

**In the matter of Final Offer Selection Arbitration**

- between the -

**Faculty Association of The University of Waterloo**  
("Association" or "FAUW")

- and the -

**University of Waterloo**  
("University" or "Administration")

**Arbitration Brief**  
of the  
Faculty Association of the University of Waterloo (FAUW)

Submitted respectfully to  
Arbitrator Kevin Burkett  
March 18, 2024

On Behalf of the Faculty Association of the University of Waterloo:  
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## Table of Contents

<b>A. FAUW BRIEF.....</b>	<b>4</b>
<b>APPENDICES.....</b>	<b>25</b>
<b>A.1. MEMORANDUM OF SALARY SETTLEMENT PROPOSAL E.....</b>	<b>26</b>
<b>A.2. HOUSING PRICE INDICES – KW, TORONTO, ONTARIO, CANADA .....</b>	<b>27</b>
<b>A.3. RENTAL, MORTGAGE AND HOUSING PRICE INDICES FOR KW .....</b>	<b>28</b>
<b>A.4. PERCENTAGE GAP IN RENTAL PRICES: KW VS TORONTO .....</b>	<b>29</b>
<b>A.5. INFLATION VERSUS UW SCALE INCREASES .....</b>	<b>30</b>
<b>A.6. ADDRESSING WAGE EROSION - OUR CALCULATIONS .....</b>	<b>31</b>
<b>A.7. RELEVANT EXCERPTS FROM OUR MEMORANDUM OF AGREEMENT (MOA).....</b>	<b>32</b>
<b>A.8. RATIONALE FOR IMPROVING HEALTH BENEFITS .....</b>	<b>33</b>
<b>A.9. HEALTH BENEFITS AMONG COMPARATORS .....</b>	<b>35</b>
<b>A.10. PENSION &amp; BENEFIT COMMITTEE AGENDA EXCERPTS NOVEMBER, 2022 &amp; NOVEMBER, 2023 .....</b>	<b>36</b>
<b>A.11. FAUW PROPOSAL SUPPORTS THE UNIVERSITY’S STRATEGIC PLAN .....</b>	<b>38</b>
<b>A.12. FAUW OFFER HISTORY AND RATIONALE: .....</b>	<b>39</b>
<b>A.13. BRIEF HISTORY OF THE UNIVERSITY OF WATERLOO, FAUW, AND NEGOTIATIONS .....</b>	<b>41</b>
<b>A.14. RECENT AGREEMENTS AND SETTLEMENTS (INCLUDES REOPENER AMOUNTS).....</b>	<b>42</b>
<b>A.15. HISTORIC SCALES AMONGST COMPARATORS AND INFLATION. FOR REFERENCE. ....</b>	<b>43</b>
<b>A.16. UW IDENTIFIES AS A WORLD CLASS LEADER – KEY QUOTES .....</b>	<b>44</b>
<b>A.17. UW RANKINGS AND REPUTATION OF EXCELLENCE .....</b>	<b>45</b>
<b>A.18. UW AND ONTARIO COMPARATORS QS RANKINGS – ENGINEERING AND TECHNOLOGY.....</b>	<b>46</b>

<b>A.19. UW AND ONTARIO COMPARATORS QS RANKINGS – OVERALL RANKINGS.....</b>	<b>47</b>
<b>A.20. COSTING &amp; FINANCIAL POSITION .....</b>	<b>48</b>
<b>A.21. TABLE OF AUDITED REVENUES, EXPENDITURES AND EXCESS REVENUES OVER EXPENDITURES .....</b>	<b>50</b>
<b>A.22. UW’S CONTINUING GROWTH.....</b>	<b>51</b>
<b>PART B. [REDACTED] ON WAGE EROSION &amp; FAUW’S PERSPECTIVES .....</b>	<b>52</b>
<b>B.1. LAST TABLED PROPOSAL FROM ADMINISTRATION [REDACTED] .....</b>	<b>55</b>
<b>B.2. THE EFFECT OF DIFFERENT STARTING POINTS FOR COMPOUNDING INFLATION VS SCALE .....</b>	<b>59</b>
<b>B.3. ADMINISTRATION’S FIRST PROPOSAL .....</b>	<b>60</b>

## **A. FAUW Brief**

### **Overview:**

The University of Waterloo (UW) is a top-ranked institution with a reputation of excellence. UW competes with the University of Toronto (Toronto) and the University of British Columbia (UBC) for top rank in STEM fields, and overall is second only to Toronto amongst our comparators. FAUW is asking for a fair settlement that addresses recent acute wage erosion, that accounts for projected inflation, and that maintains our compensation vis a vis Toronto and our other comparators.

Our proposal is a settlement for the 1 May 2024 to 30 April 2027 term and consists of three elements: salary scale increases, improvements in benefits (specifically vision care and mental health), and an adjustment to salary structure.

Our proposed scale increases account for projected inflation and correct for the acute wage erosion that has occurred over the previous settlement. Our proposed scale increases are consistent with and guided by the principle of replication, in that they are informed by our parties' expectations and past practices, as well as by the relevant economic and market forces.

Our proposed increase to salary structure addresses an oversight in 2023, when the reopener scale adjustments should have been thus applied per Article 13.2.2 of our MoA.

Finally, our proposed benefit improvements are modest. The vision care component reflects the approximate cost of a basic pair of prescription glasses every two years. The mental health component falls well below that recommended by the Canadian Psychological Association. Both the proposed vision care and mental health care maxima are still below almost all of our comparators, but reflect the principle of gradualism.

In sum, FAUW's proposal represents a fair and reasonable settlement. We provide numeric details and rationale for our proposal below.

## Offer Summary:

Our proposal, Proposal E, <[see A.1.](#)>, is:

- Scale increases of 6%, 4%, and 3.97% for 2024, 2025 and 2026 respectively
- An additional increase to salary structure (Floors, Thresholds and SIU) of 3% in 2024
- Improved Health Care Benefits:
  - Vision Care Benefits up to \$300 per participant per two years for glasses, contact lenses, etc. (in addition to the existing \$85 every two years for eye exams)
  - Increase in mental health care maxima to \$2,000 per participant per calendar year

## Rationale for Offer:

### *Scale Increases*

Over the last settlement period (which includes a modest Bill 124 re-opener adjustment), FAUW members have experienced acute wage erosion due to ongoing inflation. We calculate that our compounded scale increases are 5.07% behind compounded inflation over this period. Note that this amount is calculated by using the inflation from the calendar year prior to each scale year. So the scale increase of May 2023 is compared to inflation for the 2022 calendar year. Were we to use same-year inflation, our compounded scale increases are 8.56% behind compounded inflation.

Moreover, the cost of living in Kitchener-Waterloo (KW) has increased substantially relative to the rest of Canada and relative to Toronto, as measured by our sharp rise in shelter costs. Indeed, the gap in rental prices between KW and Toronto dropped by over 30%. There is no Consumer Price Index (CPI) for KW but using shelter price indices for KW relative to the rest of Canada, we calculate that our inflation figure would need to be adjusted upward by 3.8 percentage points ( $3.8 + 5.07\% = 8.87\%$ ) to reflect the true inflationary environment that our members face. Toronto has long used their high cost of living as a rationale for higher wages, and this consideration should hold for UW as well, particularly given the extreme rapidity of the rise in our shelter costs. <See [A.2.](#), [A.3.](#), [A.4.](#), [A.5.](#), and [A.6.](#)>

Inflation for 2023 was 3.9%, and the [Bank of Canada's January 2024 Monetary Policy Report](#) projects inflation of 2.8% and 2.2% for 2024 and 2025 respectively.<sup>1</sup> Our proposed scale amounts take into account realized and projected inflation, plus 5.07% catch-up distributed across the three settlement years ( $2.1\% + 1.2\% + 1.77\%$ ). Hence, FAUW's proposed scales:

$$\underline{3.9\% + 2.1\% = 6\% \text{ in 2024, } 2.8\% + 1.2\% = 4\% \text{ in 2025, and } 2.2\% + 1.77\% = 3.97\% \text{ in 2026.}^2$$

While 5.07% does not factor in the true inflationary environment that our members have faced living in KW, it at least addresses a substantial component of our wage erosion. We further note that without a risk premium, or

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<sup>1</sup> Our numbers have been updated to reflect that the January 2024 Monetary Policy Report now predicts 2.8% for 2024, (in October 2023 the prediction was 3.0%).

<sup>2</sup> Again, this offer is calculated using the year-prior-inflation approach. With the year-prior approach, catch-up is 5.7, and year-prior inflation/predicted inflation is 3.9, 2.8, and 2.2, for a total settlement of 13.97. If we were to take a year-of approach, catch up would be 8.56, and year-of inflation is 2.8, 2.2 and 2, for a total settlement of 15.56. We prefer the year-prior approach not only because of our negotiation precedent, but also because it is more conservative, and because we hesitate to use predicted inflation that far out – placing further risk burden on the shoulders of our individual members.

even a COLA,<sup>3</sup> our members shoulder the risk of further wage erosion during the settlement period. Foregoing a risk premium is a concession we make for the current situation, given the large amount of catch-up required for the current settlement. We clarify here that in making this offer, FAUW is not **in any way** foregoing the right to negotiate to redress wage erosion in our next negotiation period. Where employees have suffered substantial erosion in their wages over the term of their last collective agreement, interest arbitrators have awarded an immediate catch-up increase to prevent the employees from falling further behind.<sup>4</sup> Where the next collective agreement will not fully address the gap, interest arbitrators have specifically allowed for the remaining deficiencies to be addressed in future negotiations.<sup>5</sup>

Given the substantial wage erosion and significant on-going inflation faced by our members, we contend that scales of 6, 4, and 3.97 represent a fair and reasonable settlement.

### *Salary Structure*

The proposed 3% increase to salary structure addresses an oversight in 2023, when the reopener scale adjustments should have been thus applied per Article 13.2.2 of our MoA. <See [A.7.](#)>

### *Benefits*

Our proposal for Vision Care Benefits reflects the approximate cost for one pair of basic glasses, with standard prescription lenses, every other year. UW faculty are currently the only ones in the province without coverage beyond eye exams. Our proposed amount of \$300 is amongst the lowest of our comparators, but we still expect both health and productivity benefits from this coverage.

Our proposed increase in the mental health care maxima to \$2,000 is a full \$1,000 below all of our comparators except Queen's, and falls well below the annual coverage recommended by the Canadian Psychological Association for an average course of treatment, but represents a more gradual approach to increasing our benefits. Given the emphasis students' and employees' mental and physical health in UW's Strategic Plan, we believe that increases to mental health care benefits directly align with our institutional objectives. We provide detailed health care benefit rationale, costing, comparator information on benefit maxima, tables of our benefit maxima increases for the past two years, and excerpts from our strategic plan in <[A.8.](#), [A.9.](#), [A.10.](#), and [A.11.](#)>

For a table of FAUW's full proposal history, and explanatory rationale see <[A.12.](#)>. For a very brief overview of the University of Waterloo, of FAUW, and of the current negotiation history see <[A.13.](#)>

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<sup>3</sup> COLA (Cost of Living Adjustment) clauses are observed in different forms in our sector as well as others, for example, [British Columbia's](#) recent public sector bargaining agreements and St. Jerome's ([see 36.2a](#)), as well as in [Ontario Power Generation's](#) 2013 arbitration award. While inflation has begun to decline, considerable uncertainty remains in projecting its future path, particularly one and two years out. The 2023 inflation was *underestimated* by 0.3% and 1.6% in the January 2023 and January 2022 Bank of Canada Monetary Policy Reports respectively (one- and two-year ahead projections). As at the January 2024 Monetary Policy Report, both consumer and business expectations of inflation continue to be higher than the Bank's forecasts.

<sup>4</sup> *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at para 116. See also *Police Services Board (Treaty Three Police Service) v Public Service Alliance of Canada*, [2012 CanLII 77004 \(ON LA\)](#) at 21.

<sup>5</sup> See, for example, *Parkview Manor Health Care Centre v Christian Labour Association Of Canada Local 304*, [2020 CanLII 108883 \(ON LA\)](#) at 4.

## Applicable Arbitration Principles:

We recognize that interest arbitration is governed by the overarching principle of replication. An interest arbitration award should reflect – or replicate – the agreement that the parties would have reached had they been able to reach an agreement in free collective bargaining.<sup>6</sup> Accordingly, the parties' expectation and practice in the past is to be accorded significant weight.<sup>7</sup>

To replicate a likely "bargained" result, the interest arbitrator also has regard to the market forces and economic realities that would have ultimately driven the parties to a bargain.<sup>8</sup> Furthermore, the interest arbitrator considers the objective evidence of comparators. "Comparability puts the flesh on the bones of replication",<sup>9</sup> and the most relevant comparators are those that most closely mirror the situation before the interest arbitrator – including similar types of facilities with similar employee classifications working in similarly situated communities.<sup>10</sup> However, and as set out further below, in situations involving significant inflation earlier and fettered awards may be of limited value.<sup>11</sup>

Other principles of interest arbitration identified in the case law include total compensation, gradualism, and demonstrated need. Total compensation suggests that one cannot look at individual items in isolation and must consider the "whole package" when reviewing comparators.<sup>12</sup> Gradualism reflects the reality that collective bargaining between mature bargaining parties is a continuum that most often accomplishes gradual changes rather than drastic change. Demonstrated need, on the other hand, counterbalances gradualism by providing that an interest arbitrator may award a major or drastic change if the party seeking it can convincingly establish the need for such a change.<sup>13</sup> Demonstrated need is examined in the context of replication and comparability. The easier it is to characterize a proposal as the norm, the less a party will be required to establish a demonstrated need.<sup>14</sup>

## FAUW's Offer is Guided by the Applicable Arbitration Principles:

FAUW's offer is consistent with and guided by the principle of replication as informed by the parties' expectations and past practice, relevant economic and market forces, and comparability. First, the offer reflects the fact that salary scale negotiations between the Administration and FAUW consider changes in the CPI as a starting point, and that the parties expect the settlement to reflect economic factors, salary trends, and the university's financial position. Second, the offer is significantly informed by the historically high rates of inflation and cost of living hikes, particularly over 2021 to 2023, in addition to rising wages not only in the university sector but across the province. These economic and labour market factors would have no doubt shaped the parties' bargaining and the outcome. Third, FAUW's offer is in line with the 2023 interest arbitration

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<sup>6</sup> *Scarborough Health Network v. Canadian Union of Public Employees*, Local 5852, [2020 ONSC 4577 at para 17](#), citing *Re University of Toronto v. U.T.F.A.*, [2006] O.L.A.A. No. 782 at para. 17. See also *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at para 84; *OPG v The Society*, [2023 CanLII 37956 \(ON LA\)](#).

<sup>7</sup> *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at para 94.

<sup>8</sup> *University of Toronto v. University of Toronto Faculty Association (Salary and Benefits Grievance)* (2006), [2006 CanLII 93321 \(ON LA\)](#) at para 17.

<sup>9</sup> *Bridgepoint Hospital v Canadian Union of Public Employees*, Local 79, [2011 CanLII 76737 \(ON LA\)](#) at 4.

<sup>10</sup> *Trafalgar Lodge (Revera) v Canadian Union of Public Employees*, Local 4762-03, [2022 CanLII 85717 \(ON LA\)](#) at para 13.

<sup>11</sup> *Belleville Police Services Board v Bellville Police Association*, [2024 CanLII 9490 \(ON LA\)](#) at paras 12 and 13.

<sup>12</sup> *St Peter's Residence at Chedoke v Ontario Nurses' Association*, [2014 CanLII 22209 \(ON LA\)](#) at 3.

<sup>13</sup> *Air Canada v. CAW-Canada*, Local 2002, [2011 CarswellOnt 9467](#) at paras 67-68.

<sup>14</sup> *Alstom Transport Canada Inc. v Amalgamated Transit Union*, Local 279, [2023 CanLII 122856 \(ON LA\)](#) at para 25.

award to the University of Toronto Faculty Association, and relative to the historical and projected salary trends of other comparable universities in Ontario.

Finally, assessed in its entirety, FAUW's offer is reasonable and in accordance with the principle of gradualism. The offer is not a drastic change requiring FAUW to demonstrate the need for such a change, even though, in FAUW's submission, it will have done so based on much of the same factors discussed above.

### **Replication- Inflation**

Inflation is a critical factor in compensation history at UW, and for replication we point to the fact that CPI is:

- The starting point for our negotiations on scale, per Article 10.2 of our MoA  
“Each year the Compensation Negotiation Teams shall use the annual change in the Canada Consumer Price Index as a starting figure for the discussion of the scale adjustment.”
- Used to index our health care benefits & Faculty Professional Expense Reimbursement (FPER)  
Each year our benefit maxima, and our FPER are indexed upward based on the previous calendar year's increase in CPI. <see [A.7.](#) and [A.10.](#)>
- Manifested in our recent negotiations as well as those of our comparators.  
Past UW settlements include: scale of X, where X is defined as the previous calendar year's inflation (2002); longer term settlement with high scales in latter years to make up for low scales in early years (2010); scales negotiated above inflation and market adjustments to make up for past scales below inflation and falling behind comparator institutions (e.g., 2018 & 2008). Historically, our settlements have exhibited above inflation scales following periods of wage erosion. Our comparators have also had catch-up previously and currently (e.g., [Ottawa](#) and [Toronto](#)).
- An important criterion in Arbitration awards. We elaborate on this final point below.

Within our own institution the relevance of inflation is enshrined in our MoA, as recognized by [Arbitrator Beck in University of Waterloo v FAUW, 2000](#). <C.1.>

I am of the opinion that the Association's position is the more reasonable one in all of the circumstances and its final offer of a 2% scale increase is chosen. There are a number of reasons for this. First, the 1999 CPI is 1.8%, and 1.9% in Ontario. For the 2000-2001 period, the projected CPI of 2% may edge close to 2.3-5%. There is no reason why the Faculty should see an erosion in its real wages. In this context, I would note that the University's Policy 11, "Faculty Salaries", states that the joint Faculty Salary Committee shall use the annual change in the CPI as the **starting point** for discussing scale adjustment (emphasis added).<sup>15</sup>

[REDACTED] the year-prior inflation approach:

[REDACTED]

<sup>15</sup> <https://uwaterloo.ca/faculty-association/advocacy/compensation-negotiations/fauw-salary-settlements/may-2000-arbitration-hearing-results>



Arbitrators have long recognized that, while wages do not always perfectly track inflation, neither should they be limited to remain below it, particularly in the case of broader market adjustments exceeding inflation. As Arbitrator Burkett noted,

Wage settlements do not always move in a lock step relationship with movement in the CPI. If the working public, who both support and benefit from our institutions of higher learning, are receiving wage increases in excess of the rate of inflation there is no justification for limiting salary increases of those who staff these institutions to the rate of inflation. On the other hand, if wage increases are less than the rate of inflation there is no justification for providing faculty with full cost of living protection; a degree of protection against inflation is not guaranteed to any other group in society and not guaranteed to faculty on a reading of the criteria as a whole. However, having expressed these views I recognize that the expectation and practice of the parties is to relate the economic increase to movement in the CPI for the relevant period. Indeed, the first criterion refers to movement in the Consumer Price Index and the University's offer is based on movement in the CPI since July, 1981. I am prepared, therefore, to give considerable weight to the movement of U of T salaries relative to movement in the CPI both prior to and since July 1, 1981.<sup>16</sup>

A critical component of FAUW's offer is an amount for "catch-up", which accounts for wage erosion that has occurred since the 2021 settlement and before the start of the current collective agreement cycle. Arbitrator Burkett addresses the concept of "catch-up" as follows:

[...] the concept of a "catch-up" increase to make up for past erosion of salary or wage levels relative to movement in other salary levels or to movement in the CPI is not new to salary determinations generally nor to arbitration or fact finding reports in particular [...] Because historical benchmark comparisons are used generally in salary determination, **a failure to recognize the concept of "catch-up" in the field of interest arbitration would render the process more artificial than it already is and would lead to unhealthy frustration for those employees bound by its results [...]**.<sup>17</sup>

This essential criterion underpinned Arbitrator Gedalof's decision in Toronto's 2023 settlement award.

