

The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle

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Executive Summary

The success of the province and its citizens depends upon high performing postsecondary institutions. The education offered by Ontario's public colleges and universities must be of high quality in order for students and society to realize its full public and private benefits. To deliver these outcomes, institutions must be on a sustainable footing, and this is possible only when they are able to provide academic quality with the revenues available to them.

This capstone paper reviews the findings of our previous evidence-based analyses of the sustainability challenge facing Ontario's postsecondary institutions and identifies a number of levers to address those challenges. Our work on this issue has revealed that sustainability is about more than just financial considerations. It is about the capacity of institutions to sustain and improve the quality of the education they provide. This is the *raison d'être* of the system.

It's time to revise the sustainability narrative. Quality should be the unchanging variable in the sustainability equation. In the past, efforts to achieve sustainability have typically relied on increasing revenues. Going forward, maintaining sustainability must focus equally, if not more so, on managing expenditures. Revenue increases will be unlikely in the coming years. Stagnant enrolment across much of the province will limit growth in government operating grants, while tuition increases have been limited to 3% annually. Within this context, rising revenues will no longer be the key to maintaining financial sustainability. Rather, the Higher Education Quality Council of Ontario (HEQCO) encourages the system to engage in a difficult but important dialogue about rising institutional expenditures. Because labour is the largest budgetary expenditure for institutions, this analysis concentrates on fundamental considerations related to faculty compensation, composition, renewal and workload.

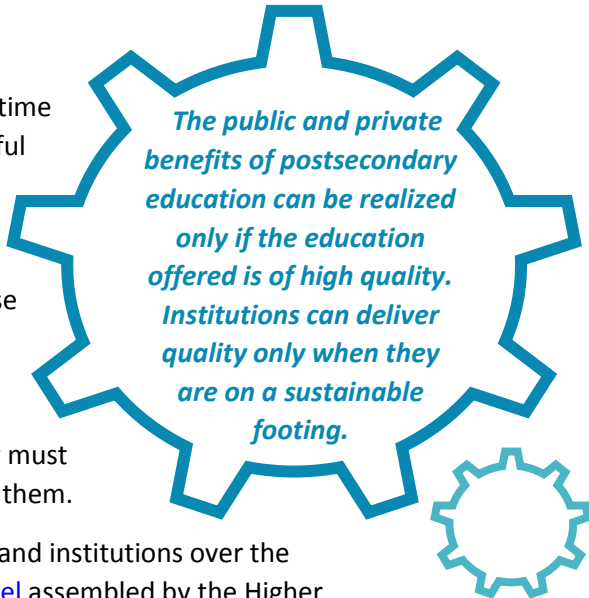
There are levers available — to both government and institutions — to mitigate expenditure growth with an eye to maintaining sustainability. Nuanced and active management of employee compensation increases, strategic deployment of full and part-time faculty, renewal of the professoriate and employee productivity are ways that the system can check the growth of expenditures. These issues are sensitive, to be sure, but they present opportunities and options to better manage labour costs and maintain academic quality.

Given that our vision of institutional sustainability holds the protection of academic quality at its core, we must also implement better ways to measure quality. Institutions have no way to identify or redress sustainability challenges if they are unable to track quality over time. We urge the implementation of direct assessment methods to measure how much and what students are learning. Measuring academic quality is challenging, but we have a responsibility to undertake this work to ensure a sustainable future for our postsecondary system.

Introduction

Postsecondary institutions educate students and develop citizens. They nurture innovation, support communities and spur economic growth. Public postsecondary education is the quintessential socio-economic leveller, providing opportunity for social and economic advancement to all who access it. The mission of our higher education system is to deliver the knowledge, skills and experience necessary to ensure the overall prosperity of the province and its people. The success of our economy and society depends upon high performing postsecondary institutions.

Why should we care about the sustainability of Ontario's postsecondary education sector? Because students merit, for the time and money they invest in their education, a high quality, meaningful experience that prepares them for their future personal and professional lives. Because the broader public, for the investment it makes, deserves a higher-education system that is equipped to do all that the province and society require of it. These benefits, both public and private, can be realized only if the education offered by Ontario's public colleges and universities is of high quality. And institutions can deliver quality outcomes only when they are on sustainable footing. To remain sustainable, they must be able to deliver academic quality with the revenues available to them.



