

#### **4. The Salary Structure**

1. For each rank, there is a minimum salary (or “floor”) that is negotiated or awarded in each round of bargaining. However, the Administration is not obliged to hire new faculty members and librarians at the floor for the rank. Thus, starting salaries are fixed by negotiation between the individual and the Administration. As is explored in more detail in the Association's proposals with respect to salaries, the current trend is for the Administration to hire new faculty at salaries considerably above the minimum for the rank.

2. After a faculty member is hired, there are two distinct, primary sources of periodic salary adjustments to the base salary: across-the-board (“ATB”) increases; and Progress Through the Ranks (“PTR”) adjustments, which are based on merit.

3. In every round of negotiations (or mediation or arbitration), an annual ATB increase, expressed as a percentage, is arrived at which is then applied to the minimum salary for each rank as well as to each individual's salary. The purpose of the ATB increase is to allow members' salaries to keep pace with inflation.

4. Many universities, in addition to periodic ATB increases, use a step or increment system: after each year of service, a faculty member moves up one step on the grid, or receives an extra salary increment (sometimes known as a "career development increase") in addition to the ATB increase. However, at the University of Toronto, there is no automatic step or increment system to recognize experience. Instead, economic advancement beyond the basic ATB increases is based on merit: this is the PTR scheme.

5. The PTR scheme was established in 1972. The scheme was designed to produce salary progress leading to a career end salary of 2.5–2.7 times a faculty member's starting salary, assuming average PTR awards throughout that career. The PTR scheme also recognizes that, in any career, progress is usually swifter in the earlier years than in the later ones. To reflect this principle, the concept of a “breakpoint”

was included in the model. For those faculty below the breakpoint, the average PTR award is higher than for those above it. The breakpoint is 2.2 times higher than minimum starting salaries and in the PTR model is intended to occur after about the 20<sup>th</sup> year of service if the person has received average PTR throughout his or her career. Faculty whose salary is between the breakpoint and a level defined as the senior salary level participate in a second pool.<sup>1</sup> For faculty who are above the breakpoint and who have achieved the senior salary level), **all** salary increases (including across the board and PTR) are entirely at the discretion of a Senior Salaries Committee.

See generally the "Extract from the Budget Committee Recommendations for the 1973-1974 Estimates," dated November 30, 1972, Book of Documents, Volume III, Tab 2-E; "UTFA Salary and Benefits Committee Report," dated September 25, 1972, Book of Documents, Volume III, Tab 2-D; "Report of the Committee to Review the Administration of PTR," dated July 7, 1993, Book of Documents, Volume III, Tab 2-H.

6. A look at the actual mechanics serves to illustrate the PTR scheme. Each year, the central Administration transfers two pools of funds to each department or division – one pool from which PTR awards will be made to those under the salary breakpoint, and another pool for those above it. The amount of money in each pool is generated by simply counting the number of faculty members in the pool and multiplying that number by a dollar amount. The first year the salary model was put into effect, 1973, the below-breakpoint pool was \$700 times the number of faculty members in the pool, and the above-breakpoint pool was \$400 per faculty member in the pool. Therefore, a department with twenty people below the breakpoint and five above it would have received, in 1973, a pool of \$14,000 from which PTR awards could be made to those under the breakpoint, and a pool of \$2,000 for awards to those over the breakpoint.

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<sup>1</sup> The senior salary category is described more fully at Tab B-2, item b(v), in respect of the Association's proposal to abolish this category.

7. Although the pools are generated by a simple “head count”, pro-rated for less than full-time appointments, the PTR actually awarded to any particular member of the pool is strictly a function of the assessment by the Chair or Dean of that person’s merit. All of the monies in the pool of funds must be awarded to the persons in the pool, but some individuals may get very low awards, while others receive, by comparison, quite large awards. Thus, a PTR award may be well below or well above the statistical average.