[...] Arbitrator Burkett found that "catch up", while not an enumerated criterion, is essential to the legitimacy of the interest arbitration process. Historical benchmark comparisons become artificial if the need for catch up is not accounted for. The question before Arbitrator Burkett was whether the enumerated arbitral criteria agreed to by the parties left room for the application of this otherwise normative consideration. He found that it did. In the instant case, where the parties have long-since adopted the usual replication model for interest arbitration, the availability of catch up in appropriate circumstances is, as arbitrator Burkett held, fundamental to the comparative exercise and ought to be non-controversial.<sup>18</sup>

Further examples recognizing the importance of a "catch-up" criterion include the final offer selection by Arbitrator Kennedy in the 1987 case of McMaster University v The McMaster Faculty Association.

I consider, therefore, that an important criterion in determining which offer to select is the existence of a recognition in principle of the "catch-up" component, and this requirement is not met by the University offer. That is the specific point on which the parties have sought third party

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<sup>16</sup> At para 31, as quoted in *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at para 94. Burkett.

<sup>17</sup> At para 57, as quoted in *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at paras 22-23. Burkett.

<sup>18</sup> *University of Toronto v University of Toronto Faculty Association*, [2023 CanLII 85410 \(ON LA\)](#) at para 94. Gedalof, retrieved on 2024-03-10.

resolution, and the basis of decision should focus on that issue. The Association offer meets this criterion, and I do not consider that the ability to pay argument is sufficiently strong to offset the preferability of the Association position. In a case of ability to pay, there is a heavy onus upon the party pleading poverty to establish that fact.<sup>19</sup>

As in the case of Toronto, inflation is a very relevant factor in negotiations at UW (outlined above). Teplitsky, as cited in UTFA (emphasis added) recognized the practice of the parties to ensure ATB increases, at minimum, protect against CPI increases.

The Faculty's position in the past has been that CPI protection is the minimum that the ATB increase should generate. In fact, over the past 30 years, total increases in the ATB have coincided almost exactly with the increase in the CPI for the same period. In any bargaining round, the ATB increase has been higher or lower than the CPI increase. For example, in the settlement for 2007-2008 and 2008-2009, the ATB increase exceeded the CPI for those years. **Although increases in CPI are not determinative, the fact of a 30-year coincidence between the total ATB increases and the increases in CPI, and the obvious role of CPI in the ATB increase given a compensation structure which includes PTR, CPI is a very relevant factor.**<sup>20</sup>

In agreement with Teplitsky, and with Arbitrator Burkett and Chief Justice Winkler, Arbitrator Gedalof supports that

Having also reviewed the bargaining history between these parties, I agree with my predecessors' consistent assessment. Wage increases may lag or exceed inflation from time to time, particularly where other factors are overwhelming. Wages do not remain, as they have all found and as both Arbitrator Burkett and Justice Winkler articulated, "in lock step" with inflationary increases. But inflation is nonetheless "obviously" (Winkler) and "very" (Teplitsky) relevant.<sup>21</sup>

Finally, as put succinctly by Arbitrator Kaplan,

Inflation is the other subsequent event, and it is compelling, as was recognized by OPG in the PWU-MOS. Inflation is not now a "non-issue." Accounting for inflation is now firmly a part of the interest arbitration matrix.<sup>22</sup>

### **Replication - Other relevant factors**

In addition to inflation, we recognize that scale adjustments at UW are "influenced by economic factors, relevant salary trends and by the University's financial position" per Article 10.2 of our MoA. The principle of replication requires that we are also mindful of these factors.

### **Economic Factors**

We note that one critically important economic factor for salaries is the cost of living in the region. As previously discussed, KW has experienced significant increases in our shelter cost of living that are unaccounted

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<sup>19</sup> McMaster University and McMaster University Faculty Association, 1987 [CanLII 8478 \(ON LA\)](#), retrieved on 2024-03-10

<sup>20</sup> [UTFA Bill 124 Main Brief and Book of Documents - April 24 2023](#), para 124. (which cites University of Toronto and University of Toronto Faculty Association, 2010, page 8. Found at: [https://www.utfa.org/sites/default/files/webfiles/pdf\\_files/2011-Feb-09%20Teplitsky%20Award%20with%20Schedules%20A%20and%20B.pdf](https://www.utfa.org/sites/default/files/webfiles/pdf_files/2011-Feb-09%20Teplitsky%20Award%20with%20Schedules%20A%20and%20B.pdf)) [accessed March 10, 2024]

<sup>21</sup> University of Toronto v University of Toronto Faculty Association, 2023 [CanLII 85410 \(ON LA\)](#), retrieved 2024-03-10, para 104.

<sup>22</sup> OPG v The Society, 2023 [CanLII 37956 \(ON LA\)](#), retrieved on 2024-03-10

for in the Canada wide CPI measure. <See [A.2](#), [A.3](#), [A.4](#), [A.5](#), [A.6](#)>. Moreover, these high costs are not expected to drop.<sup>23</sup> Waterloo is losing a competitive edge as the gap between our shelter costs and those of Toronto narrows. In order to remain competitive, UW should aim for a narrowing of our salary gap with Toronto, and not permit a widening gap.

Other economic factors bear consideration as well. For example, interest rates, which remain high. On March 5<sup>th</sup> the Bank of Canada announced a continuation of the 5% rate. Indeed, Senior Deputy Governor of the Bank of Canada, Carolyn Rogers has cautioned that we should expect and plan for a higher interest rate environment.<sup>24</sup> Higher interest rates are expected to translate to persistently higher shelter costs via mortgage payments and rental prices.<sup>25</sup>

Another common measure of general economic conditions is GDP. While GDP has exhibited fluctuations, and a large dip at the start of the pandemic, it has been growing overall and Canada is well above pre-pandemic levels.<sup>26</sup> GDP growth is predicted to remain moderate but positive in the upcoming years, with a predicted strong rebound in 2025. The [Bank of Canada January 2024 Monetary Policy Report](#) estimates and predicts real GDP growth of 1% in 2023, 0.8% in 2024 and 2.5% in 2025. The Federal Government's projections for real GDP growth (based on a variety forecasts) are: 1.1% 2023, 0.4% in 2024, 2.2% in 2025, 2.4% in 2026, 2.2% in 2027, and 2% in 2028.<sup>27</sup>

Labour market measures, represent another important set of measures for economic conditions. Arbitrator Teplitsky notes,

In deciding public sector disputes, I have always considered that what the community generally is receiving from its employment in wage increases is the best measure of the impact of economic conditions. Applying a deduction for economic conditions which is not tied to an objective standard strikes me as either arbitrary or mere guesswork.<sup>28</sup>

While we address labour market measures in more detail in our subsequent section, here we merely reflect that the industrial aggregate wage growth has **well** exceeded inflation for some time now and is expected to continue to do so in the upcoming year.<sup>29</sup>

These broader economic considerations would support, rather than countervail, the need for FAUW member salaries to be catching-up on wage erosion.

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<sup>23</sup> See: <https://www.bnnbloomberg.ca/what-the-bank-of-canada-s-rate-hold-means-for-the-rental-market-1.2026048>

<sup>24</sup> Remarks by Ms Carolyn Rogers, Senior Deputy Governor of the Bank of Canada, at the Advocis Vancouver, Vancouver, British Columbia, 9 November 2023, as quoted by the Bank of International Settlements. <https://www.bis.org/review/r231113u.htm> [accessed at March 10, 2024]

<sup>25</sup> See the Bank of Canada's January 2024 Monetary Policy Report. <https://www.bankofcanada.ca/2024/01/mpr-2024-01-24/>

<sup>26</sup> Source: Statistics Canada: <https://www150.statcan.gc.ca/n1/daily-quotidien/230901/cg-b001-eng.htm> [accessed March 11, 2024]

<sup>27</sup> See the Federal projections at <https://www.budget.canada.ca/fes-eca/2023/report-rapport/anx1-en.html> [accessed March 10, 2024]

<sup>28</sup> University of Toronto and University of Toronto Faculty Association, 2010, page 9.

Found at: [https://www.utfa.org/sites/default/files/webfiles/pdf\\_files/2011-Feb-09%20Teplitsky%20Award%20with%20Schedules%20A%20and%20B.pdf](https://www.utfa.org/sites/default/files/webfiles/pdf_files/2011-Feb-09%20Teplitsky%20Award%20with%20Schedules%20A%20and%20B.pdf), [accessed March 10, 2024]

<sup>29</sup> See <https://www.bankofcanada.ca/2024/01/mpr-2024-01-24/>.

### Relevant Salary Trends and Market Forces

### Context for Comparison

Replication involves examination of the parties' history of negotiations as well as market forces. As we know, the public sector in Ontario has been characterized by severe wage restraint, due to Bill 124.<sup>30</sup>

Because UW is among the first of our comparators<sup>31</sup> to negotiate post Bill 124 in the new inflation environment,<sup>32</sup> we are concerned with placing any significant weight on settlements that were negotiated prior to the realization of the current historically high inflation rates. As noted by Arbitrator Gedalof,

Second, one must also consider the prevailing conditions at the time those parties entered into their agreements, particularly when those agreements were made without a full understanding of the corrosive impact of inflation over the relevant time frame, and where bargaining followed previously established trends that no longer apply.<sup>33</sup>

\_\_\_\_\_ settlements negotiated in a fettered environment \_\_\_\_\_  
 \_\_\_\_\_ would be imposing those fetters on our current negotiations. As Arbitrator Kaplan points out in  
 Participating Hospitals and OPSEU,

[...]the wage increases proposed by the Participating Hospitals would do nothing more than embed into wages previous, current and future real wage cuts resulting from inflation. That would not be the proper application of any of the HLDDA criteria and cannot be the outcome of this award (and it is unlikely to be the outcome of free collective bargaining).<sup>35</sup>

Indeed, Arbitrator Hayes points to an apparent developed arbitral consensus against the reliance on earlier settlements, and takes a broader approach

Nor do I see any reason to ignore the apparent developed arbitral consensus that wage settlements for 2023 should be approached skeptically if they were reached prior to the onset of the continuing inflationary period. Particularly where there have been negotiated agreements reached both ‘pre’ and ‘post’ the arrival of significant inflation, in my view, those earlier awards cannot be outcome determinative.<sup>[7]</sup> Wage rates in a number of later awards, prompted by persisting inflation, have moved markedly higher than those first negotiated by historical comparators. In doing so, notably, recent awards have taken a broad perspective well beyond what had been a more focused accepted norm.<sup>36</sup>

Most recently, Arbitrator Burkett citing Stout notes

<sup>30</sup> Moreover, our re-opener (negotiated in our last settlement), was bargained at time when inflation was not expected to skyrocket.

31 Our comparators are the U6 (Toronto, Ottawa, Queens, McMaster, Western, and Waterloo) and York. The U6 are comparators [REDACTED] and this core set plus a small and varied number of others, have been included in our salary comparisons for multiple negotiation cycles.

<sup>32</sup> We contextualize here by noting that post Bill 124 negotiations are distinct from re-openers. There have been re-openers (ours being the first amongst our comparators, except McMaster who had a built-in adjustment). Our reopener, like many others, was negotiated under the premise of ‘what would have been agreed to,’ had Bill 124 not been in place. Moreover, because re-openers were by definition negotiated or awarded outside of our standard collective bargaining process, associations had limited bargaining power.

<sup>33</sup> University of Toronto v University of Toronto Faculty Association, 2023 [CanLII 85410 \(ON LA\)](#), para 114, retrieved on 2024-03-10.

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<sup>35</sup> Participating Hospitals v OPSEU, 2023 CanLII 75478 (ON LA), retrieved on 2024-03-10

<sup>36</sup> Belleville Police Services Board v Belleville Police Association, 2024 [CanLII 9490 \(ON LA\)](#), retrieved on 2024-03-09

I acknowledge the award of Arbitrator Kaplan in *Toronto Transit Commission and ATU, 113, 2022 CanLII 9 (ON LA)*, relied upon by the Participating Homes, where he states that "Interest arbitrators are not leaders but followers – followers, preferably and whenever they are available, of freely negotiated settlements especially sectoral comparators." I generally agree with Arbitrator Kaplan and his words would resonate in a pattern following situation. However, the context before me is different from the situation before Arbitrator Kaplan. I am dealing with a pattern setting award that is a leading award for service employees working in the LTC sector, which by necessary implication means it must be a leader. In the context before me, I agree with the sage words of Arbitrator Weiler and Arbitrator Burkett that the broader economy and wage settlements outside the sector must be taken into consideration when addressing a pattern setting collective agreement. In 2013, the Divisional Court found such an approach to be reasonable, see *Service Employees International Union v. Participating Nursing Homes, supra*, at paragraph 22.<sup>37</sup>

Further to addressing wage erosion as well as timing, Arbitrator Hayes points out that the erosion should be addressed now, and not deferred any further.

We pause to locate these bargaining unit employees. Their wages were frozen until the eve of the arbitration. This proceeding presents their final opportunity to seek relief, attributable to the escalation in inflation, for the period prior to July 16, 2022. The parties in the next round will be bargaining forward not backward. To defer this issue to future bargaining would render their recent inflationary losses permanently unrecoverable for all practical purposes.

[...] If the parties had reached their own 2020-2022 collective agreement at an early date, it is improbable that any allowance for inflation would have been made given the rate then known. The fact is, however, that they did not reach such an agreement and the CPI data is now before us. Arbitral application of the replication principle does not entail willful blindness or embracing a fiction. We do not accept that we should ignore this information because it was not available at the bargaining table over a year ago.

Further, with respect, we do not agree with previous awards that were inclined to reject inflation adjustments pending their initial adoption in free collective bargaining. The expressed concern at that time was that there were neither bargained nor adjudicated outcomes to replicate.

We do not see that such a void should preclude arbitral attention to the issue, at least at this point in the economic cycle. The negative impact of inflation on wage rates is now so pronounced that the issue should not be punted downfield.<sup>38</sup>

Therefore, we contend that broader comparisons are necessary to better reflect the economic reality of our labour market and to avoid further delays in redressing wage erosion.

First, we reiterate that wage growth has exceeded inflation in Canada for some time now. Over the course of our last settlement period, compounded growth for the Industrial Aggregate was 13.32%.<sup>39</sup> This amount exceeds our

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<sup>37</sup> The Corporation of The City of Windsor v Windsor Professional Fire Fighters' Association, 2024 [CanLII 379 \(ON LA\)](#), retrieved on 2024-03-10

<sup>38</sup> Homewood Health Centre Inc. v United Food and Commercial Workers, Local 75, 2022 [CanLII 49154 \(ON LA\)](#), retrieved on 2024-03-10, paras [22](#) & [23-25](#).

<sup>39</sup> Consistent with our other analysis, we use year-prior industrial aggregate mapped to the scale year. We would like to provide year-of calculations for comparison, however, at the time of writing these were not yet available for 2023. Data source: Statistics Canada [Table: 14-10-0217-01](#) (formerly CANSIM 281-0044), Canadian Industrial Aggregate excluding unclassified businesses, annual.

compounded scale by 7.21 percentage points. Moreover, while the latest Bank of Canada Monetary Policy Report predicts some labour market easing over 2024, current wage growth remains high, about 4-5%.<sup>40</sup>

Average settlements in Ontario are **only beginning** to reflect this new economic reality. For 2023 settlements among large bargaining units, the average percentage adjustment in the first year is 4.5% in the public sector, and 6.3% in the private sector. The average length of agreement is approximately 3 years, and the average annual adjustment for all years is 4.4 and 3.6 for public and private sectors respectively. These annual averages would suggest average total adjustments of 13.2 and 10.8 just for the 2023 three-year agreements in the private and public sectors. When comparing settlements in the broader private sector to those of the public sector in Ontario, and to our comparators specifically, we note that Bill 124 has had a clear repressive effect, especially in the context of reopener agreements. We highlight a handful of specific examples from the private sector, as well as external to Ontario, to illustrate the broad range on which market-based corrections are occurring. <See [A.14.](#)><sup>41</sup>

Toronto's 2023 Arbitration Award represents an important turning point for our sector. Both the context and the timing of Toronto's award are relevant in this case. Toronto's third year was negotiated to be settled in arbitration, without re-opener constraint imposed on the decision. Moreover, Toronto's award was finalized after Bill 124 was struck down. Thus, Toronto's award reflected, in great part, wage erosion up to 2022.

Toronto is important for UW's current negotiation context for four key reasons. First, Toronto is the most recent among our comparators to have a post Bill 124 settlement. Second, Toronto's arbitration award specifically and substantially reflects wage erosion, resulting in a settlement which more closely reflects freely determined wage increases in the broader labour market. Subsequent to UW's current negotiation, our comparators will be negotiating their own settlements, and we fully expect their negotiations to reflect Toronto's position. For UW not to do so would place us in a position of severe disadvantage. Third, UW has specifically used Toronto in benchmarking our own salaries. Finally, UW competes for top ranked positions with Toronto (as well as UBC), and the University has marketed Waterloo accordingly.

#### *UW is Top Rank, is Marketed as Such, and Should be Compensated as Such*

Prospective students are informed they “**will be taught by Canada's top professors**, who are leading the way in many areas of research and teaching.” Emphasis added. <See [A.16.](#)>. In our primary fields, there is no question that Waterloo ranks alongside Toronto and UBC. Per the University's promotional material, UW is reputationally the best in Engineering, is number 1 in Computer Science, and has a critical strength overall in STEM disciplines (representing nearly 75% of our faculty members). Moreover, even considering our less populated disciplines UW is strong. Currently, the 2024 QS overall rankings place UW second amongst our comparators, and substantially closer to Toronto than our other comparators. Our co-op program is the strongest and our graduate employment rate is number one. As measured by return on investment, UW far outstrips competitors. UW has been instrumental in contributing to the Silicon Valley of the North. Whereas Toronto is deemed the Harvard of Canada, the Administration advertises (and we agree) that Waterloo is deemed the [MIT of Canada](#). <See [A.17.](#), [A.18.](#), [A.19.](#), [A.16.](#)>

Waterloo not only markets itself as competing for top-rank, but also has precedent to pay accordingly.