The public and private benefits of postsecondary education can be realized only if the education offered is of high quality. Institutions can deliver quality only when they are on a sustainable footing.

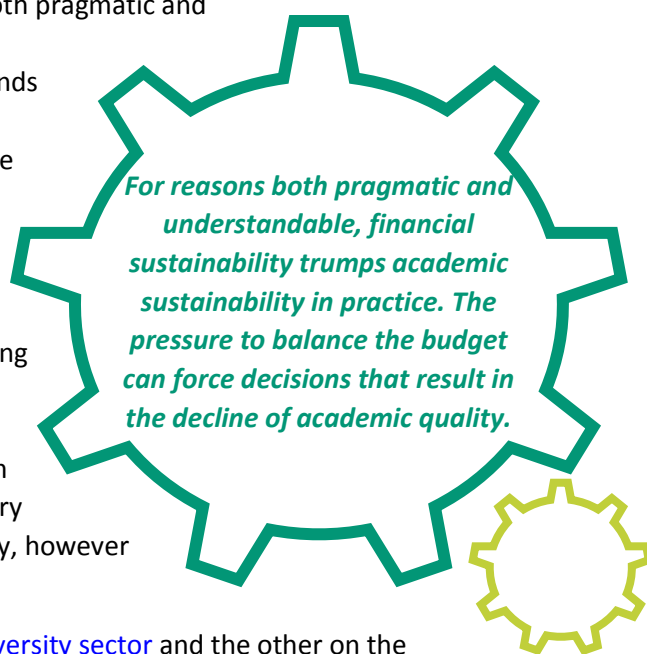
There is increasing concern on the part of governments, students and institutions over the sustainability of the Ontario postsecondary system. An [Expert Panel](#) assembled by the Higher Education Quality Council of Ontario (HEQCO) in 2013 concluded that “the current system is not sustainable if quality is to be preserved or enhanced” and that “in the absence of change, the quality of the Ontario student experience and its institutions will continue to diminish and lose competitiveness.”

This paper is the conclusion of a series of HEQCO publications that examine the sustainability of the Ontario postsecondary system. Our goal in this endeavour is to present evidence-based analyses of historical and current trends, identify systemic barriers and provide options to increase system sustainability while enhancing academic quality. In this report, we sum up what we've learned about the sustainability challenge facing Ontario's postsecondary institutions. We explain the control levers available to influence the sustainability equation and their potential impact. Finally, we articulate a vision of sustainability that maintains the protection of academic quality at its core.

Ontario's Sustainability Challenge: What We Know

The [first paper](#) in our series presented a conceptual framework of the key concepts, issues and elements of sustainability in the higher-education system. In this overarching analysis we identified two essential components of sustainability. The first is financial. Financial sustainability refers to the balance between the revenues available to institutions to support their academic activities and the expenses they incur in delivering their mission. The second component, less discussed but more important, is the capacity of institutions to sustain and improve the quality of the education they provide. This commitment to academic quality is the *raison d'être* of the system.

Our framework paper concluded that often, for reasons both pragmatic and understandable, financial sustainability trumps academic sustainability in practice. If institutions have insufficient funds to meet their expenses, they aren't likely to go bankrupt because governments typically won't allow it. However, the pressure to balance the budget can lead to decisions that ultimately result in the decline of academic quality. There is an inherent tension in the relationship between financial and academic sustainability, which is the crux of the issue. The immediate and ongoing challenge of balancing the books can — however unintentionally — result in outcomes that negatively impact the quality of education our institutions provide. What's more, the financial bottom line is easy to compute while the notion of quality is slippery and difficult to measure. The temptation to sacrifice quality, however unintentional, is easy to understand.

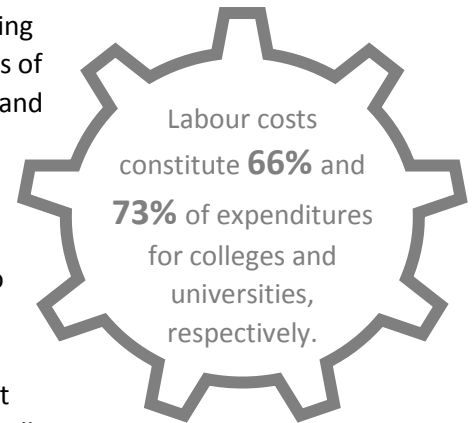


The next two papers in our series, one focusing on the [university sector](#) and the other on the [college sector](#), presented what we know about the revenue picture — past, present and future. Our analysis revealed that changing demographics, government fiscal realities and the politics of tuition-setting make it unlikely that revenues will continue to increase at the rate they have in the past. Even relief revenue streams such as the much celebrated growth in international students are short term, add volatility to the forecast and ultimately serve only to delay the sustainability challenge by kicking it down the road.