8. By 2004-2005, the PTR pools were based on \$2,655 per full-time professor below the breakpoint and \$1,515 for each full-time professor above the breakpoint.<sup>2</sup> This rise in the amount in the pools since 1973 illustrates another feature of the PTR scheme and demonstrates the inter-locking relationship between the ATB increase and PTR: the amount of PTR available rises in each year by the previous year’s percentage of ATB. For example, because the ATB increase for 1973 was 3.5%, the PTR amounts for 1974 were the 1973 PTR amounts, increased by 3.5% (1973 PTR = \$700/400; 1974 PTR = \$725/415).

9. The costs of the PTR scheme are recovered by the Administration out of the difference between the salaries of those retiring and the much lower salaries of those hired as replacements. As of this date, the scheme is not yet entirely funded in this manner, owing to the combined effect of skewed age distribution of the faculty as a result of the massive growth of the University in the late 1960’s and early 1970’s and the steady increase in starting salaries relative to the minimum.<sup>3</sup> However, the recoveries grow each year and, eventually, the monies recovered will be increasingly greater than those needed to fund the PTR scheme.

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<sup>2</sup> See Memorandum #64 from the Vice-President and Provost, “PTR/Merit Assessment and Salary Increase Instructions for 2004-2005,” Book of Documents, Volume III, Tab 1, at pp. 6-7 for a full breakdown of merit pool funding by academic rank for 2004-2005, (also at Appendix C).

<sup>3</sup> The phenomenon of increasing starting salaries relative to the minimum is discussed in detail at Tab B-2(a) (i).

10. The lecturer, tutor and librarian PTR schemes work on the same principles, but with different amounts in the pools of funds.

*PTR Not Meant to Offset Inflation*

11. Arbitrator Burkett, in his award in 1982, described the salary model at the University and the PTR scheme in the following terms:

9. Before outlining the respective positions of the parties it is necessary to describe in summary form the progression through the ranks scheme (P.T.R.) which is in place at the University. Although the parties are agreed that the P.T.R. scheme should remain in place there is a disagreement between them with respect to whether or not the value of P.T.R. increases should be included for purposes of calculating the value of the University's offer. More importantly, there is a fundamental disagreement between the parties with respect to whether or not average P.T.R. increases should be included in calculations to determine the relative position over time of the salaries paid to University of Toronto faculty compared to the wages and salaries of other groups in society or to movement in the consumer price index.

10. The P.T.R. scheme in place at the University of Toronto is designed to facilitate movement of a faculty member from the rank of assistant professor to associate professor to full professor by means of wholly discretionary salary increased based on merit. There are similar P.T.R. schemes for librarians and lecturers. The average annual P.T.R. increase to faculty since the inception of the plan in 1973 has ranged from 2.79% to 3.5%. The plan is designed to provide those at the lower end of the salary spectrum (the breakpoint is \$47,500) with proportionately larger increases than those at the higher end of the salary spectrum with the results that the ratio between end point and beginning point is approximately 2.5. The plan assumes that a person completing the necessary PhD prerequisite does not attain assistant professor status until age 28. The breakpoint is reached after 20 years. A further 17 years is required to reach the end point. The increases provided by faculty under the P.T.R. plan are in addition to the across the board economic increases which are negotiated annually, as was made clear in the Budget Committee [a committee of the Governing Council] recommendation for the P.T.R. scheme dated November 30, 1973. The Budget Committee recommendations provided in part:

that allocation of funds to the full-time academic salary account for career advancement be considered separately from across the board changes. We recommend that the career advancement component be allocated to individuals entirely on the basis of merit...

The Budget Committee went on to comment that:

In the event that funds available are insufficient to permit award of merit increases as proposed, we envisage reduction in salary scale as being necessary.

Under the plan an individual does not receive an additional increase upon promotion from an assistant to an associate professor or from an associate professor to full professor.

11. The cost to the University of P.T.R. increases is partially offset by the replacement of longer service faculty who retire or leave the University for other reasons, with replacements who enter at the lower end of the salary scale. The current annual cost of providing P.T.R. increases, taking into account the staff turnover factor, is 1.9% of payroll. It is projected that in the future the cost of the P.T.R. plan will be more than offset by the savings generated by staff turnover.