When the salary levels at Waterloo are compared, on an age-adjusted basis, with all Ontario universities, Waterloo is near the top, with the exception of Toronto. [...] Waterloo's position as

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<sup>40</sup> Concerns have been raised that persistent wage growth could spur further inflation, the Bank of Canada may keep that in check with higher interest rates. The January Monetary Policy Report also notes that real wages may not spur inflation if businesses absorb the higher wage costs rather than passing them on to the consumer. <https://www.bankofcanada.ca/2024/01/mpr-2024-01-24/>

<sup>41</sup> For previous settlements, see < [A.15.](#)>.



being well ahead of other universities in the comparator group, except Toronto, will be maintained with implementation of the University's offer.

Source: University's Position, Arbitration Hearing 2000. <C.1.>

Earlier and later negotiations also reiterate

[REDACTED]

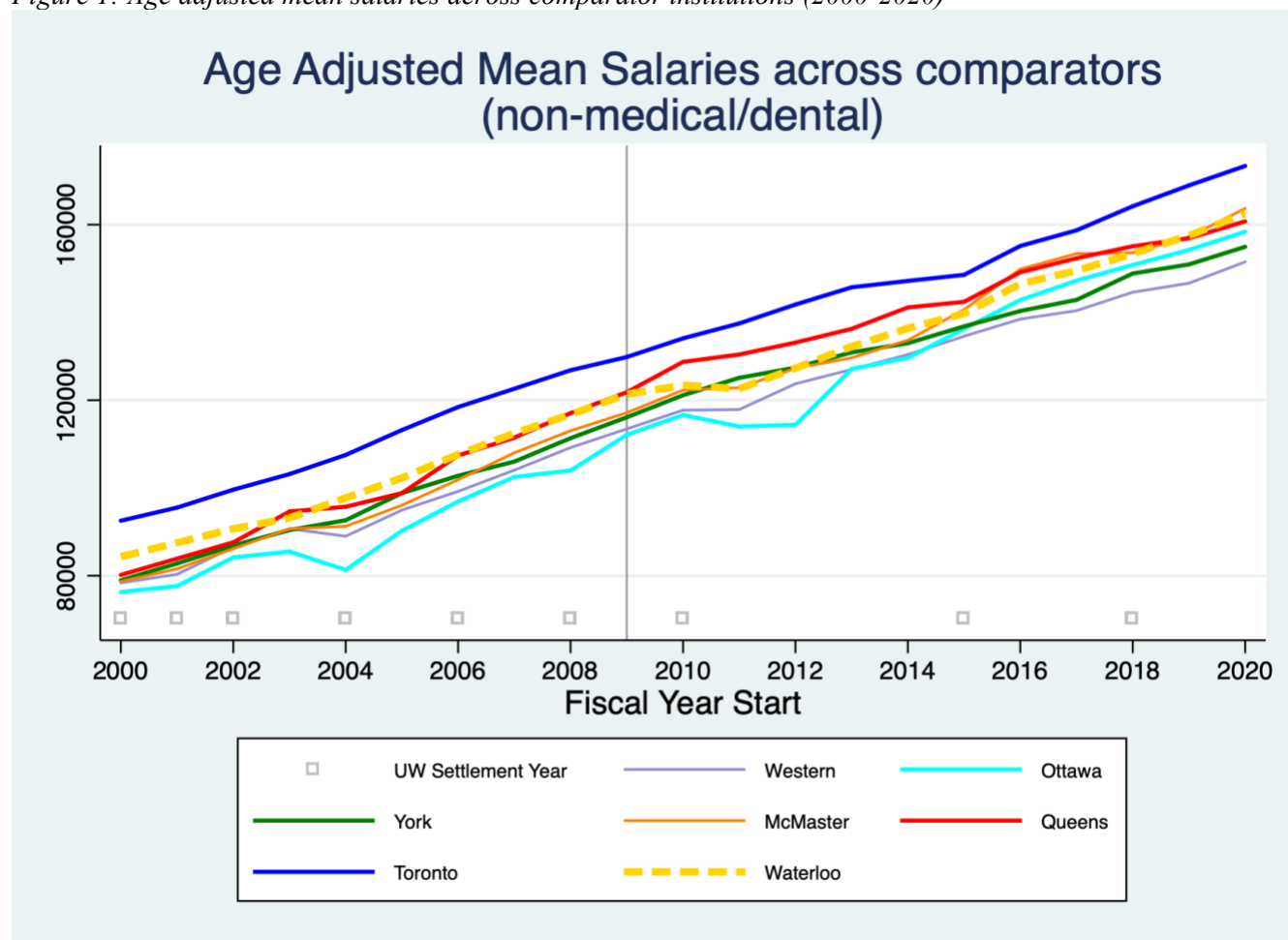
[REDACTED]

[REDACTED]

[REDACTED]

However, our relative salary position fell substantially with the 2010 settlement (McGuinty government pushed for zero scale and [REDACTED]). It took two settlements to catch up with Queen's and re-gain the second-only-to-Toronto position, as shown in figure 1.

Figure 1: Age adjusted mean salaries across comparator institutions (2000-2020)

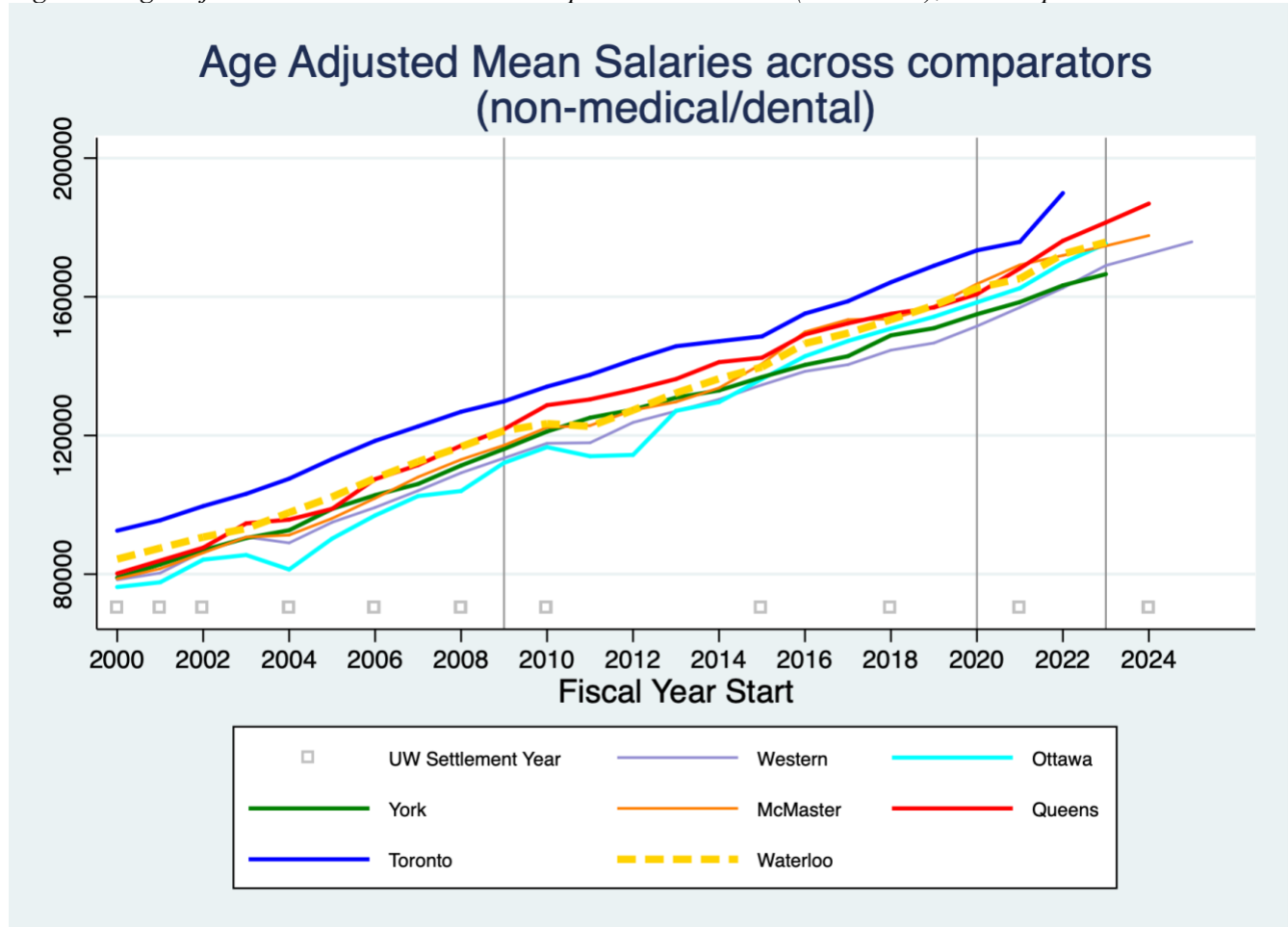


Source: Authors' calculations using CAUT custom tabulations from Statistics Canada. The grey vertical line represents the year before the 2010 settlement. Note: The data is not continuous, but discrete. However, we deemed it more "readable" to depict salary movements as lines, rather than by markers at each data point.



And figure 2 shows that FAUW members are now in a position of having fallen behind *again* (2021-2023). In figure 2, we observe that the gap in salaries with Toronto has grown acutely, and that again government interference has unduly influenced Waterloo's relative salary position. We are now well behind being second to Toronto.

Figure 2: Age adjusted mean salaries across comparator institutions (2000-2025), with reopeners.

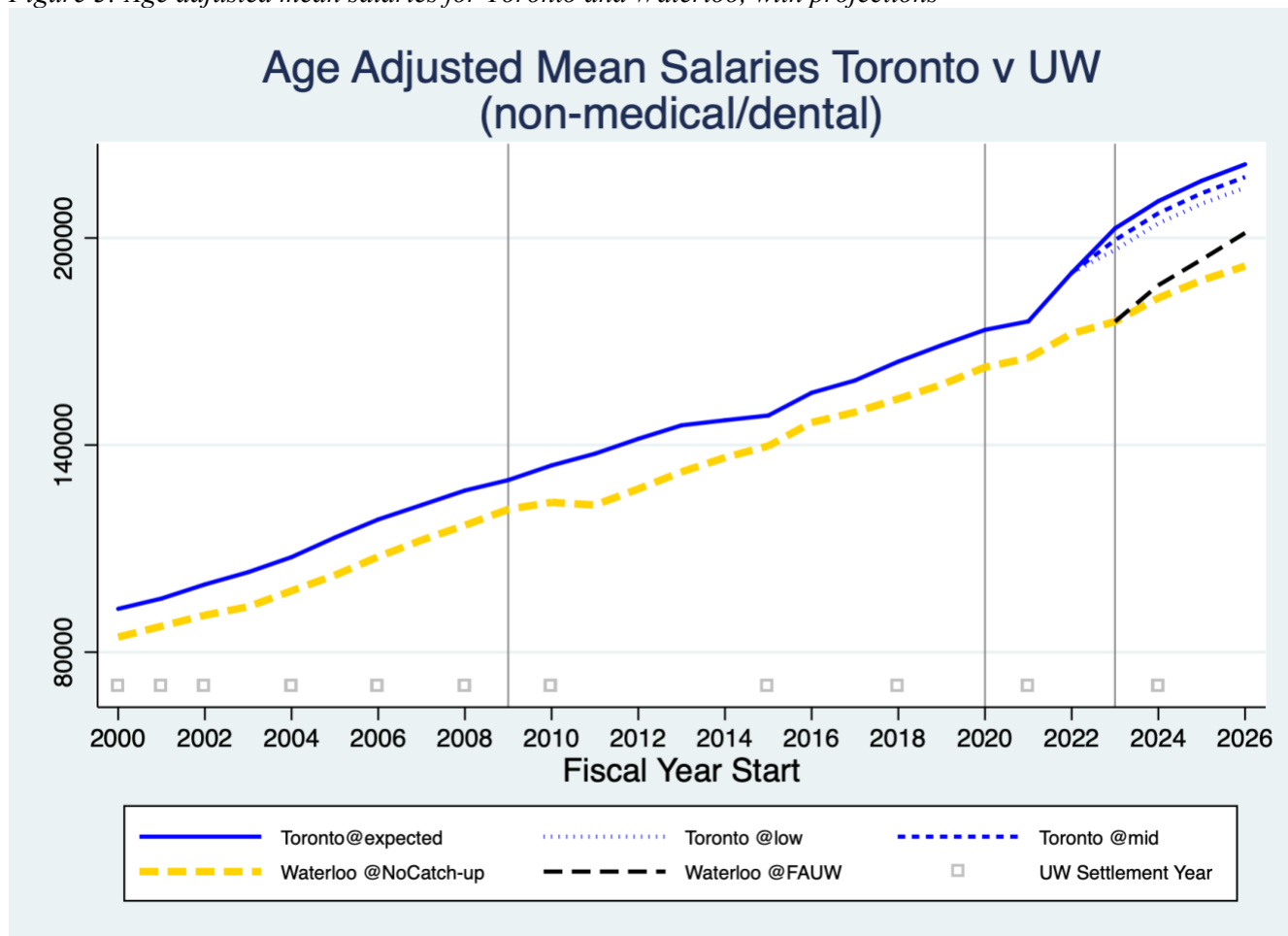


Source: Authors' calculations using CAUT custom tabulations from Statistics Canada. For Toronto, 2022 data not available and calculated as 2021\_mean\*1.08. Mean salaries were also adjusted based on reopener settlements (as the data were collected prior to reopeners). York has not yet settled, so we conservatively assume they would achieve the same as UW (+2 in 2022, and +1 in 2023). Data for fiscal year start 2023 onward are projections. The grey vertical lines represent the year before the 2010, 2020 and 2024 settlements as these are relevant points of deviation. Note: The data is not continuous, but discrete. However, we deemed it more "readable" to depict salary movements as lines, rather than by markers at each data point.

Figure 2 presents age adjusted salary data up to the latest settlement year for each of our comparators. Because salary data is only available up to fiscal year starting 2022 (2021 for Toronto), and because this data was collected prior to reopener adjustments, we have adjusted and projected salaries according to the most recent negotiated settlements. For re-opener adjustments, we multiply that year's salary by the reopener addition. Thus, for Waterloo, the 2022 salary is adjusted multiplying by 1.02. York has not yet settled their reopener, but rather than leave their salaries at 1%, we attributed UW's reopener scales to York as well. However, we expect they will obtain more. For Toronto we obtained the 2022 amount by multiplying the age-adjusted mean salary of Toronto for 2021 by 1.08.

In figure 3 we show historic and projected salaries, to illustrate the magnitude of UW's deviation from Toronto at 2022, and in the future under a set of defined scenarios.

*Figure 3: Age adjusted mean salaries for Toronto and Waterloo, with projections*



Source: Authors' calculations using CAUT custom tabulations from Statistics Canada. Waterloo's 2022 mean salaries were adjusted based on the reopener settlement (as the data were collected prior to reopener) – and thus increased by the added 2%. For Toronto, 2022 data not available and calculated as 2021\_mean\*1.08 (their 2022 scale increase). Projected salaries for fiscal start year 2023 onward are calculated in a similar manner for each institution for each year, where scale increases for these years reflect the outlined scenarios. The grey vertical lines represent the year before the 2010, 2020 and 2024 settlements. Note: The data is not continuous, but discrete. However, we deemed it more “readable” to depict salary movements as lines, rather than by markers at each data point.

Figure 3, illustrates projected trends for Waterloo under two scenarios. The first scenario has scale exactly equal to year-prior inflation (or projected inflation), that is 3.9%, 2.8%, and 2.2%, for 2024, 2025 and 2026 respectively. This trajectory is represented by the yellow dashed line (Waterloo@NoCatch-up). In the second scenario, wages are set to increase by the amounts in FAUW's offer, that is 6%, 4% and 3.97%. This trajectory is represented by the black dashed line. We present these trajectories against the backdrop of Toronto. However, as Toronto has not yet settled for 2023 onward, we must rely on assumptions. We present our assumptions openly so that the reader may assess their credibility. As with Waterloo, we show different scenarios for Toronto based on alternative assumptions. Under all Toronto scenarios, we assume that scale equals year prior inflation (or projected inflation) for 2024, 2025 and 2026 – that is 3.9%, 2.8% and 2.2% (same as Waterloo@NoCatch-up). But we must also make an assumption about their probable 2023 settlement, which they are currently

negotiating. If we assume that they obtain a scale equal to year prior inflation, that would be 6.78% for 2023. This trajectory is represented by the solid blue line, Toronto@expected. Given our understanding that the Gedalof award reiterated year prior inflation as their minimum, and given that the faculty association aims to negotiate for catch-up above that amount, we believe that this assumption is conservative. [REDACTED]

[REDACTED] we consider two alternative scenarios. First, that Toronto could settle at 5% for 2023(Toronto@mid), and second that Toronto could settle at 3.5% for 2023 (Toronto@low). Even in the @low scenario, Toronto's trajectory is substantially elevated relative to Waterloo@NoCatch-up.

Toronto established a relevant catch-up for the recent acute inflation (the sharp rise in 2022). If they also, at minimum, track year-prior inflation (the solid blue line), and if UW does not address the already growing gap, we will fall further behind.

Between 2000 and 2021, our gap with Toronto has averaged 8.68%. But with Toronto's 2022 settlement, that gap rises to over 10.21%.<sup>42</sup> Even if the 2023 settlement for Toronto were only 3.5%, our gap would rise to 11.83% and if their 2023 settlement follow's the Gedalof award and, at minimum, matches 2023 inflation, the gap would exceed 15.37%, nearly double our 2020-2021 average.<sup>43</sup>

We are not saying that our wages should be the same as Toronto's, but the gap should not grow. Substantial redress for wage erosion is necessary to prevent the gap from widening.

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<sup>42</sup> Toronto did not report their 2022 fiscal year start data, so this gap is calculated by taking the 2021 age adjusted mean salary for Toronto and multiplying by 1.08 (per their 2022 salary increase), for UW the 2022 age adjusted mean salary is multiplied by 1.02 to reflect the reopener (we had 2% added on retroactively, but this would not have been reflected in the Statistics Canada data). Then we calculate the percentage gap between these two amounts.