If, as we assert, increasing revenues is no longer the easy solution, then the continued emphasis on funding — a focus that dominates public discourse and the interactions between postsecondary institutions and governments — is moot. Worse, it diverts attention from the more important discussion about expenditures. Conversations about expenditure management are inherently challenging. The most recent paper in our sustainability series, which focused on [expenditures data in the university sector](#) reveals why.¹ By far the most significant institutional expenditure is the cost of people — labour

¹ Due to the strike by Ontario college faculty in late 2017, and the arbitration process following back to work legislation, we were unable to publish a report on college expenditures.

costs represent 66% of college expenditures² and 73% of university operating expenditures. For this reason, along with the fact that terms and conditions of employment for faculty and staff are key contributors to academic quality and the student experience, people are the focus of our expenditures analysis.



Our analysis focused on three fundamental considerations related to the people who are the backbone of Ontario’s postsecondary institutions: who is hired, how much they are paid, and how much and what kind of work they do. While government may stipulate funding frameworks or policy goals, the issues critical to this conversation — compensation, employment status and workload — are within the control of the institutions. Through collective representation, employees have developed a strong voice in these discussions, and rightfully so.

The most basic of budgetary exercises — ensuring that projected expenditures do not exceed projected revenues — is at the core of the sustainability issue. With the situation as it is, the wiggle room between the revenue and expenditure lines continues to shrink. The resulting squeeze is not just a book-balancing preoccupation for institutional finance officers. It involves decisions about academic matters and invites concern about compromising the quality of education that institutions provide. What if balancing the books results in larger class sizes, less access to faculty, a deteriorating physical plant, fewer support services or a dearth of opportunities for student engagement? What if these consequences build slowly over years of incremental accommodation, such that they go unnoticed in a world of short-term decision making focused on keeping the lights on? What if the effects of these measures on quality outcomes are inherently difficult, if not impossible to assess? If something must give, it shouldn’t be quality. However, according to the Expert Panel convened by HEQCO to review the first round of Strategic Mandate Agreements, that is exactly what is happening.

It’s time to change the narrative around sustainability in Ontario. Our collective and central focus must be on improving academic quality and the student experience. It is paramount that quality be the variable we protect in the sustainability equation. In the past, efforts to ensure sustainability have typically related to increasing revenues in an attempt to keep pace with expenditure growth. Going forward, the focus will need to be on managing expenditures within the realities of constrained revenues.

² Derived from College Financial Information System, MAESD 2016–17. In this document, we note source information only for data that has not previously been referenced in this series of sustainability papers.

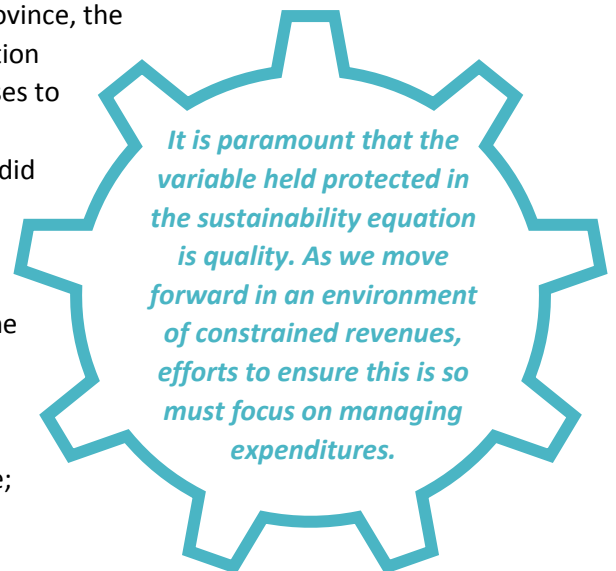
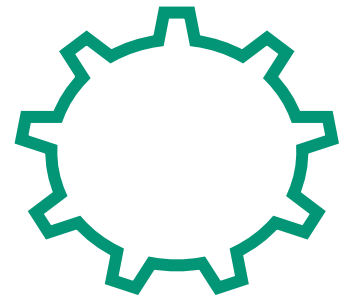
Levers to Mitigate the Sustainability Challenge