See Arbitrator Burkett's 1982 decision at Appendix C-3 of this book, or Book of Documents, Volume I, Tab 1.

12. Determining the true nature of the PTR scheme and its role in the salary model was integral to Arbitrator Burkett's decision that faculty were entitled to a restoration of their salary levels and that there had indeed been severe erosion. He found conclusively that the annual PTR increment is given as a total amount in recognition of merit and in place of promotion increases; accordingly, only the amount of the economic increase in each year could be taken into account for the purpose of determining how faculty salaries had fared over time and relative to inflation and other groups:

25. I have briefly described the mechanics of the P.T.R. scheme and the nature of the dispute between the parties with respect to whether or not P.T.R. increases should be included in assessing the relative position of faculty salaries over time. The answer to the question which has been raised -- and which is fundamental to a resolution of the issue before me - - is to be found in the purpose of the plan. The University maintains that the P.T.R. increment combines recognition of career progress and a

discretionary salary increase. On the information before me I am unable to compartmentalize the annual P.T.R. increase on the basis suggested by the University. Indeed, if that portion of the annual P.T.R. award which the University labels as a discretionary salary increase is based on merit, as it appears to be, then the distinction which the University attempts to draw between that portion of the P.T.R. increase made in recognition of progress and that given for merit is superficial. In point of fact, the annual P.T.R. increment is given as a total uniform amount in recognition of merit and in place of promotion increases.

26. There are three levels of professors at the University; the entry-level assistant professor, the associate professor and the full professor. The salary range for an assistant professor is \$20,500 to \$34,900. The salary range for an associate professor is \$25,200 to \$41,900. The salary range for a full professor commences at \$33,700 but is open-ended. It is not disputed by the University that as a faculty member progresses from an assistant to an associate to full professor he becomes a more productive and valued human resource. Although faculty members are formally promoted from one rank to the next, there is no promotional salary increase to mark the progress and yet under the plan the end salary of a faculty member who receives average or above average PTR is more than double the start salary in constant dollar or real terms. The P.T.R. increases received by a faculty member over time are given in recognition of his increasing contribution to the University so that large, one time only, promotional increases are not required or justified. The original recommendation of the Budget Committee in support of the P.T.R. scheme was framed in terms of an allocation of funds for "career advancement" and I am satisfied that the annual P.T.R. increase is given, where it is earned, to effect this purpose. The purpose of the P.T.R. increase, therefore is not to advance the salary ranges but to recognize merit by moving individual faculty members through the salary ranges. Upward movement of the salary ranges is achieved by means of, and in the amount of, the annual economic increase. It follows that only the amount of economic increase should be included for purposes of determining how faculty salary ranges have fared over time.

27. The defect in the University's position is illustrated by the example of the faculty member whose salary, including P.T.R., has kept pace with, but not exceeded, inflation during a period when he has been promoted from assistant to associate to full professor. The University does not dispute that the faculty member is entitled to monetary recognition for promotion. However, because his salary has remained constant in real terms throughout the period, it cannot be said that he has both maintained his salary level in real terms and received recognition for his promotions. It is open to the faculty member in this situation to claim one of two things; that he has not received real monetary recognition for his

promotion or that the value of his base salary has fallen. In either case, if it is accepted that the maintenance of salary levels in real terms is a legitimate objective, the faculty member is in a disadvantaged position. For purpose of this award I assume that he has received recognition for his promotions in the form of annual P.T.R. increases, but that the economic increases he has received during the period have not kept pace with inflation.