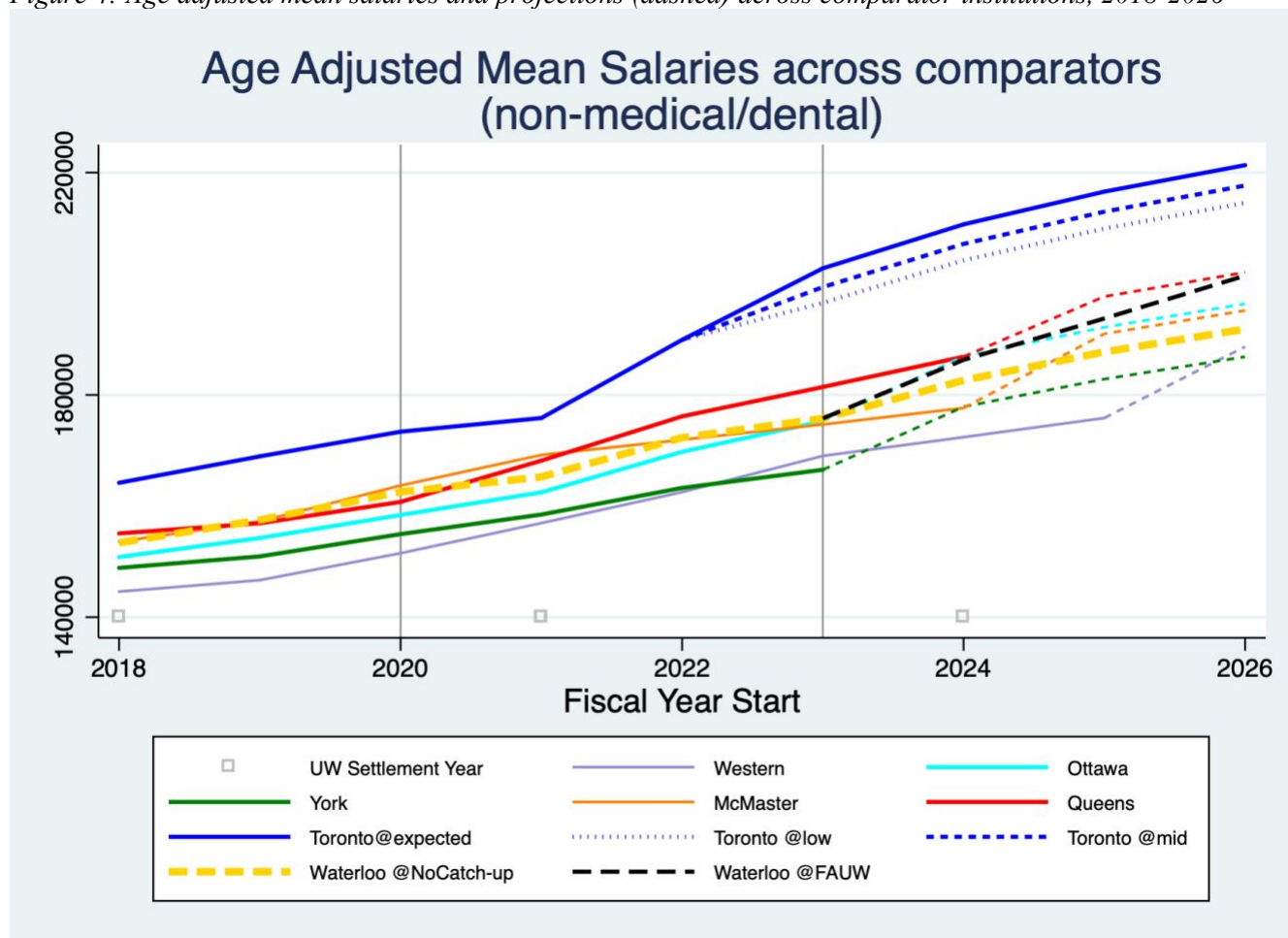
<sup>43</sup> These gaps are calculated by multiplying the corrected 2022 age adjusted mean salaries by the assumed(actual) scale increase for each institution. So for Toronto, we take the 2022 age adjusted mean salary\*1.035 (or 1.068), and for UW, we take the 2022 age adjusted mean salary\*1.02. Then we calculate the percentage gap between these two amounts.

## UW Risks Falling Behind Against Other Comparators

keeping second only to Toronto. We therefore believe it reasonable to consider our situation in light of the fact that we have recently fallen behind that benchmark again, and that additionally our other comparators will follow in Toronto's leading footsteps by seeking and obtaining redress for wage erosion.

To provide a visual understanding, figure 4 shows projected age adjusted mean salaries for our comparators based on expectations of their upcoming settlements. Again, we provide our assumptions so that the reader may assess their credibility. For the years in which their scales have not yet been negotiated, we set the scale to equal the year prior inflation rate (all-items, Canada, annual). For comparability, we make the same assumption for all institutions. In addition, we assume that all comparators (except for Toronto) negotiate some catch-up in their next settlements. For simplicity, we set their catch-up equal to the difference in their compounded scale for the 2020-2022 period, relative to that of Toronto for the same period. Clearly, if Toronto negotiates further redress of wage erosion in 2023, we expect our comparators to also negotiate further catch-up. Therefore, we believe that these estimates represent a conservative approach. The projections for Toronto are as set in figure 3.

Figure 4: Age adjusted mean salaries and projections (dashed) across comparator institutions, 2018-2026



Source: Authors' calculations using CAUT custom tabulations from Statistics Canada. For Toronto, 2022 data not available and calculated as  $2021\_mean \times 1.08$ . Mean salaries were also adjusted based on reopener settlements (as the data were collected prior to reopeners). York has not yet settled, so we assumed they would achieve the same as UW (+2 in 2022, and +1 in 2023). That is likely an underestimate. Data for 2023 onward for Toronto is a projection. For Waterloo, York, and Ottawa, next settlement projections start in 2024. For Queen's and McMaster projections start at 2025, and for Western only 2026 is a projection. The grey vertical lines represent the year before the 2020 and 2024 settlements. Note: The data is not continuous, but discrete. However, we deemed it more "readable" to depict salary movements as lines, rather than by markers at each data point.

We have already ‘re-fallen’ substantially below “second to Toronto” in our salaries. If our settlement does not also redress erosion while our comparators do, then we will drop further still (yellow dashed line).

Again, these broader wage growth and comparator considerations would support, rather than countervail, the need for FAUW member salaries to begin catching up on wage erosion.

It is important to note here that were FAUW to be awarded 13.97% over the three scale years 2024-2026, this award would not represent scale increases larger than Toronto, because Toronto has not yet settled scale for 2024-2026, or even for 2023. A more appropriate comparison would be this:

For the 2020-2022 period, Waterloo’s scale (including the reopener) totalled 6.27, Toronto’s totalled 10.17. Thus, for that period, Waterloo is 3.9 percentage points behind.

For 2023, Waterloo’s scale (including the reopener) is 2. Toronto has not yet settled, but given their precedent and Gedalof’s decision, we would expect year-prior inflation, in the range of 6.78%. Thus for the 2020-2023 years, Waterloo would be sitting approximately 7.7 percentage points behind Toronto (3.9%+4.78%). Even if Toronto obtained only 3.5% scale for 2023, that would place Waterloo 5.4 percentage points behind Toronto (3.9%+1.5%).

For 2024-2026, assuming Toronto negotiated scale only to match year prior inflation, that would set them at 8.9% total for 2024-2026, and if UW agreed to 13.97% for the same 2024-2026, FAUW members would still only have caught-up part way to Toronto’s scale increases. That is, UW would have caught up 5.07 points out of a 7.7 predicted percentage point gap (or out of a 5.4 point gap if Toronto only managed to obtain 3.5% scale for 2023).

### UW’s Financial Position

As a final matter, we now address the University’s financial position. Using [REDACTED] calculations of UW’s MCU financial health indicators and our own analysis, including a comparison of the MCU indicators across Ontario’s U6, we have found that UW’s financial position is very healthy. In fact, UW ranks at the top of all the U6 schools, so its ability to pay the proposed fair and reasonable compensation increases is not in question.

Indeed, UW has continued to grow and expand by hiring more staff, faculty, and administrators, and is continuing to invest in new buildings and renovations. Although our revenues have fluctuated during the pandemic, audited statements show a growth of 7.06% from fiscal year ending 2022 to fiscal year ending 2023. Over the entire period of fiscal years ending 2020 to 2023 UW’s revenues have increased by 10.33%. Moreover, counts of full-time equivalent students grew by 4.19%, faculty by 2.1%, support staff by 8.3%, administrative and non-academic support staff by 6.8%, and UW has approved new builds, renovations and additions representing over \$131 million in internal funding. <See [A.20.](#), [A.21.](#), and [A.22.](#)>

Throughout this expansion, which occurred during a period of ongoing provincial funding and tuition constraints, UW maintained a healthy surplus of revenues over expenditures. UW’s audited excess of revenue over expenditure has, exceeded 50M in each of our recent years and more than doubled (117 million) in 2021 when UW took in record numbers of students in a virtual environment. And while there have been fluctuations, our excess revenues as a percent of our total revenues averaged about 4.7% over the past 27 years. UW has done an excellent job of managing its finances in good times and bad, leaving it in a very healthy financial position going into this round of bargaining.

Speaking directly to the funding and tuition constraints, we have known for some time that funding would be limited for the foreseeable future. The 2019 tuition cut and freeze, along with the previous and ongoing limits on provincial grant funding and enrolment corridors, are not new. Nor has there been much expectation of an increase. Indeed, the University community was pleasantly surprised to see the increased funding recommendations of the Blue Ribbon Panel in November 2023. We had low expectations that the Provincial Government would employ any of the Blue Ribbon Panel recommendations, but again, were pleasantly surprised to see the positive step taken by the Provincial Government to provide “Stabilization funds” to the post-secondary sector.

This improvement in funding is most welcome. While this funding remains below the Blue Ribbon Panel recommendations, and while there may be little expectation that the upcoming Provincial budget announcement will provide more, we do note that the amounts expected for the University of Waterloo (7 million from the sustainability fund for 2024/2025 + 12 million from the over-enrolment in STEM fund for 2023/2024) are positive.<sup>44</sup> Given that other comparable Universities expect similar amounts in year one and larger amounts in years two and three, we expect UW will also receive more for the second and third years.<sup>45</sup>

We calculate that the combined amount of new funds that will enter UW coffers before the end of the current fiscal year represents an approximately 8% increase over the 2023/2024 net operating grant amount (238 million).<sup>46</sup> We recognize that these amounts do not represent an ongoing commitment to financial sustainability; however, reports from other Universities suggest that UW would be allocated larger amounts in the second and third years. Government funding is always subject to uncertainty due to unanticipated shifts in policy and priority, but this stabilization funding is a positive change after years of heavy restraint.

Moreover, performance-based provincial funding, which kicked in for 2023/2024, links a larger portion of funding to student and economic outcomes, implies relative gains for UW given our high graduating student employment rate. Our 2023/2024 operating grant budget allocation was increased 10% on that basis.

We reiterate that even throughout the years of more severe fiscal constraint, UW continued to grow. UW expanded staff, administration, faculty, and buildings despite uncertainty over enrolment growth. All of these expansions yield increases in ongoing operating expenses, just as scale does. We therefore find arguments of the “un-affordability” of fair wage increases to be unconvincing. We are not persuaded that wage restraints are necessary or even strategically optimal.

We pause here to note that budget documents and other strategic decisions are highly subjective, and even political at times. Our assessment of the university’s financial position has therefore relied only on the objectively evaluated information in UW’s audited financial statements and on the financial ratios and benchmarks provided by the Ministry of Colleges and Universities.

Based on our analysis of the audited financial statements using the MCU financial health indicators, we believe that UW’s finances would not be jeopardized by FAUW’s proposed compensation requests.<sup>47</sup>

Our proposal in the first year represents a \$15.6 million increase, which represents about 1.2% of UW’s audited total revenues for fiscal 2023, and less than 1.8% of UW’s 2023/2024 operating budget revenue.

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<sup>44</sup> See [UW March 4 Budget Update](#).

<sup>45</sup> We have asked for [REDACTED] further information on funding expectations for the second and third years.

<sup>46</sup> See [Senate Agenda March 4, 2024](#).

<sup>47</sup> [REDACTED]



Similar to the McMaster Faculty Association in 1989, FAUW is sensitive to the budgetary pressures facing the Administration, but it is now time for the Administration to be sensitive to the needs of the faculty. Arbitrator Kennedy upheld this perspective, stating

However, I do not consider that it is appropriate to look at faculty salaries as being the residual component of a budget, and I think the materials are adequate to establish that the time has come that some restoration of the economic position of the faculty is justified.<sup>48</sup>

Finally, in recognizing the financial position of the University, we emphasize that financial position is distinct from ability to pay, which is in turn distinct from willingness to pay. [REDACTED]  
[REDACTED] However, even were ability to pay be in question, Arbitrator Shime emphasized that this concept holds little economic rationale as a criterion in arbitration:

[...] there is little economic rationale for using ability to pay as a criterion in arbitration [...] public sector employees should not be required to subsidize the community by accepting substandard wages and working conditions.[...] If arbitrator/selectors were to consider the funding level of universities for the purpose of salary determination, they would in effect become handmaidens of the government. Arbitrator/selectors have always maintained an independence from government policies in public sector wage determinations and have never adopted positions which would in effect make them agents of the government for the purpose of imposing government policy. Their role is to determine the appropriate salary range for public sector employees regardless of government policy, whether it be funding levels or wage controls.<sup>49</sup>

Not only does our proposal fall well within the realm of ability to pay, but it also is time to be sensitive to the needs of the faculty.

#### *A Note on Communicated Budget Constraint and Hiring*

It is a common practice for the Administration to report budget constraints during negotiations. Throughout this current bargaining cycle, the Administration has updated the UW community on budget projections and plans, starting with an [operating budget Town Hall](#) on November 29, 2023. We wish to acknowledge these Administrative communications and budgetary decisions. For example, March 4<sup>th</sup>, employees received an email outlining financial constraints and planned budgetary adjustments. Also March 4<sup>th</sup>, Math faculty members received a follow up email reassuring members that they had anticipated cuts, are prepared to manage them, and that they expect a relatively “soft landing.”

In the past, as well as currently, the University has instituted soft and hard hiring restraints, [REDACTED]  
[REDACTED] On March 5<sup>th</sup>, employees received an email announcing the creation of another new senior administrative role, with a new support unit to accompany it. Also on March 5<sup>th</sup>, employees received an email announcing limited hiring on Academic Support staff, where staff members would be expected to realign workload to accommodate instead of hiring replacements in the event of a vacated position.

Should the Administration deem it necessary to expand these hiring constraints to faculty,<sup>51</sup> FAUW submits that hiring restraints are preferred to ongoing wage erosion. We negotiate for the long-term well-being of our current membership. We further assert that a stable-sized, highly respected, competitive institution is more strategically

<sup>48</sup> McMaster University and McMaster University Faculty Association, 1987 [CanLII 8478 \(ON LA\)](#), retrieved on 2024-03-10

<sup>49</sup> McMaster University and McMaster University Faculty Assn., Re, 1990 [CanLII 12727 \(ON LA\)](#), retrieved on 2024-03-10

<sup>50</sup> [REDACTED]

<sup>51</sup> We note here that these are hiring constraints and not layoffs. Layoffs would present a very different scenario, and require application of Article 16 of our Memorandum of Agreement. It is our understanding that the Administration is not doing so.

important for our fundamental academic mission and for our long-term success. Investment in the ongoing quality of our Human Resources is critical.

## Summary:

In sum, FAUW's proposal represents fair and reasonable compensation increases that address the substantial wage erosion that members have recently faced, as well as accounting for predicted inflation. We are also proposing very modest and reasonable increases to our health care benefits.

Our proposal reflects the replication principle in arbitration in that: our proposal is consistent with the negotiation's mandate to use inflation as our starting point, and to consider as well economic factors, relevant salary trends, and the University's financial position. We have shown that in all cases, these factors suggest that the scale increases we propose are both fair and reasonable. Also consistent with the principle of replication, we have shown that our proposal reflects precedent at UW to use year-prior inflation measures, to benchmark with Toronto and above all other comparators, and to negotiate (and agree upon) additional adjustments reflecting market conditions. Moreover, given the modesty of our benefits proposals, and the distribution of catch-up over multiple settlement years, our proposal is in keeping with gradualism because nothing in this offer would constitute "radical change."

The key disagreement with the Administration is on wage erosion.

[REDACTED]

We disagree with all of these statements and elaborate further in [Appendix Part B](#).



# **APPENDICES**

## A.1. Memorandum of Salary Settlement, Proposal E

### MEMORANDUM OF SALARY SETTLEMENT March 18, 2024

The University of Waterloo and the Faculty Association of the University of Waterloo hereby agree to the following salary settlement:

1. Term of agreement: 1 May 2024 to 30 April 2027 (three years).
2. Scale increases:
  - effective 1 May 2024: 6%
  - effective 1 May 2025: 4%
  - effective 1 May 2026: 3.97%
3. Effective 1 May 2024, all salary structure Floors, Thresholds and SIU will increase by 3%.
4. The University shall instruct the Pension & Benefits Committee (PBC) to provide FAUW members and their eligible dependents (the participants) with an improved vision care benefits. In addition to our current reimbursement of \$85 per participant every two years for eye exams, the extended health benefits plan will provide a reimbursement up to a maximum of \$300 per participant every two years for glasses, contact lenses and vision corrective eye surgery. This update to the extended health benefits plan will be paid for by the University increasing its annual contributions to the current extended health benefits plan accordingly.
5. The University shall instruct the Pension & Benefits Committee (PBC) to provide FAUW members and their eligible dependents (the participants) with a higher maximum on mental health paramedical services. The updated extended health benefits plan will provide each participant a reimbursement up to a maximum of \$2,000 per calendar year for Psychologist, Master of Social Work (MSW), Registered Psychotherapist – and all Eligible counselling services providers combined. This update to the extended health benefits plan will be paid for by the University increasing its annual contributions to the current extended health benefits plan accordingly.

