be spent by the Province in any event.

Access to the fund would be by application by each university. Universities would be free to apply or not. A successful application would require that the university demonstrate that, to quote Smith, "a higher proportion of compensation increases is awarded in recognition of excellence" In particular, each university would be required to demonstrate that the merit component, as opposed to the inflation adjustment and grid progress components of compensation increases, amounts to at least half the total increase awarded each year. It is a simple test with a clear message: put at least half your incremental compensation fund into performance-based pay.

The Province's new Higher Education Quality Council could vet each of the applications to ensure this test is met. Some universities would qualify readily as they already have a system in place that would meet this test. Many universities, however, have little or no merit-based pay and would need to make significant adjustments through collective bargaining to qualify. However, the knowledge that additional funds would be gained by the university and therefore by its faculty members, should lead to successful collective bargaining.

Unlike in current collective bargaining, these new funds could not be traded off with any others. As a result, universities and their faculty unions should reach agreement on appropriate merit pay schemes so that the faculty members would get the benefit of the additional funds. In due course, I predict all universities would apply and qualify for access to the fund and we would have successfully reintroduced principles of merit and performance to all Ontario universities. That would be a major, lasting and very positive change.

Some will object to this proposal on the grounds that it requires undue intervention by government into the internal affairs of universities. I disagree. Universities are free to decline to apply for these funds. The government is simply expressing a willingness to invest further in institutions that spend funds in a way that is most likely to generate the best return on public investment. That is surely within the government's prerogative. It is inherent in many aspects of the current funding formula and its various envelopes. Furthermore, this proposal leaves it to the individual universities to determine how teaching and research should be evaluated and the relative weight to be attached to these and

other contributions faculty members make. It merely requires the qualifying university to focus on performance in allocating compensation.

Others will argue that it is not the Province's job to influence the bargaining table and that the universities should fix the problem themselves. But this is disingenuous. The Province set the rules of collective bargaining in the first place, rules that have demonstrably had some unintended and unwelcome consequences in self-governing universities. Other jurisdictions have chosen a different course, most notably in the US where the NLRB has denied certification of faculty unions at private universities. Furthermore, the Province has repeatedly involved itself in labour matters in the post-secondary sector, the most recent example being its forcing the College leaders to accept binding arbitration over critically important management issues. It is simply not good enough for the Province to say this is not our business. The Province is heavily involved, is expressly concerned with quality and has an obligation to act in the best interests of the postsecondary system.

Others will claim this proposal will advantage those that would qualify with their existing compensation arrangements (e.g. Toronto) and disadvantage those that wouldn't (e.g. York University). Again, I disagree. I would give each university adequate time to conform to the minimum requirements for successful application to the fund and I would hold in trust their share of the fund for, say, two or three years, to allow them to qualify for all of their share retroactively once they comply. As the amount in trust grows, the incentive for the unions to get a deal will grow as members will see the funds left on the table. Furthermore, some universities (e.g. Lakehead), which are not at present spending anything on merit pay, actually have merit pay provisions in their collective agreements. They are simply not funding them or are doing so to an insignificant extent. These universities could very quickly adapt to the new regime and apply successfully to the fund.

Others will claim to have a better idea – a focus on output measures like student satisfaction and graduate employment rates – and prefer this to concern with an input – faculty performance and pay. Unfortunately, the landscape, including Ontario's, is littered with unsuccessful bureaucratic efforts to tie funding to outputs of this kind and there is no reason for optimism that efforts will succeed where others have failed. In contrast, as Dr. Chant so beautifully demonstrates, a focus on faculty pay and performance does make a real difference to quality and can be achieved with a minimum of bureaucracy and regulation.

I believe successful implementation of this proposal would improve faculty performance, increase public confidence in universities, improve universities' personnel management practices, improve faculty morale and generally improve the performance and atmosphere of Ontario's universities. We have a strong university system already. This would make it better.

At the Council of Ontario universities in the late 1990s, we developed a consensus around a proposal of this kind. In the end, however, we were not able to persuade the government then in power to provide the additional funds necessary to implement the proposal and this proposal fell along with others as the financial demands of the double cohort took centre stage. But now in 2006, the Province is making a remarkable new investment in universities – the largest in modern memory – expressly intended to raise quality. It is the ideal time to introduce this proposal for improved faculty performance. It does not require additional funds. It simply requires the Province to earmark for this envelope a portion of the funds already promised.

In implementing the proposal, the Province should give the Higher Education Quality Council discretion to make the scheme work. The Province should state the principle and the amount enveloped for the purpose but give the Council considerable discretion to determine what constitutes compliance with the principle. Collective bargaining will produce a variety of solutions that will work and all should be approved. We don't need or want a cookie-cutter approach. We just need to vindicate the principle of performance-based compensation on every campus in the Province.

This is a once-in-a-generation opportunity. The need is crystal clear. The money is on the table and about to be spent. The only remaining question is one of leadership and courage: will the Province be prepared to embrace a commitment to the importance of performance-based compensation to quality and act accordingly? If the Province fails to act now and the new funds flow to the institutions for other purposes, the opportunity will be lost. No amount of advocacy and study alone will change the reality of the collective bargaining process. Only a deliberate decision to put funds behind a commitment to performance-based compensation will do the job. And the time to act is now.