We concluded in our framework paper that the most relevant sustainability analyses are forward looking, and designed to anticipate and redress potential imbalances. Yet, as the adage cautions, “It’s tough to make predictions, especially about the future.” Anticipating the prospective state of institutional revenues and expenditures is an imperfect science. Nevertheless, historical trends offer clues, and we consider these in the context of current economic and policy realities to get a sense of where things are going. Given the relative simplicity of the sustainability equation — maximizing academic quality by keeping expenditures in balance with available revenues — the list of potential levers is relatively short and straightforward.

The Revenue Side

Revenues have long dominated the sustainability discussion in Ontario. Institutions spend considerable energy lobbying government for more operating grants or more tuition flexibility. It is government, after all, that either provides directly (in the case of operating grants) or controls indirectly (in the case of tuition) the lion’s share of institutional operating revenues. We believe the economic reality of the province requires us to move beyond focusing on revenue growth as a solution to the sustainability challenge. If we do not, we can anticipate a continued slide in quality.

While postsecondary education remains a priority for the province, the Ontario government has made it clear that its financial situation will no longer accommodate substantial annual grant increases to institutions. The revised funding formulas for colleges and universities introduced in 2016 preserved funding levels but did not, as in the past, provide increases for expanded enrolment. Provincial policy is expected to limit tuition increases to no more than 3% annually. Domestic enrolment is weakening in all areas of the province except the Greater Toronto Area and is unlikely to be the answer to the sustainability challenge. All signs indicate that there will be limited new funding from the government. The sector must look elsewhere for levers with which to maintain the balance; namely, expenditures.



The Expenditure Side

Efforts to mitigate or eliminate the sustainability challenge by modifying expenditure trends will require an informed, data-driven discussion about who institutions hire, what they are paid and the kinds of work they do.³ This emphasis on data is essential in part because any discussion about expenditures is necessarily sensitive.

Lever 1: Mitigate compensation increases

Faculty are the front line of the institution and the core of the academic mission. We focus on faculty because they are the largest category of employees, their work as teachers is in direct service of students and there is better data available for them than for other employee groups. Their compensation is bargained collectively. Ontario's Colleges of Applied Arts and Technology bargain as one unit. At Ontario's public universities, there are more than 20 collective agreements for full-time faculty and many more for part-time instructors. Our analysis reveals that the average salary for a full-time faculty member at an Ontario university (\$152,000 per year) is among the highest in the world, and has been increasing at an average of 4% annually. As we have previously shown, that rate of salary increase is higher than the recent annual increase in operating revenues.



We are not suggesting a restriction of collective bargaining rights, by any stretch. These processes are protected by law, appropriately so, and government is rightly reluctant to interfere except in exceptional circumstances. Nevertheless, a better alignment between salary settlements and revenue realities would have a significant impact on overall institutional sustainability. The additional funds institutions would have had to apply to projects and programs that enhance quality would have been substantial if salary increases over the last 10 years had been no more than the rate of inflation.

To achieve this institutions could:

- Ensure that there is comprehensive information about institutional revenues and expenditures available to all parties during the bargaining process.
- Increase transparency by publicly communicating both the negotiated cost-of-living adjustment (as is current practice) and progress-through-the-ranks or experience increases (which are not currently disclosed) to provide a more complete picture of wage adjustments.
- Encourage discussion and transparency about the impact of negotiations and decisions on both financial and academic sustainability.

³ We recognize that postsecondary institutions spend money on things other than salaries and benefits, and logically, expenditure levers would address these costs as well. However, no matter how aggressively these cost reductions are pursued, they are not sufficient to address the sustainability challenge. We acknowledge the efforts and success postsecondary institutions have already made to minimize administrative costs (e.g., merging back room functions, energy savings, etc.).

Government could:

- Provide institutions with clear, multi-year operating-grant funding and tuition policy so that institutions are able to plan and negotiate within the context of multi-year collective agreements.
- Establish a revenue framework, then leave it to institutions and their employees to engage in the sometimes challenging salary negotiations without interference.