For the University:

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Christine McWebb  
Chief Negotiator

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Mark Giesbrecht

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Bruce Frayne

For the Association:

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Kate Rybczynski  
Chief Negotiator

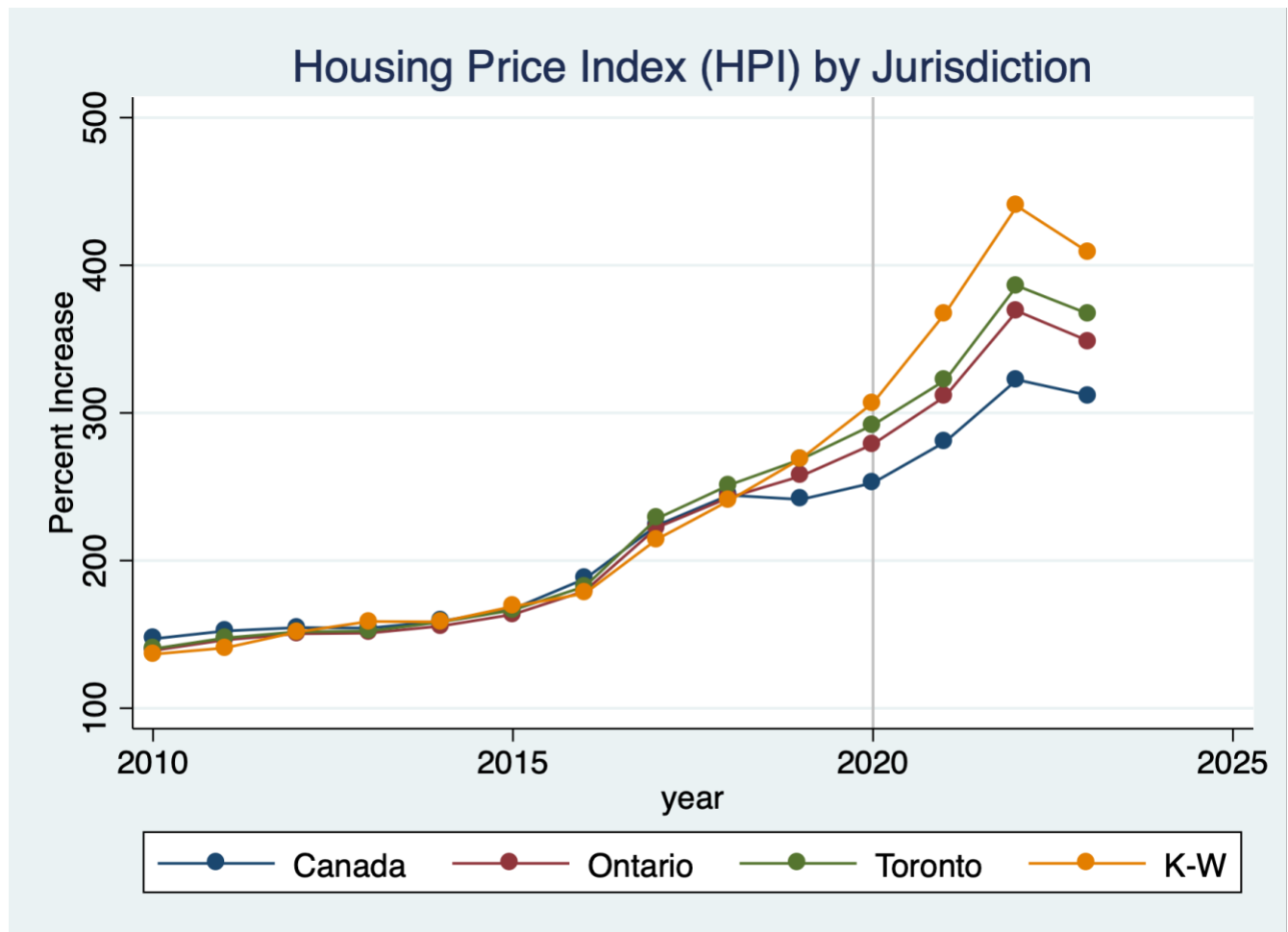
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Michael Wallace

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Greg Berberich

## A.2. Housing Price Indices – KW, Toronto, Ontario, Canada

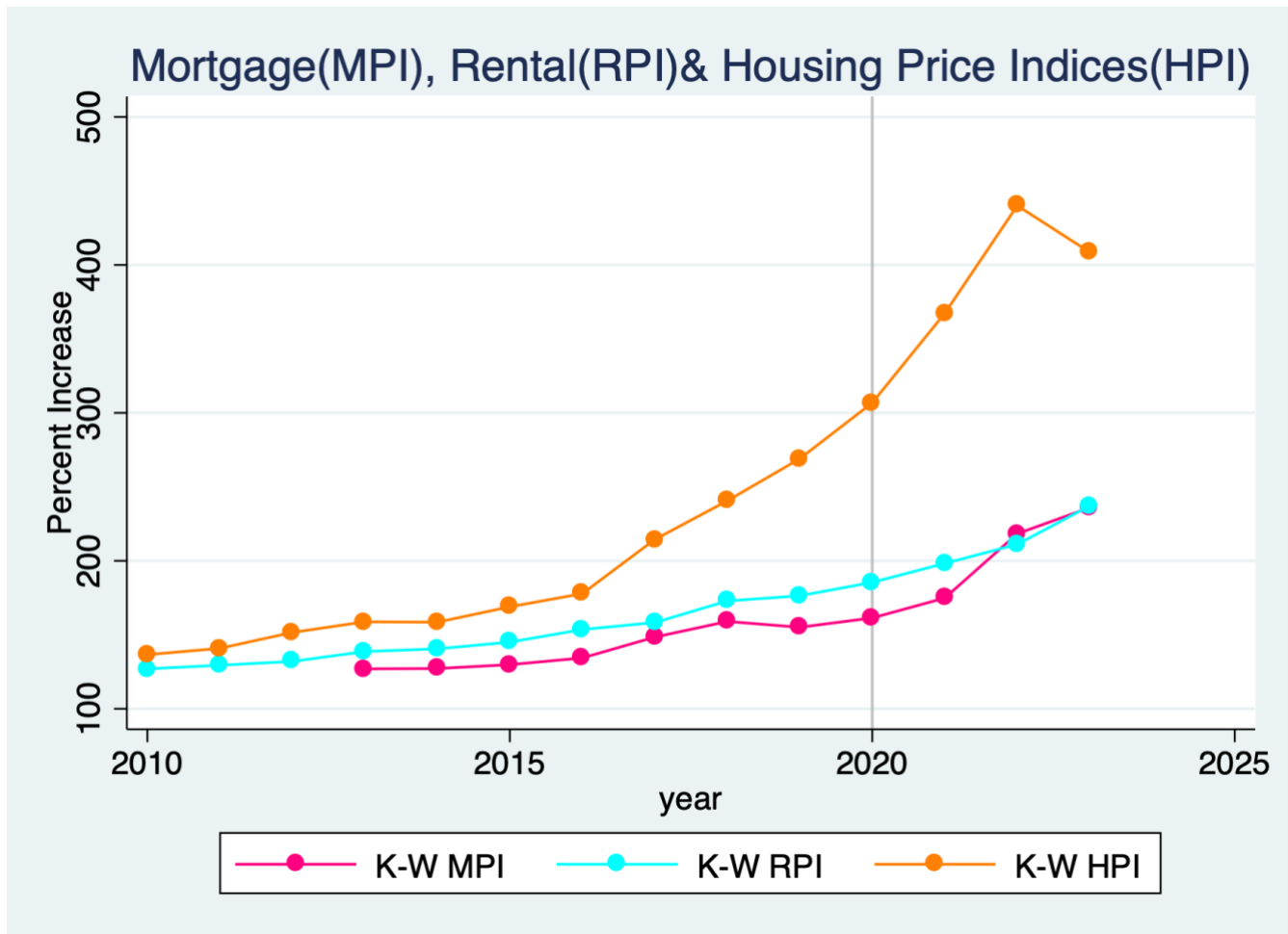


Source: MLS-HousingPriceIndex from the Canadian Real Estate Association (CREA), including apartments. (<https://www.crea.ca/housing-market-stats/mls-home-price-index/>). A grey bar is indicated for 2020 to show that KW HPI growth accelerated even before the start of the recent pandemic.

We highlight that despite a dip in the last year, KW HPI remains more than 250 points above where we were in 2010, and our relative increase is substantially higher than that of Toronto, Ontario and the rest of Canada. KW is a popular location and an increasingly and disproportionately expensive place to live.

The latest predictions suggest that housing prices will rebound mid-2024 and continue to rise. [RBC Special Housing Reports January 29, 2024]

### A.3. Rental, Mortgage and Housing Price Indices for KW



Source: MLS- HousingPriceIndex from the Canadian Real Estate Association (CREA). <https://www.crea.ca/housing-market-stats/mls-home-price-index/>. Rental price index derived from the Canadian Mortgage and Housing Corporation's published mean rental prices in the primary rental market (we use the "total" measure but these values very close to the 1 bedroom measure). (<https://www03.cmhc-schl.gc.ca/hmip-pimh/#TableMapChart/0850/3/Kitchener%20-%20Cambridge%20-%20Waterloo>). Index generated by calculating price growth from 2010, and scaling to be just below the HPI at 2010 (for visual clarity). Monthly mortgage price index derived from the Canadian Mortgage and Housing Corporation's published mean mortgage payments for new mortgages (within past 3 months, including re-financing). Data are quarterly and averaged to generate an annual mean (<https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/mortgage-and-debt/average-scheduled-monthly-payments-new-mortgage-loans>). Index generated by calculating payment growth from 2012 (earliest year available), and scaling to be just below the apartment price index at that time (for visual clarity). A grey bar is indicated for 2020 to show that KW price indices were rising substantially even before the start of the recent pandemic.

Note that in addition to housing prices, mortgage payments and rental prices have increased substantially in KW, particularly mortgage payments, over the most recent settlement period (2021-23).

#### A.4. Percentage Gap in Rental Prices: KW vs Toronto

<i>Year</i>	<i>Gap</i>
2010	25.36
2011	25.94
2012	27.50
2013	24.64
2014	26.49
2015	26.49
2016	22.65
2017	25.53
2018	20.39
2019	26.18
2020	25.80
2021	20.31
2022	19.78
2023	17.23

Source: Authors' calculations using the Canadian Mortgage and Housing Corporation's published mean rental prices in the primary rental market using the "total" measure, which is very close to the 1 bedroom measure. (<https://www03.cmhc-schl.gc.ca/hmip-pimh/#TableMapChart/0850/3/Kitchener%20-%20Cambridge%20-%20Waterloo>)

Note that the gap in rental prices between Toronto and KW has dropped by **32%** since 2010, with the biggest reductions occurring over the 2020-2023 period.

### A.5. Inflation versus UW Scale Increases

<i>Year</i>	<i>Waterloo Scale</i>	<i>Inflation</i>	<i>Year-Prior Inflation</i>	<i>Difference in compounded totals By Approach</i>
2021	1.00%	3.35%	0.74%	
2022	3.00%	6.78%	3.36%	
2023	<u>2.00%</u>	<u>3.90%</u>	<u>6.78%</u>	
Compounded Total (year prior)	6.11%		11.18%	5.07%
Compounded Total (year of)	6.11%	14.67%		8.56%

## A.6. Addressing Wage Erosion - Our Calculations

We calculate that in order to address wage erosion specific to KW would require an adjustment of 8.87%. This amount represents catch up based on Canada wide inflation (5.07%) adjusted to reflect a KW specific CPI by taking into account our substantially higher shelter price increases (+3.8%). Details are provided below:

Our compounded scale for 2021-2023 is 6.11% (including the reopener adjustments).  
Compounded inflation for 2020-2022 is 11.18% for Canada.<sup>52</sup>

Thus, addressing this gap would necessitate at minimum a 5.07% increase to base salary.

(Note that these calculations are based on inflation measured at calendar year prior to each scale increase. So scale for 2023 compares with inflation for 2022.<sup>53</sup> This 'year prior' approach reflects UW's practice for adjusting our Health Care Benefit maxima and our FPER (Faculty Professional Expense Reimbursement) by using the previous calendar year's inflation.<see [A.6.](#) & [A.7.](#)> )

The cost of living adjustment specific to KW (3.8%) is calculated by taking a weighted average of two measures.

1. The difference between compounded rental price index increases for KW and the compounded increases in the shelter-price index component of CPI for Canada.
2. The difference between compounded mortgage payment index increases for KW and the compounded increases in the shelter-price index component of CPI for Canada.

The lower measure (rental) is weighted by 0.7. The higher measure (mortgage) is weighted by 0.3.<sup>54</sup>  
We then further weight by 0.3 (the approximate shelter-price basket weight). The resulting amount is 3.8%.

Thus, addressing KW-specific wage erosion would necessitate an 8.87% increase to base salary.

*Data sources: Rental price index increases and Mortgage payment index increases are derived from the Canadian Mortgage and Housing Corporation's published mean rental prices in the primary rental market ("total" measure), and mean mortgage payments for new mortgages. Mortgage data are quarterly and averaged to generate an annual mean. Indices generated by calculating price growth and then scaled to have starting values just below the HPI (housing price index). The shelter-price index component of CPI series is available in Statistics Canada Table 18-10-0006-01. The shelter basket weight series is available in Statistics Canada Table 18-10-0007-01.*

These calculations are higher than one might anticipate because we are using direct shelter costs, as opposed to the more complex methods employed in calculating shelter in the CPI. Unfortunately, we do not have sufficient information to calculate shelter indices in the same way. However, it is worth pointing out that there is some debate over the appropriate method to calculate shelter costs, and that shelter costs are inadequately captured in the CPI because they represent averages, and therefore do not reflect the current costs faced by newer entrants to the housing and rental markets. This failure of CPI to adequately reflect shelter costs is magnified in periods of high house, mortgage and rental price growth. KW is clearly harder hit than the rest of Canada, and we do not even have the benefit of a KW specific CPI to capture this.

---

<sup>52</sup> The inflation measure we used is also the same measure UW applies to calculate our FPER increases, that is: the All-Items Consumer Price Index (Canada) Annual average (Statistics Canada Table 18-10-0005-01) from the calendar year prior.  
If we were to use same-year inflation, the compounded inflation for 2021-2023 is 14.67%, which would require an 8.56% increase to address wage erosion. So we feel our approach is conservative.

<sup>54</sup> This weighting is roughly based on home ownership rates among youngest age category. ([Statistics Canada Daily, 2022-09-21](#))

## **A.7. Relevant Excerpts from our Memorandum of Agreement (MoA)**

### **Article 10.2**

The Memorandum of Settlement shall specify the annual scale change. Each year the Compensation Negotiation Teams shall use the annual change in the Canada Consumer Price Index as a starting figure for the discussion of the scale adjustment. Adjustments in the salary scale are influenced by economic factors, relevant salary trends and by the University's financial position. Scale changes, expressed as a percentage change, apply to the salary structure and to all salaries. Other items that may be specified include changes in the salary structure (see Article 13), anomalies and other special salary increases, and changes in the Faculty Professional Expense Reimbursement Plan (see 11.5) and other benefits specific to Members. The Memorandum of Settlement may also include an amount for proposed changes in benefits defined in University Policies and/or administered by the Pension and Benefits Committee. If the proposed benefit changes are not approved, the negotiated amount shall be awarded as a scale change.

### **Article 11.5.5**

On May 1 of each year, the FPER shall be indexed by the annual average percentage change (January to December) in the Canada Consumer Price Index for the immediately preceding year. See the Finance Compensation Rates page for the current value.

### **Article 13.2.2**

Effective May 1 of each year, the annual scale change as specified in the Memorandum of Settlement shall be applied to the salary floors, thresholds, and Selective Increase Unit. Otherwise, changes in these amounts shall require the mutual agreement of the Association and the University.



## A.8. Rationale for Improving Health Benefits

Our strategic plan promotes mental and physical health. We believe that it is important for the faculty to have adequate health care benefits, reflecting reasonable coverage of costs for mental health and vision care (both of which are critical for our work).

Over the last decade (2012-2022) there has been a significant rise in mental health concerns in Canada [Statistics Canada].

12-month prevalence of

major depressive episodes : 4.7% → 7.6%  
generalized anxiety disorder: 2.6% → 5.2%  
bipolar disorders: 1.5% → 2.1%

Lifetime prevalence of

major depressive episodes: 11.3% → 14.0%  
generalized anxiety disorder: 8.7% → 13.3%  
bipolar disorders: 2.6% → 3.4%

Moreover, mental health represents a major, specific concern in academia.

- Australia, 2003: Mental illness 3-4× higher than general population. [Winefield]
- Europe, 2017: 37% indicated a mental health disorder. [Guthrie]
- UK, 2017: 43% had symptoms of a mild mental disorder. [Gorczyński]
- Canada, 2010: 24% had substantial level of psychological distress. [Catano]
- Canada, 2018: “Women and racialized academic staff were more likely to report high levels of stress.” [CAUT]

The Canadian Psychological Association recommends that “employers provide their employees with stand-alone coverage for psychological services of between \$3,500 - \$4,000 per year. This represents the approximate cost of a course of psychotherapy for the average person who needs it.” [CPA, 2023]

The benefits to improved mental health care extend beyond the individual to the institution and the economy.

Likewise, vision care benefits not only the employee but also the employer.

Research shows that vision care is effective in:

- Improving employee satisfaction and retention, and reducing presenteeism.
- Optimizing value for money.
- Prevention of more serious, debilitating vision conditions.

We have received updated cost estimates from Eckler Benefits Consulting Services, for an additional \$1,000 on our mental health care maxima (for a new maxima of \$2,000), the expected cost to the University for coverage on FAUW members is approximately 0.1 million. For an additional \$300 maxima coverage on glasses, contact lenses and corrective surgery, the estimated cost to the University for coverage on FAUW members is approximately 0.23 million.

### References:

- CPA 2023, *Employees, Employers & the Evidence; The Case for Expanding Coverage for Psychological Services in Canada*, May, 2023. Accessed at <https://cpa.ca/docs/File/Advocacy/Employees%20Employers%20and%20the%20Evidence%202023%20EN%20Final.pdf>.]

- Mental disorders and access to mental health care (2023). Statistics Canada.
- Occupational stress in Australian university staff: Results from a national survey (2003). Winefield et al.
- Understanding mental health in the research environment (2007). Guthrie et al.
- Examining the construct validity of the transtheoretical model to structure workplace physical activity interventions to improve mental health in academic staff (2017). Gorczynski et al.
- Occupational stress in Canadian universities: A national survey (2010). Catano et al.
- Out of the Shadows: Experiences of Contract Academic Staff (2018). CAUT.

### A.9. Health Benefits Among Comparators

<u>Institution</u>	<u>Mental Health Care Maxima (per year)</u>	<u>Vision Care maxima (per 2 years)</u>
Waterloo	\$1,067	\$85 exam only
Toronto	\$7,000	\$110 exam, \$725 other
York	\$10,000	\$850 total (exam + other)
McMaster	\$3,000	\$100 exam, \$500 other
Queens	\$1,000	\$100 exam, \$300 other
Western	\$5,000	\$25 exam, \$300 other
Ottawa	\$3,000	\$80 exam, \$250 other

Source: OCUFA & Collective Agreements/Settlements.

Currently, UW is the only university in the province without vision coverage beyond eye exams.

## A.10. Pension & Benefit Committee Agenda excerpts November, 2022 & November, 2023

### Extended Health and Dental Benefits

*Indexation of Maxima effective January 1, 2023*

The University's plan design for healthcare benefits is subject to an annual cost of living adjustment for the plan maxima.

#### Indexing Model

The adjustment to the maxima has been calculated as in previous years and the impact is identified in the table below. Aon has advised that to increase the benefit maxima for January 1, 2023 based on 1-year inflation results in a \$151,900 annual on-going cost.