28. The conclusion I have reached in this regard is implicit in the recently released Brief to the Ontario Council on University Affairs prepared by the Council of Ontario Universities committee on operating grants, March 1982 (see pages vii and 23). The Council of Ontario Universities is an organization of Ontario university administrators. Furthermore, Professor Christie, in his 1981 mediation report to the parties, also reached essentially the same conclusion. He found that 'the cost to the university of progress-through-the ranks while it is a real cost, is not appropriately included in assessing how well the average faculty members is fairing in his struggle against inflation.' [sic]

13. For faculty and librarians above the senior salary level, the PTR system differs in three respects. First, the PTR pool includes the ATB adjustment. In other words, for senior salary group members, there is no automatic ATB increase. Second, the 5% division-wide merit pool does not apply to senior salary group members. Third, PTR funds are pooled across the University as a whole, and allocated to individual faculty members through the Office of the Provost.

14. The three categories of PTR differ in respect of the size of the group over which PTR funding is pooled. Basic PTR is allocated within a single department or (in the case of single-department divisions) division. The 5% pool is allocated at the divisional level. The senior salary PTR allocations are across the University as a whole.

15. In short, the two parts of the salary scheme, ATB adjustments, and PTR adjustments, were designed to work in tandem to ensure that faculty and librarians can expect, on average, to see their earnings in constant dollars rise over the course of a career. But the salary scheme in place since 1973 only produces the financial career

expectations if both parts of the scheme are fully implemented, as they are inter-dependent. In particular, if the ATB increase does not at least match inflation, then the merit increase is de-valued, and its purpose is undermined, because it simply offsets the inflation that the ATB increase should have covered but did not. As a result of the failure of the ATB to match inflation, the career expectations of faculty are not being fulfilled. Based on a 37-year academic career starting at age 28, a faculty member earning an average starting salary would receive only 1.8 times that starting salary at the end of his or her career, not 2.5 to 2.7. This dysfunction will be addressed in the Association's proposal with respect to funding the PTR scheme.

16. Conceptually, the ATB adjustments are comparable to adjustments to the entire pay scale in a conventional pay grid system; and the PTR merit adjustments are comparable to individual employees' promotional adjustments. Indeed, a faculty member does not automatically receive an increase if the faculty member is promoted to the next rank. Upon promotion, the faculty member is entitled to be paid at least the floor salary for the new rank, but the faculty member may already be at or above that floor. In that case, the only promotional increase a faculty member would receive would be through PTR.

17. However, there are two differences which are of some importance between the system at the University of Toronto and a conventional pay grid system. First, the starting salary for a faculty member is not based on a particular spot on a pay scale. As noted above, a faculty member's starting salary is the outcome of an individual negotiation between the prospective faculty member and the employer. Being the product of individual negotiations, starting salaries reflect, among other things, market conditions at the time of hire. Starting salary at the University becomes an important determinant of an individual's lifetime earnings at the University, and has become a significant issue leading to inversions and anomalies within the salary structure.

18. Second, even after the starting salary has been established and the employee is operating within the salary system described above (i.e. annual ATB increases and awards under the PTR scheme), adjustments can be sought by a faculty member and granted at the discretion of the Administration: these are retention and anomaly adjustments.

19. Retention adjustments are awarded when a faculty member has tested the academic market and is, in effect, threatening to leave the University if his or her salary is not adjusted to compete with an offer from another institution. These adjustments are made to the individual's base salary, based on negotiations with the individual.

20. Anomaly adjustments are made in response to complaints from faculty members that they are underpaid relative to other University of Toronto faculty members, whether or not there is a competing offer of employment. Like retention adjustments, anomaly adjustments are the product of negotiation. Without a competing offer of employment as leverage, the individual must simply put the best case forward as to why he or she is underpaid.

21. In effect, the Administration has the option of negotiating further upward adjustments in salary for individual faculty members. These post-hiring adjustments are typically made to reflect market conditions as a way to retain potentially mobile employees.

See the PDAD & C # 28, "Salary Adjustments for Academic Staff and Determination of Starting Salary for New Faculty", dated November 21, 2002, Book of Documents, Volume III, Tab 2-G.

22. Thus, the salary system at the University of Toronto reflects the operation of a consensual model, overlaid by market factors which are brought to bear at the time of hire for all faculty, and on an *ad hoc* basis after hiring for some faculty members. This

point will be amplified further below, in the context of the proposals for ATB adjustments, PTR and other matters.