Provision	Current Maxima	Proposed Maxima (1 Year Inflation)	Change
Paramedical/Hearing Aids	\$768	\$811	5.64% <sup>1</sup>
Psychologist/Social worker (Actives & Retirees Post 6-6-2020)	\$975	\$1,030	5.64% <sup>1</sup>
Psychologist/Social worker (Retirees 1-1-1996 to 6-5-2000)	\$768	\$811	5.64% <sup>1</sup>
Private Duty Nursing	\$23,271	\$24,583	5.64% <sup>1</sup>
Out of pocket max: Single	\$133	\$138	3.61% <sup>2</sup>
Out of pocket max: Family	\$267	\$277	3.61% <sup>2</sup>
Dental Basic	\$2,466	\$2,583	4.75% <sup>3</sup>
Dental Major	\$3,716	\$3,893	4.75% <sup>3</sup>
Dental Orthodontia	\$3,716	\$3,893	4.75% <sup>3</sup>
Total Additional Annual Cost of Indexing: <sup>4</sup>		\$151,900	
<sup>1</sup> Percentage increases are calculated from Stats Can Other Health Care index rates for each year that the inflation is applied.			
<sup>2</sup> Percentage increases are calculated from Stats Can Medicinal and Pharmaceutical index and Other Health Care index rates for each year that the inflation is applied based on 60%/40% weighting.			
<sup>3</sup> Dental Maxima increases based on the 2022 increase to the dental fee guide as an estimate for 2023 fee guide increase (current year fee guide applies)			
<sup>4</sup> These costs are above the annual total claim costs projected based on UW's claims experience from October 2021 to September 2022 (adjusted 2021 claims with plan design changes), inclusive of administration fees and applicable taxes. These are not a one-time cost but will be additional costs to claims experience on an on-going basis. This amount does not include any increase to the non-pension postretirement benefits liability or annual expense related to the plan amendment created by improving the ongoing retiree benefits design.			

#### Action Required: *Decision*

## Extended Health and Dental Benefits

### Indexation of Maximums effective January 1, 2024

The University's plan design for healthcare benefits is subject to an annual cost of living adjustment for the plan maximums.

### Indexing Model

The adjustment to the maximums has been calculated as in previous years and the impact is identified in the table below. Aon has advised that to increase the benefit maximums for January 1, 2024 based on 1-year inflation results in a \$112,500 annual on-going cost.

Provision	Current Maximum	Proposed Maximum (1 Year Inflation)	Change
Paramedical/Hearing Aids	\$811	\$841	3.64% <sup>1</sup>
Psychologist/Social Worker (Actives & Retirees Post 6-6-2000)	\$1,030	\$1,067	3.64% <sup>1</sup>
Psychologist/Social Worker (Retirees 1-1-1996 to 6-5-2000)	\$811	\$841	3.64% <sup>1</sup>
Private Duty Nursing	\$24,583	\$25,478	3.64% <sup>1</sup>
Out of Pocket Max: Single	\$138	\$143	3.98% <sup>2</sup>
Out of Pocket Max: Family	\$277	\$288	3.98% <sup>2</sup>
Dental Basic	\$2,583	\$2,803	8.50% <sup>3</sup>
Dental Major	\$3,893	\$4,224	8.50% <sup>3</sup>
Dental Orthodontia	\$3,893	\$4,224	8.50% <sup>3</sup>
Total Additional Annual Cost of Indexing:		\$112,500	
<sup>1</sup> Percentage increases are calculated from Stats Can Other Health Care index rates for each year that the inflation is applied.			
<sup>2</sup> Percentage increases are calculated from Stats Can Medicinal and Pharmaceutical index and Other Health Care index rates for each year that the inflation is applied based on 60%/40% weighting.			
<sup>3</sup> Dental Maxima increases based on the 2023 increase to the dental fee guide as an estimate for 2024 fee guide increase (current year fee guide applies)			
<sup>4</sup> These costs are above the annual total claim costs projected based on UW’s claims experience from October 2022 to September 2023, inclusive of administration fees and applicable taxes. These are not a one-time cost but will be additional costs to claims experience on an on-going basis. This amount does not include any increase to the non-pension postretirement benefits liability or annual expense related to the plan amendment created by improving the ongoing retiree benefits design.			

**Action Required: Decision**

This excerpt for 2024 indexing was not posted on the public agenda. This was sent to us by the Administration. Not listed above, our [2021-2024 settlement](#) added Vision Care (exam:\$85 per participant every two years).

### A.11. FAUW proposal Supports the University's Strategic Plan

The University of Waterloo's 2020-2025 Strategic Plan "Connecting Imagination with Impact" is a people centric plan, which emphasizes a willingness to take risks and embrace new approaches.

This plan reiterates that "The University of Waterloo's mission is to advance learning and knowledge through teaching, research, and scholarship, nationally and internationally, in an environment of free expression and inquiry." (*The University of Waterloo Act*)

Among the goals and objectives of this current five-year plan are to:

- Educate global citizens for the future of work and learning to thrive in an age of rapid change by putting learners at the centre of everything we do.
- Promote quality and innovation in teaching and learning and support infrastructure, policy and practice that remove systemic barriers.
- [U]se its disciplinary and interdisciplinary strengths to solve increasingly complex, real-world problems.
- Create tomorrow's research leaders by attracting and retaining outstanding, diverse research faculty, graduate students and post-doctoral scholars from around the world.

*We note that in order to fulfill these objectives, and specifically to attract and retain outstanding faculty, the University will need to ensure that the compensation offered is also outstanding.*

Moreover, the strategic plan goes further to uphold genuine care and concern for our people, with the goal to

- Be a people-centered institution committed to genuine care, concern, respect, inclusivity and well-being for all.
- Working in partnership with all stakeholders, mobilize the commitments from the Okanagan Charter and Healthy Workplace statement to embed and promote sustainability and foster personal development and supportive environments for mental health and resilience, physical health, social inclusion, belonging and spiritual well-being in campus culture.

And to

- Foster a connected and supportive community that inspires students, faculty, staff and alumni to achieve their personal, academic and professional goals while feeling valued.

## A.12. FAUW Offer History and Rationale:

Item	FAUW OFFERS				
	A (Dec 8)	B (Jan 4)	C (Jan 18)	D (Jan 2)	E (March 18)
Year 1 Scale	Max{X+0.5, 4.5}	X+0.5 or 4.5	X+0.25 or 4.25	6	6
Year 1 Flat to base (catch-up)	8.87%*75 <sup>th</sup>	8.87*75 <sup>th</sup>	3*50 <sup>th</sup>	0	0
Year 2 Scale	Max{X+0.5, 3.5}	X+0.5 or 4	X+0.25 or 3.75	4	4
Year 2 Flat to base (catch-up)	0		2.5*50 <sup>th</sup>	0	0
Year 3 Scale	Max{X+0.5, 2.7}	X+0.5 or 3.5	X+0.25 or 3.25	5	3.97
Year 3 Flat to base (catch-up)	0		2*50 <sup>th</sup>	0	0
Salary Structure Increase	15.52%	12.52%	10.5%	3%	
Vision Care (Maxima- glasses)	\$600 per 2 years	\$600/2yr	\$600/2yr	\$600/2yr	\$300/2yr
Mental Health Care (Maxima)	\$5,000	\$5,000	\$4,000	\$3,600	\$2,000
Course Release Compensation	+6	+6	+6	+6	0
Total Scale + Flat to Base as a ~scale equivalent	Sum of the Maxima + 8.87%*75 <sup>th</sup>	Sum of X+0.5 + 8.87%*75 <sup>th</sup> or (~20.87%)	Sum of X+0.25 + 7.5*50 <sup>th</sup> or (~18.75)	15	13.97

Note: X represents calendar year-prior Canadian All-Items Inflation.

FAUW's first proposal, A, represented the following:

- For each of the three settlement years, scale set equal to a maxima of two options: the first option being X (where X is *actual realized inflation* in the calendar year prior) plus a buffer of 0.5; the second option being the Bank of Canada's *Predicted inflation rates (per their [October 2023 Monetary Policy Report rounded to 4 for 2023](#))* plus a buffer of 0.5. Why do we include a buffer on X (a realized inflation amount)? Critical to our thinking is that we expect the KW specific shelter cost inflation to continue exceeding the Canada wide shelter cost increases.
- A flat dollar amount to base salary of 8.87% times the 75<sup>th</sup> percentile earnings. This percent represents full catch-up on inflation with the KW specific cost of living adjustment <see [A.5](#), for calculations>. The flat dollar amount is proposed in order to lift the lower earners up more than the higher earners, the 75<sup>th</sup> percentile is used to balance the relative "loss" to higher income earners due to having a flat increase.
- The proposed salary structure increase aims to keep the salary structure in line with the flat amount to base (so 8.87% plus an added amount to account for the oversight of not duly applying the scale adjustments from the reopener settlement to the salary structure). Our salary structure is automatically increased by scale each year, so flat amounts to base would otherwise not keep our salary structure in line with inflation.
- The Vision Care maxima (on glasses, etc.) represents the cost of one pair of basic prescription glasses every year and brings our Vision Care coverage in line with comparators.
- The Mental Health Care Maxima represents an approximate cost of a Psychologist approximately twice a month for a year, and brings our coverage in line with comparators.
- The course release compensation provision aims to address the growing responsibilities of collegial governance as our institution expands.

This proposal is substantial, but founded in key principles: inflation catch-up, protection against further wage erosion, addressing the disproportionate growth of KW specific cost of living, and improved health care benefits.

FAUW's second proposal, B, addressed XXXXXXXXXXXXXXXXXXXX certainty in the scale amounts.

- We noted that with a fixed scale the risk of further wage erosion falls on the shoulders of our individual members. As such, a risk premium of 0.5 is applied in year two (hence 4 instead of 3.5), and a risk

premium of 0.8 is applied in year 3 (hence 3.5 instead of 2.7) – so the newly proposed scales reflect that risk burden in the second and third years. As an alternative, if the Administration was willing to share the inflation risk with faculty members, we proposed a simple  $X+0.5$  buffer. It is important to recognize that this alternative “ $X+0.5$ ” represents a clear reduction from the first proposal, because it is no longer part of a maxima.

2. We reduced our proposed salary structure amount [REDACTED]
3. [REDACTED]

FAUW’s third proposal, C, aimed to provide compromise on numbers, while retaining catch-up and some protection against further wage erosion (+ buffer) for FAUW members.

1. We reduced the buffers by 0.25 for each year (0.75 total), and reduced the flat amount to base by 1.37% and now based it off the 50<sup>th</sup> rather than the 75<sup>th</sup> percentile. We calculate that these changes reduced the total cost between proposal B and proposal C by about \$6 million dollars.
2. We reduced the proposed salary structure amount to match the reduction in the flat amount to base and spread it across three years.
3. We reduced the mental health care benefit maxima by \$1,000.

FAUW’s fourth proposal, D, [REDACTED]

1. We simplified our proposal, putting it all into scale increases (although our preference was still the flat amount to base, we believe that the administration preferred all in scale). Recall that in October 2023, the Bank of Canada’s predicted inflation for 2023-2025 was 3.9% (4% rounded), 3%, and 2.2%. As such, our offer of 15% over three years represented: a partial (5%) catch-up on wage erosion; inflation; no adjustments or buffers related to KW specific cost of living increases; but a relatively modest risk premium (a risk buffer) of 0.8%.  
 $4\%+2\%=6\%$  in 2024,  $3\%+1\%=4\%$  in 2025, and  $3\%+2\%=5\%$  in 2026.
2. We reduced our proposed salary structure amount accordingly.
3. We reduced our proposed mental health care maxima to just above the lower bound of the Canadian Psychological Association’s recommended coverage.

FAUW’s offer for arbitration, E, represents a compromise on all fronts.

1. We retained the simple format, all in scale, and reduced the scale amounts to actual/predicted inflation plus 5.07% catch-up. These scale amounts are thus  $3.9+2.1=6\%$  for 2024,  $2.8+1.2=4\%$  for 2024, and  $2.2+1.77 = 2.97\%$  for 2026. For a total of 13.97% across three years.
2. We reduced our proposed Vision care maxima to \$300, which is among the lowest of our comparators.
3. We reduced our proposed Mental Health Care maxima to \$2,000, which is lower by a thousand than all comparators except Queen’s.



### **A.13. Brief History of the University of Waterloo, FAUW, and Negotiations**

The University of Waterloo (UW) was opened in 1957, and is a publicly-supported research-intensive University with a globally renowned reputation in STEM fields, entrepreneurship and innovation (with Canada's most productive start-up incubator), and co-operative education (one of our cornerstones). UW has over 42,000 full and part-time students attending each year. Waterloo's faculty members are world class, and include a Nobel Laureate. See <https://uwaterloo.ca/about/>

The Faculty Association of the University of Waterloo (FAUW) is the official representative of the bargaining unit that includes all "regular faculty" at the University of Waterloo who hold definite term, probationary, tenured, or continuing appointments (as set out in [Policy 76 – Faculty Appointments](#)). We currently have approximately 1,380 members. Founded in 1957, FAUW is not certified. See <https://uwaterloo.ca/faculty-association/about>

A brief overview of this round of bargaining:

- FAUW met with the Administration five times between November, 2023 and January, 2024.
- Mediation commenced February 15<sup>th</sup>, but failed to result in a settlement.
- Upon the parties' mutual agreement, a Final Offer Selection Arbitration Hearing was booked with Arbitrator Kevin Burkett for March 25, 2025.
- The primary matter of dispute between the Administration and FAUW is the question of inflation and wage erosion.

## A.14. Recent Agreements and Settlements (Includes Reopener amounts)

### Comparators & Others

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Totals</u>
Waterloo (Reopener)		1	3	2			6
Toronto	1	1	8				10
Queens			3.5	3	3		9.5
UBC			3.5	6.75	2-3		12.25-13.25
Ottawa (Reopener)		2.25	3	3.25			8.5
Western (Reopener)			1	4	2	2	9 (7 for 3 year)
McMaster (built in)			1	1.6	1.7		4.3
York (not settled)		1+TBD	1+TBD	1 +TBD			3+TBD
<i>Other Public</i>							
OPSEU			3	3	3.5		9.5
OPS			3	3.5	3		9.5
PSAC			1.5	4.7	3.5	2.3	12
Conseil des ecoles catholique du Centre-Est and CUPE			6	5.7	5.4	5.1	22.2
<u>Cal State (23 campuses)</u>				5	5		10
<u>Elementary Teachers Federation of Ontario</u>	1.75	3.75					7.25
	(each 2019&2020)						
<i>Private Sector</i>							
Ford & Unifor				10	2	3	15
West Jet & ALPA				15.5	3	3	21.5

Source: OCUFA provided monetary settlement tables, as well as individual settlement and memoranda publicly available.

### Major Wage Settlements By Sector and Year – for 2023

All sectors: 1<sup>st</sup> year = 4.8, average per year 3.8 ave years=3 (Total for 3 years is 11.4 then)

Public: 1<sup>st</sup> year = 4.5, average per year 3.6 ave years=3 (Total for 3 years is 10.8)

Private: 1<sup>st</sup> year = 6.2, average per year 4.4 ave years=3 (Total for 3 years is 13.2)

Source: <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/wages/wages-year-sector.html> 2023 covers the months of January through October

Industrial Aggregate Compounded Growth over last settlement period: **13.32%**

So our last settlement (compounded amount 6.11) was **7.21 percentage points behind** the industrial aggregate.

And our 2023 scale was 4.2(2.5) percentage points behind the private(public) sector year one settlements for 2023.

# A.15. Historic Scales Amongst Comparators and Inflation. For reference.

Year	McMaster	Ottawa	Queen's	Toronto	Western	York	Waterloo	Inflation	Year- Prior Inflation
2010	3.77%	2.75%	3.20%	2.25%	1.50%	3.00%	0.00%	1.84%	0.26%
2011	1.60%	1.71%	1.25%	1.75%	1.50%	3.32%	0.00%	2.92%	1.84%
2012	1.55%	2.00%	1.50%	2.11%	2.45%	2.00%	3.00%	1.50%	2.92%
2013	0.00%	2.00%	1.50%	2.29%	2.78%	2.00%	3.00%	0.90%	1.50%
2014	0.90%	3.50%	2.50%	1.90%	2.05%	2.00%	<u>3.00%</u>	1.95%	0.90%
2015	2.80%	3.50%	1.00%	1.90%	1.78%	1.50%	1.95%	1.12%	1.95%
2016	2.80%	2.50%	1.25%	1.75%	1.76%	1.50%	1.95%	1.42%	1.12%
2017	1.70%	2.50%	1.50%	1.75%	1.00%	1.00%	<u>1.50%</u>	1.56%	1.42%
2018	1.70%	2.80%	1.75%	1.90%	2.02%	2.30%	2.50%	2.30%	1.56%
2019	1.66%	2.00%	1.60%	<u>2.00%</u>	2.18%	2.20%	2.15%	1.95%	2.30%
2020	1.80%	<u>2.00%</u>	1.60%	1.00%	2.16%	<u>2.10%</u>	<u>2.15%</u>	0.74%	1.95%
2021	<u>1.94%</u>	2.25%	<u>1.90%</u>	1.00%	<u>1.75%</u>	TBD%	1.00%	3.35%	0.74%
2022	1.55%	3.00%	3.50%	<u>8.00%</u>	1.00%	TBD%	3.00%	6.78%	3.36%
2023	1.60%	<u>3.25%</u>	3.00%		4.00%	<u>TBD%</u>	<u>2.00%</u>	3.90%	6.78%
2024	<u>1.70%</u>		<u>3.00%</u>		2.00%				3.90%
2025					<u>2.00%</u>				

Source: OCUFA provided monetary settlement tables, as well as individual settlement and memoranda publicly available. York has not yet settled their reopener agreement.

We have noted some disparities

The underlined portions represent the last year of respective settlements. We do this for all settlements at UW back to our 2010 settlement, but for other institutions we have only distinguished the penultimate and ultimate settlements.

## A.16. UW Identifies as a World Class leader – Key Quotes

UW identifies itself as an innovative leader in our sector:

At the University of Waterloo, beyond is where we begin.  
([Beyond Innovation – Waterloo’s 2016-17 State of the University Report](#))

Now is the time to reinvent what makes us unconventional: to nurture the skills, expertise, and spirit within us to be known as the problem-solvers and leaders in 2057.  
([Waterloo at 100, p.2](#))

The University embraces it’s moniker as MIT North, or MIT of Canada, and highlights that our faculty are top in Canada. For example:

Located within Canada’s famous technology triangle, Waterloo is known as the **“Massachusetts Institute of Technology (MIT)” of Canada.**[...]

The University of Waterloo is famous for being one of the first universities to introduce co-operative education. Waterloo now has the largest co-op program in the world. [...]

If you choose to study in the University of Waterloo, you will find yourself among some of the brightest minds of the world. **You will be taught by Canada’s top professors**, who are leading the way in many areas of research and teaching.

We have worked hard to create a culture where you can succeed, and we hope that you will join us in continuing to make **University of Waterloo a world-class university.**  
(<https://uwaterloo.ca/environment-international-education/undergraduate-program/environment-and-business-32-program/number-1-canada>)

The heading for this web page reads: “Number 1 in Canada” and references Maclean’s Canadian university rankings where reputationally “Waterloo has placed first as best overall universities in Canada, 13 out of 15 times.”

UW emphasizes it’s strengths as an entrepreneurial powerhouse in North America: start-ups rank second in North America for return on investment (well exceeding MIT, Stanford, Harvard and Toronto).

Uwaterloo Start-ups rank second in North America for investor ROI  
Waterloo companies power past Stanford, MIT and Harvard in key metric.  
(<https://uwaterloo.ca/news/uwaterloo-startups-rank-second-north-america-investor-roi>)

## A.17. UW Rankings and Reputation of Excellence

### 21. Our Competitive Rankings

- |  |                                      |
|--|--------------------------------------|
| • #1 Computer Science (tied with Toronto & UBC)  | Maclean's Canada 2024                |
| • #2 Engineering (tied with UBC, Toronto being 1 <sup>st</sup> )<br>(#1 Engineering Research Reputation) | Maclean's Canada 2024                |
| • #1 Graduate employment rate <sup>§</sup>   | QS 2022 (in Canada)                  |
| • #1 School for entrepreneurs in Canada  | Pitchbook University Rankings 2023   |
| • #1 in Canada for entrepreneurial learning  | Maclean's student voices survey 2022 |

Sources: <https://uwaterloo.ca/about/facts> & Maclean's

<sup>§</sup> Our graduate employment rates are over 95% and above sectoral norms (IAP)

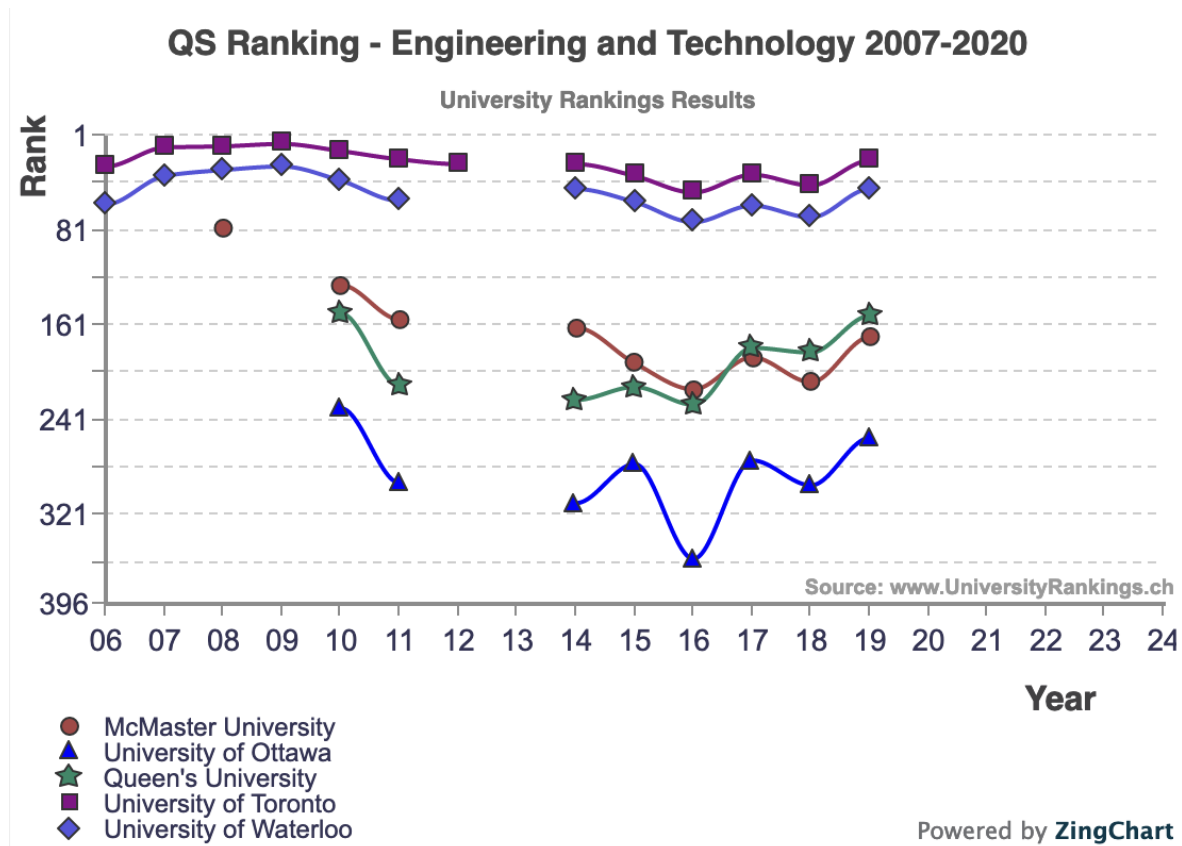
<https://uwaterloo.ca/institutional-analysis-planning/reports/ministry-colleges-and-universities-mcu-key-performance/key-performance-indicators-university-waterloo-2022>

UW innovated to have one of the first, best, and largest Co-op programs in the world.

UW is also one of the few institutions in Canada to have faculty with a Nobel Laureate: Donna Strickland

(To the best of our knowledge, outside of Toronto-John Polanyi and Queens-Arthur B. McDonald, none of our other comparators have a Nobel Laureate)

## A.18. UW and Ontario Comparators QS Rankings – Engineering and Technology



Source:

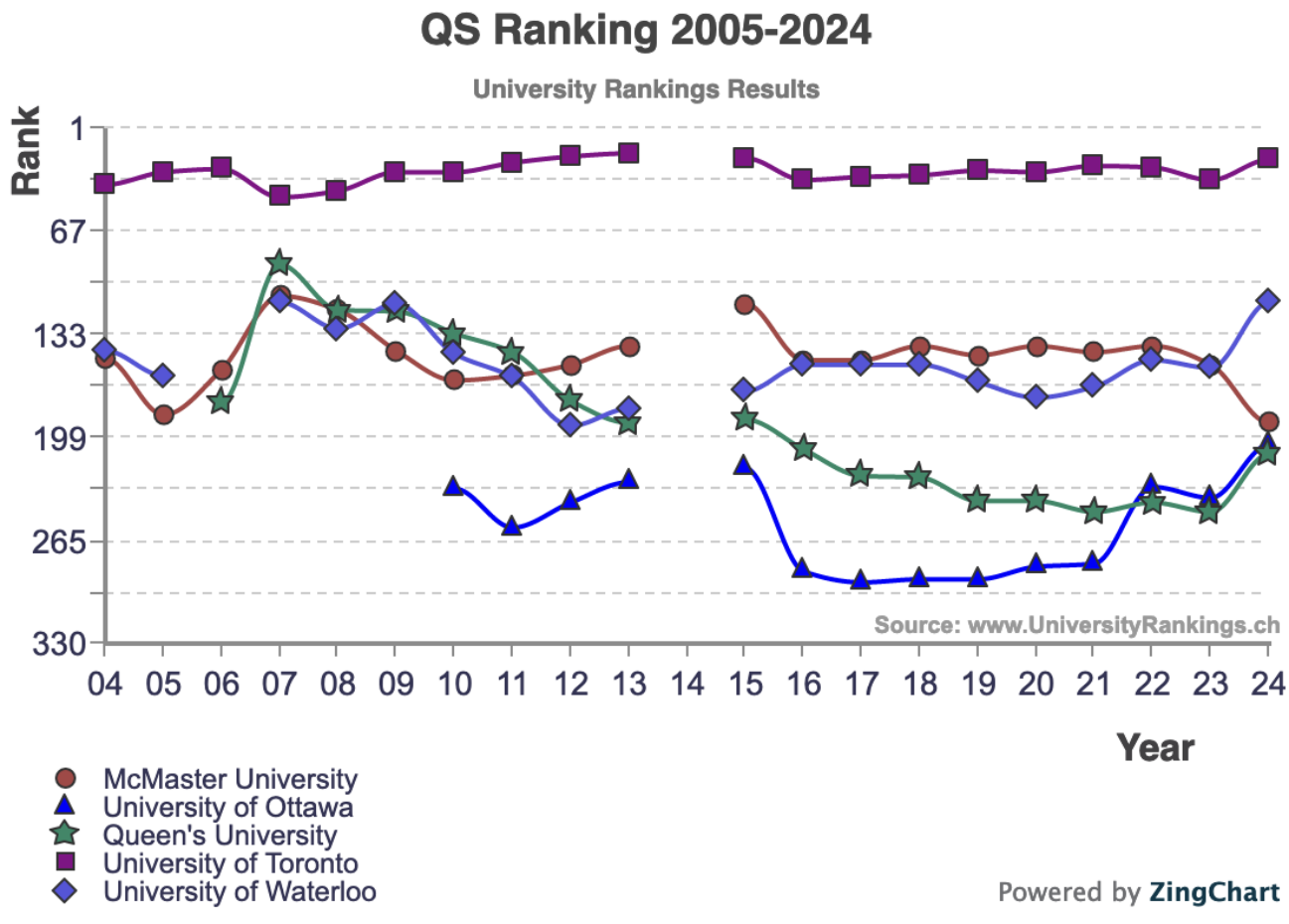
[https://www.universityrankings.ch/en/compare?id%5B%5D=621&id%5B%5D=683&id%5B%5D=639&id%5B%5D=698&id%5B%5D=703&id%5B%5D=704&id%5B%5D=711&r2=QS&f9=QS-rank\\_technology](https://www.universityrankings.ch/en/compare?id%5B%5D=621&id%5B%5D=683&id%5B%5D=639&id%5B%5D=698&id%5B%5D=703&id%5B%5D=704&id%5B%5D=711&r2=QS&f9=QS-rank_technology)

(York and Western omitted for ease of viewing. York data low and sporadic. Western ranks second last)

Currently and historically we are tracking closely to Toronto in the Engineering and Technology category.

Among our comparators we are second only to Toronto, while the others lag by a substantial margin. Note the deviation from Toronto in 2010/2011 when our scales were repressed.

A.19. UW and Ontario Comparators QS Rankings – Overall Rankings



QS Overall Rankings shows UW at or near #2 amongst our comparators

## A.20. Costing & Financial Position

As measured by the MCU's eight financial health indicators, UW is in outstanding financial health.

### MCU University Financial Accountability Framework Preliminary Calculations, Pending Final MCU Guidance

Ratio		Description	Thresholds		As at April 30, 2023
			Medium-risk	High-risk	
Liquidity	Primary reserve Ratio (days)	Compares expendable net assets to total expenses and provides an indication of an institution's financial strength and flexibility by determining how many days an institution could function using only its existing unrestricted financial resources.	90	30	236
	Working Capital <sup>(1)</sup>	Compares current assets to current liabilities to assess an institution's ability to generate unrestricted cash to settle financial obligations due within one year.	1.25	1	1.42
Sustainability	Viability ratio	Funds available to settle long-term external debt divided by total long-term debt.	60%	30%	N/A
	Debt ratio <sup>(1)</sup>	Compares total liabilities, less deferred capital contributions to total assets to assess the percentage of total assets financed by debt.	35%	55%	32.19%
	Debt to revenue ratio <sup>(1)</sup>	Compares the total long term external debt and total revenue to measure an institution's borrowing risk for additional debt.	35%	50%	0.00%
	Interest burden ratio	Percentage of total expenses used to service external debt.	2%	4%	0.00%
Performance	Surplus (deficit) ratio	Total revenues less total expenses as a percentage of total revenues; an indicator of the extent to which an institution's revenues contribute to its net assets.	1.50%	0%	4.16%
	Net operating revenue ratio	Cash flow from operating activities over total revenues; provides an indicator of the extent to which institutions are generating positive cash.	7%	2%	7.67%
Outcome					Metrics Above Band (No Action)

Source: Provost's Report to UW Board of Governors, October 31, 2023

- On these indicators (see above), UW was in the low-risk category on all eight as of April 30, 2023, as recently reported by the Provost to the Board of Governors
- Analysis by FAUW of these eight indicators for the past 10 years (not reported here) shows that UW's financial position and performance over the last 10 years has been consistently healthy and low risk over the entire period
- Analysis by FAUW (see below) shows UW is one of only two U6 schools to rank in the low-risk category on all eight indicators as at April 30, 2023

#### Comparison of U6 on MCU Financial Health Indicators (as at April 30, 2023)

	Working Capital Ratio	Primary Reserve (in days)	Viability Ratio	Debt Ratio	Debt-to-Revenues Ratio	Interest Burden Ratio	Surplus (Deficit) Ratio	Net Operating Revenue Ratio	Low Risk	Medium Risk	High Risk
Waterloo	1.42	370	N/A	32.2%	0.0%	0.0%	4.2%	7.7%	8	-	-
Western	4.32	635	721%	28.6%	22.2%	1.1%	8.1%	11.1%	8	-	-
McMaster	2.82	311	254%	38.3%	30.0%	1.6%	10.6%	20.0%	7	1	-
Toronto	0.68	702	1011%	25.1%	16.6%	1.1%	12.9%	8.9%	7	-	1
Queen's	0.71	256	206%	29.0%	33.5%	1.6%	1.4%	3.7%	5	2	1
Ottawa	0.74	81	47%	31.2%	47.9%	2.0%	-0.4%	5.2%	2	4	2
<b>Thresholds</b>											
Medium Risk	1.25	90	60.0%	35.0%	35.0%	2.0%	1.5%	7.0%			
High Risk	1.00	30	30.0%	55.0%	50.0%	4.0%	0.0%	2.0%			

All data used to calculate the figures above was taken from each institution's April 30, 2023 audited financial statements.



Additional financial analysis by FAUW has determined that:

- UW has had no long-term debt since 2018 (the only one amongst our U6 comparators)
- Revenue per FTE is down from its average in recent years but is still 4% higher than its 2004 level (in 2023 dollars).
- Over the past 20 years, UW has generated annual audited surpluses of \$20M-\$130M (in constant 2023 dollars). See <[A.21](#).>
- UW has generated \$1.1B in cash flows from operations over the last 10 years, and had over \$800M in highly liquid assets at the end of 2023 fiscal year (enough to cover a full year of operating expenses).
- UW's expected operating budget deficit of \$15M for fiscal 2024 will represent only about 1% of consolidated revenues for the year, and on a consolidated basis, the university will almost certainly report a surplus for at least the 26<sup>th</sup> year in a row( i.e., there will be no audited consolidated deficit for 2024).

We calculate that the first year of the settlement that we propose would cost the University \$15.2 million (14.87 for the scale, 0.23 million for Vision, and 0.1 million for Mental Health),<sup>55</sup> representing less than 1.2% of UW's total revenues for the Audited fiscal year end 2023 (\$1,279,200,000), and less than 1.8% of UW's 2023/2024 operating budget income (\$883,813,000). Given Waterloo's solid financial position, and continued expansion, we would find it hard to credit any statement of financial hardship preventing [REDACTED] paying the proposed, fair, salary increases to faculty.

Budgets are tight, yes, but budgets are always tight – because we want to ensure every dollar is being put to good use. Offering a fair salary for the purposes of education (our primary function) is the BEST and most strategic use of funding at this time.

---

<sup>55</sup> Projected costs are based on a 6% increase of mean salary of 179,616.30 (November data provided by IAP) multiplied by an approximate 1380 FAUW members for a total of (14.87M), Vision and Mental Health Benefits estimates provided by Eckler Benefits Consulting Services.

#### **A.21. Table of Audited Revenues, Expenditures and Excess Revenues over Expenditures**

Below we have summarized Audited Revenues, Expenditures, and Excess of Revenues over Expenditures (in millions) from over 26 years of [UW's Audited Financial Statements](#)

<b>Fiscal Year End</b>	<b>Total revenues</b>	<b>Total expenses</b>	<b>Surplus</b>
1997	289.2	275.6	13.5
1998	288.1	284.9	3.2
1999	309.1	308.0	1.2
2000	328.8	318.6	10.2
2001	375.5	358.4	17.1
2002	388.9	383.0	5.8
2003	427.0	411.3	15.7
2004	482.5	450.1	32.4
2005	517.6	504.0	13.5
2006	558.5	539.8	18.7
2007	613.6	562.1	51.5
2008	634.1	605.0	29.2
2009	672.9	650.0	22.9
2010	734.7	668.4	66.3
2011	780.9	712.8	68.1
2012	821.3	803.0	18.3
2013	877.5	827.9	49.6
2014	905.8	854.8	51.0
2015	936.2	906.7	29.5
2016	952.3	917.7	34.6
2017	1045.1	988.9	56.2
2018	1088.4	1034.4	54.0
2019	1188.2	1103.2	84.9
2020	1159.4	1103.6	55.9
2021	1203.8	1086.3	117.5
2022	1194.9	1137.1	57.8
2023	1279.2	1226.0	53.2

Note: In millions.

## A.22. UW's Continuing Growth

<i>item</i>	<i>increase</i>	<i>details</i>
<i>Construction</i>		
* New Buildings/Additions	3	<p>Math 4  <a href="#">(\$110M: 17.5 institutional funds, \$57.5M faculty transfer from Operating Funds, \$35M by faculty over time)</a></p> <p>Optometry-Waterloo Eye Institute  <a href="#">(\$50M, 6.5M from Operating Funds, 18M raised, 2.5M internal resources, budget shortfall commitment from Dean of Science)</a></p> <p><u>New Residence</u>  (Est \$90M, funding details unknown)</p>
* Renovations/Builds (main ones listed)	3-4+	<p>Third Floor Earth Science Chemistry  <a href="#">(\$22.14M, details unknown)</a></p> <p>Biology Lab Renovations  <a href="#">(\$6.8M, details unknown)</a></p> <p>Aquatics Facility Renovation  (\$5.2M, details unknown)</p> <p>Innovation Arena (Velocity – Health Facility)  <a href="#">(\$29.27M, \$7.5M UW commitment, Faculty of Health 0.66M/year)</a></p> <p>Note that budgets for all New Builds and Renovations have increased from inception, up to 5-20%. Total amounts from operating budget <a href="#">42.8M/fiscal year 2022</a>, other years not reported. <a href="#">\$130.6M internally financed amount remain for earlier projects. \$131.2M for recently added projects</a></p>
<i>Total Revenue</i>		
*Total revenue growth	10.33%	<a href="#">Audited financial statements</a> show a 10.33% increase in revenue over the fiscal years ending 2020-2023.
<i>Faculty</i>		
*Faculty growth	2.1%	Count of full-time faculty members increased 2.1% from 2019-2022
*New Faculty Hires	157	2022 saw 70 new hires, further 46 and 41 were hired in 2020 and 2021
<i>Academic Support Staff</i>		
*Support Staff growth	8.3%	Count of academic support staff compliment rose 8.3% from 2019-2022
<i>Administration &amp; Non-faculty support staff</i>		
*Net New Senior AVPs	5	Faculty Planning & Policy, Leadership & Strategic Initiatives, +3 more
*Presidential Office	4	Represents a near doubling of Presidential office from 2019-2022
*Non-faculty Support Staff	6.8%	Count of non-faculty support staff rose 6.8% from 2019-2022
<i>Students</i>		
*Student Teacher Ratio	10.3%	The STR fluctuated year to year, but rose overall 10.3% from 2019-2022
*Retention Rates	93-94%	Among 1 <sup>st</sup> and 2 <sup>nd</sup> year students. UW is exceptionally high in this arena
*New Admissions	5.3%	With 8.7% rise in domestic students and a drop in international students
*Full-Time Enrollment	4.19%	Full-time equivalent enrolment fluctuated but rose overall 2019/2020 - 2022/2023

Sources: [Building and Properties Committee agendas](#), [Senate agendas](#), and [Board of Governors agendas](#), [Institutional Analysis and Planning \(IAP\)](#), [IAP senate finance packages](#), [Audited Financial Statements](#), Daily Bulletin Announcements ([03/15/2023](#), [02/16/2023](#), [10/20/2021](#))

We highlight that although faculty counts rose, spending on FAUW faculty salaries fell as a percent of total salaries, fell – from 48.2% in the 2019/2020 fiscal year, to 44.8% in the 2022/2023 fiscal year.

These 3.4 percentage points represent a **7.8% drop** in relative spending on FAUW members' salaries.

## Part B. [REDACTED] Wage Erosion & FAUW's Perspectives

### Wage Erosion

[REDACTED] 2013-2023 [REDACTED]

[REDACTED] 2013, falls in the middle of a five settlement.

In the 2010-2015 settlement, FAUW agreed to zero scales for 2010 and 2011 under the provision that scale be set to 3s for 2012-2014, in order to catch-up on the two years of zeros requested by the McGuinty government.

We contend, therefore, that it would be inappropriate to view the threes in isolation from the zeros. We further show that if you run the calculations from any other settlement starting year from 2010 to the present, our compounded scale lags substantially behind compounded inflation. <See [B.2](#).>

Indeed, this example illustrates that counting arbitrarily back in time to redress **current** wage erosion is conceptually flawed because the above-inflation scales were frequently aimed to catch-up for previous wage erosion.

### Precedent

[REDACTED] precedent for addressing wage erosion. [REDACTED] the recent arbitration award for the [University of Toronto](#),<sup>56</sup> as well as catch-up specified in Ottawa's MoA (e.g. [2015](#)). Other comparators have market adjustments over various periods.<sup>57</sup> Reiterating what we have already stated on page 8, UW has also negotiated above inflation scales and market adjustments to make up for falling below inflation and behind comparator institutions (e.g., [2018](#) & [2008](#)). Further examples of Arbitration Awards with catch-up were provided on pages 8-10 in our Replication-inflation section.

### Financial Position

[REDACTED] as we have noted in section A, UW has a solid financial position, and can well afford our proposed amounts. <see [A.20](#), [A.21](#), and [A.22](#).>

Moreover, knowing that wages had fallen behind inflation, and having a good sense of the political climate for the coming years, the current financial situation is in no way a shock. Indeed, the [February 26<sup>th</sup> Provincial funding announcement](#) was better than might have been anticipated. Anticipating these ongoing constraints, the

<sup>56</sup> “[117.] On balance, having regard to all these factors, including the substantial erosion of wages experienced over the prior years, I find that an additional award of 7%, for a total award of 8%, retroactive to July 1, 2022, is appropriate.” [Gedalof Arbitration Award 2023](#)

<sup>57</sup> Source: OCUFA monetary settlement charts (multiple years)

University continued expansions and investments, and should not now expect FAUW members to implicitly continue subsidizing these expansions with prolonged repressed wages.

### Comparators

FAUW refers to the discussion we presented in Relevant Salary Trends and Market Forces, where we point out we are among the first of our comparators to negotiate post Bill 124 in the new inflation environment, such that, as Arbitrator Gedalof states, “one must consider the prevailing conditions at the time those parties entered into their agreements.” We therefore incorporate a broader perspective, along with many others. Looking at Industrial Aggregate wage growth, recent Public and Private sector settlements, and further examples, we note substantial salary increases, higher than that of our comparator group. We do agree that Toronto’s settlement represents a much needed shift, one which we expect the rest of the sector to follow. If UW does not follow Toronto with catch-up in this settlement, FAUW members salaries will fall (further) behind among our comparison group, making recovery of ‘second only to Toronto’ more difficult. <See also [A.14.](#), [A.15.](#), and [A.20.](#)>

Further we reiterate that Toronto’s three-year settlement total of 10% (10.17% compounded) covers the years 2020-2022, not the current negotiation cycle. We fully anticipate that Toronto will negotiate for further increases in the years to come.

Thus, it is almost certain that Toronto’s 2023 settlement, will exceed UW’s 2% on 2023, and place us further behind. Moreover, if Arbitrator Gedalof’s award (which reinforces the precedent of year-prior inflation) holds sway, the minimum we would expect for Toronto’s 2023 scale would be 6.78%. Thus for the 2020-2023 years, Waterloo would be sitting approximately 7.7 percentage points behind Toronto (3.9%+4.78%). Even if Toronto obtained only 3.5% scale for 2023, that would place Waterloo still 5.4 percentage points behind Toronto (3.9%+1.5%).

For 2024-2026, assuming Toronto negotiated scale only to match year prior inflation, that would set them at 8.9% total for 2024-2026, so if UW agreed to 13.97%, faculty members would still only have caught-up part way to Toronto’s scale increases. That is, UW would have caught up 5.07 points out of a 7.7 predicted percentage point gap (or out of 5.4% points if Toronto only managed to obtain 3.5% scale for 2023).

### What the Reopener Settled

#### **Reopener clause in UW’s 2021-2024 Memorandum of Salary Settlement**

During the Term, by mutual agreement, the University and FAUW may agree to review the monetary provisions of this agreement should Ontario legislation change with respect to annual salary scale and/or annual total compensation limits.

We point out that our reopener was weak (conferred little bargaining power), and was constrained to address the question of scale changes that would have been negotiated at the time, had Bill 124 not been in place. Any other issues (including the unanticipated inflation) were to be addressed in subsequent negotiations. The understanding that our re-openers were not intended to address wage erosion is clearly indicated both in the communications between the FAUW President and the Provost, and in a communication from the Provost to the Staff.

Provost



**FAUW President's Feb 25 Proposal (excerpt)**

In the proposals below, we are considering the potential settlement that could have been negotiated in 2021, based on information at that time. We are not seeking in this review to adjust salaries for the very high inflation of the past 18 months. We expect the 2023/2024 salary negotiations to address the recent inflation experience.

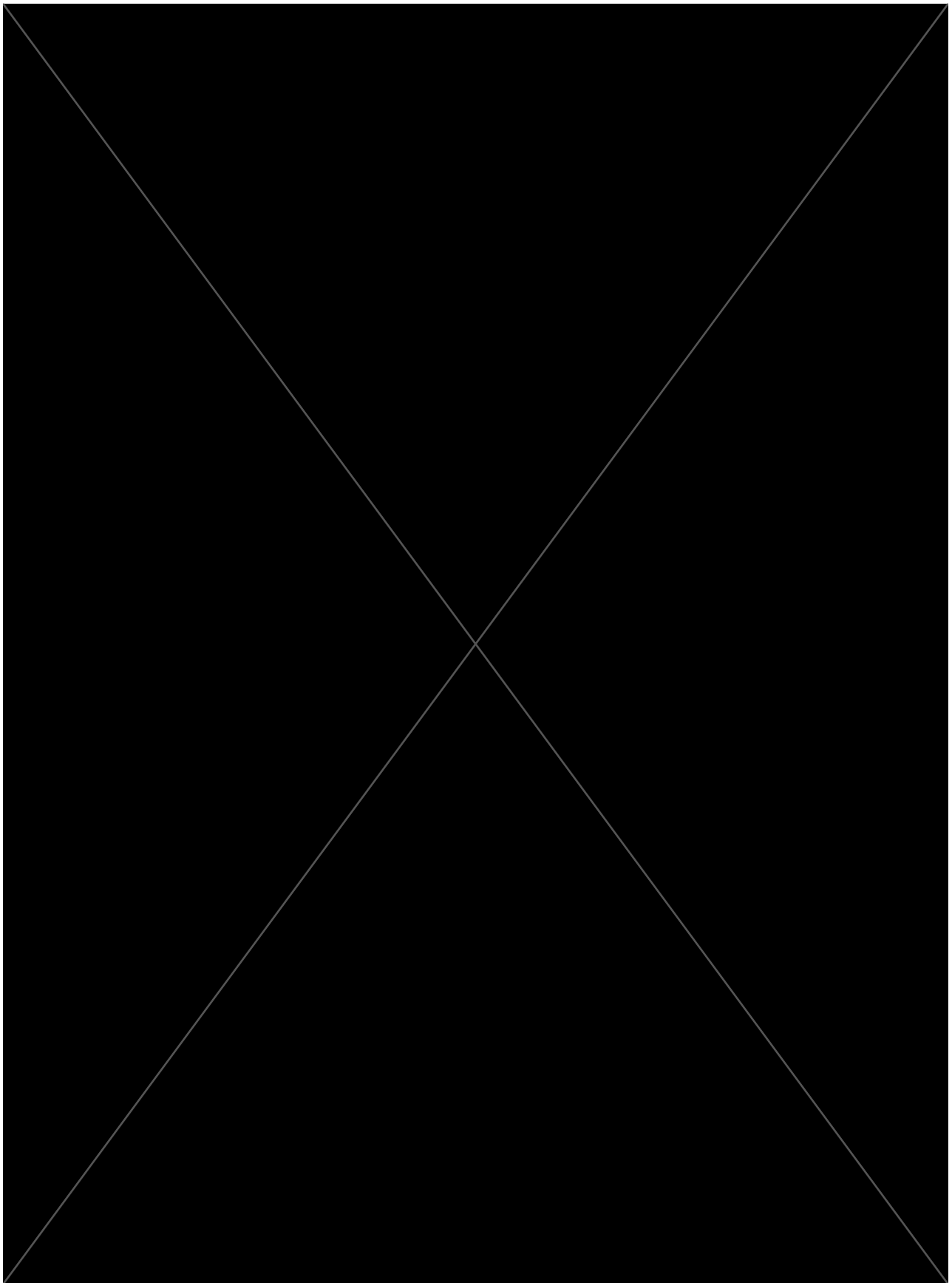
**Provost's memo to Staff (excerpt)**

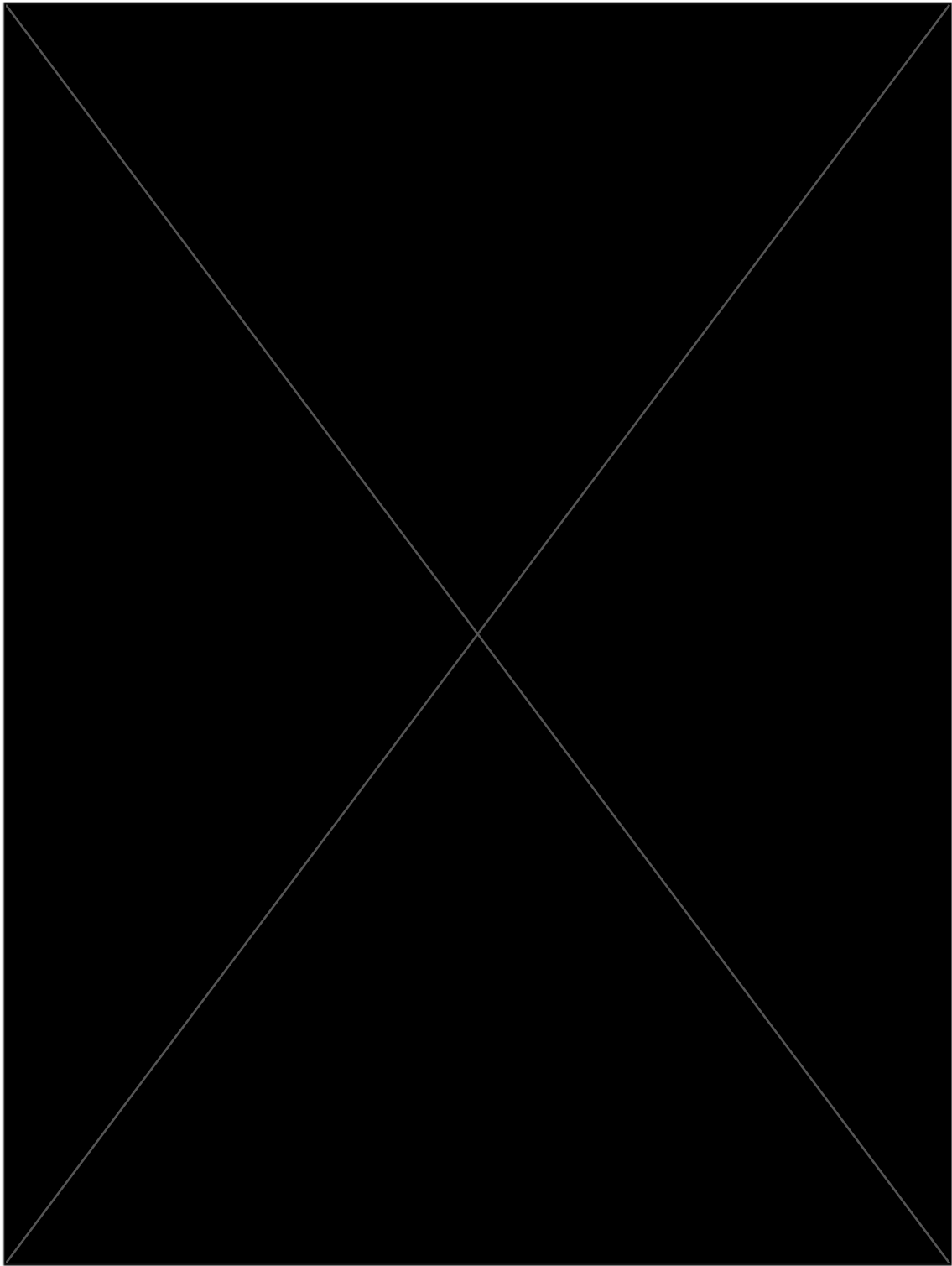
Regarding other expressed concerns, the process of the Bill 124 re-opener clause discussion was undertaken to focus on addressing scale changes previously constrained by Bill 124, and did not include the scope to explore broader issues that would be part of a new full compensation agreement discussion such as external comparative salary analyses and findings of studies that have been performed since the last agreement.

I remind the PACSC that a new round of discussions for a new Staff Compensation Recommendation agreement is about to begin, as the end date of the current agreement is April 30, 2024. That process is the appropriate venue in which to raise broader issues for consideration for the years ahead.

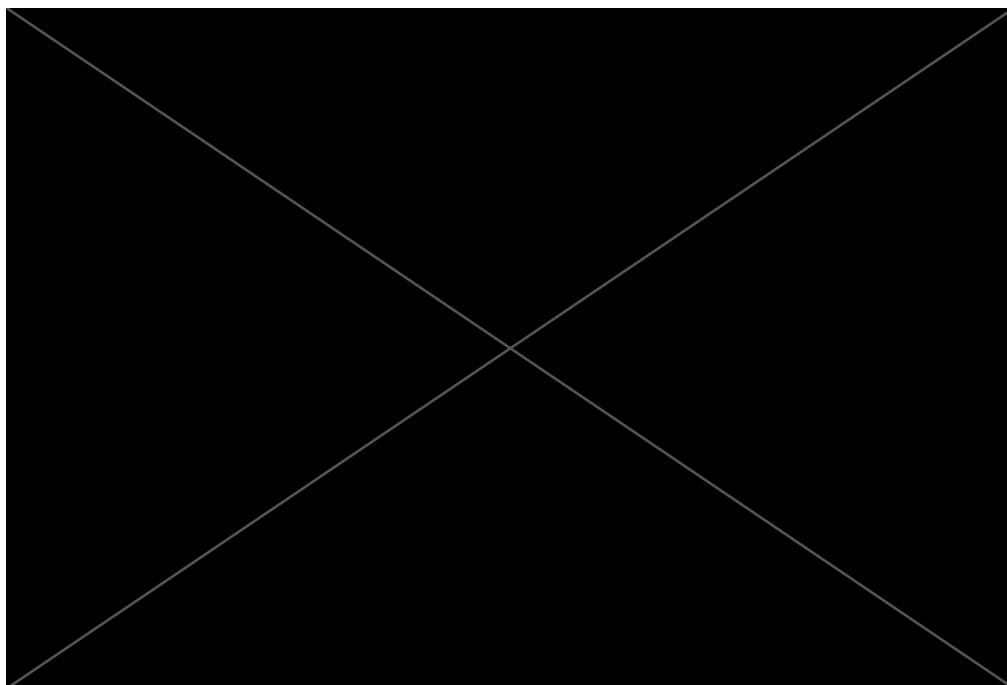
**Conclusion:**

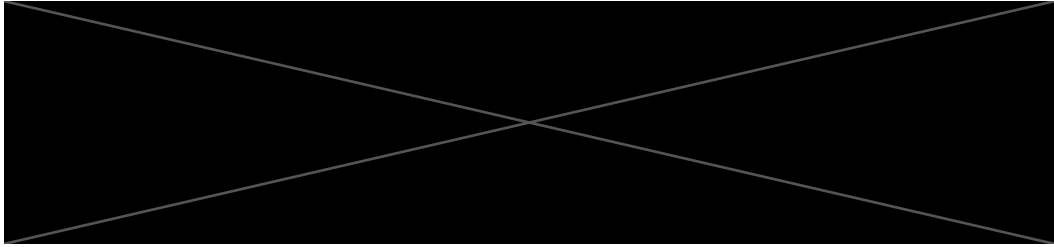
FAUW contends that our members' salaries have been subject to acute wage erosion; that there is precedent to address wage erosion; that UW's financial position is healthy and able to address wage erosion; that taking into account the appropriate context our salaries lag substantially and are at risk of falling further behind – especially with respect to Toronto; and that our reopener did not address wage erosion nor limit us from negotiating catch-up on wage erosion.











## B.2. The effect of different starting points for Compounding inflation vs Scale

**Table B.2.1. UW Scale, CPI and the gap between the two, compounded to 2023, from settlement start date**

	<i>UW Scale</i>	<i>Inflation</i>	<i>Approximate Gap</i>
2010-2023	30.83	37.32	-6.5
2015-2023	19.29	25.48	-6
2018-2023	13.49	20.47	-7
2021-2023	6.11	14.66	-8.6

**Table B.2.2 Calculations using the [REDACTED] time frame**

	<i>UW Scale</i>	<i>Inflation</i>	<i>Approximate Gap</i>
2013-2023	27.02	29.09	-2.06

The concern with the time frame [REDACTED] (2013-2023) is that the starting point cuts a negotiation cycle in the middle, omitting the first two zeros in a five-year settlement. In the 2010-2015 settlement, zero scales were agreed to for 2010 and 2011 under the provision that scale be set to 3 for 2012-2014, to catch-up on the two years of zeros requested by the McGuinty government. We contend, therefore, that it would be inappropriate to view the 3s in isolation from the zeros.

Source: Inflation from Statistics Canada (table 18-10-0005-01) annual average Canadian all-items inflation for the calendar year. Scale from UW's records of scale.