Lever 2a: Faculty Composition — Find a balance between full-time and part-time instructors

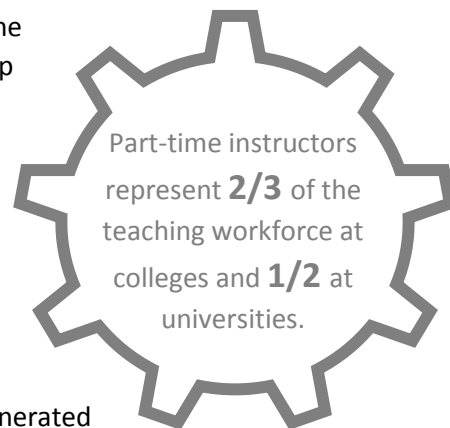
In the college sector, part-time instructors make up about two-thirds of the teaching workforce. In the university sector, part-time instructors make up about half of the teaching workforce, and teach half of undergraduate courses. Why is this so? What are the impacts?

Full-time faculty are long-term hires that devote their time to course-based teaching and other teaching-related functions such as curriculum development, program review and student advising. They also undertake service to the institution's internal and external communities and, in the case of university faculty, they engage in research.

Part-time instructors focus solely on course-based teaching and are remunerated only for this function. Hiring part-time faculty provides an institution with considerable flexibility to meet changing needs (academic or financial) because this group has lower benefit costs, they do not typically accrue progress-through-the-ranks salary increases and, in the case of universities, do not receive tenure. Part-time instructors bring valuable real world experience into the classroom for the benefit of students. For these reasons, part-time instructors are efficient and effective hires when an institution is focused on boosting its course-based teaching capacity.

The increased reliance on part-time instructors at universities is a paradox, however, as universities publicly champion the importance of the traditional linkage between teaching and research. Indeed, it is often argued that instruction provided by a teacher-scholar is what differentiates universities from other types of postsecondary institutions. While we uncovered no conclusive evidence that the use of part-time instructors diminishes the student experience, it is possible that the universities themselves may see the growing reliance on part-time instructors as a threat to their vision of academic quality.

The recently enacted *Fair Workplaces, Better Jobs Act, 2017* includes new legislative provisions to equalize rates of pay for employees with different employment statuses when they perform substantially the same kind of work. It is the role of others to interpret the legislation, compare and contrast jobs and make determinations about its impact on the postsecondary sector. Our role is to point out that compensation increases for any part of the institutional workforce raises the spectre of unintended consequences for quality and the student experience within an environment of constrained revenues.



Institutions could:

- Make all decisions related to the composition of the faculty complement from a baseline commitment to maintaining academic quality over the long-term.

Government could:

- Ensure that legislative, policy or contractual decisions related to compensation in the postsecondary sector are contextualized with an open and balanced discussion about the potential impact of these decisions on academic quality and the impact on the student experience.

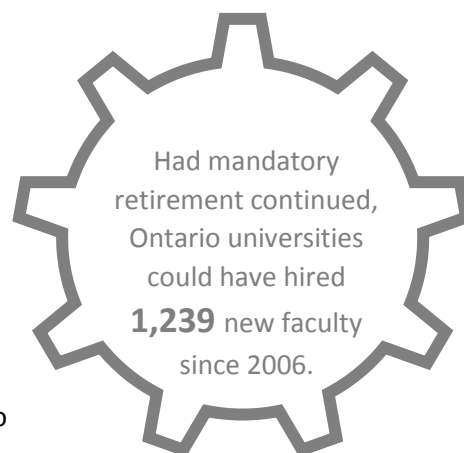
Lever 2b: Faculty Composition — Focus on renewal

Since mandatory retirement was eliminated in Ontario in 2006, the proportion of university faculty aged 66 or older has grown from virtually zero to 9% of full-time faculty. At the same time, faculty renewal in the junior ranks is drying up: the percentage of faculty 35 years old and younger has shrunk from 9% in 2005 to 5% today. The College Employer Council reports that 8.3% of full-time faculty at Ontario's public colleges are over the age of 65.

The aging of the faculty workforce is a tricky topic for universities, complicated by academic culture and traditional practice with regard to compensation and career development. For the purpose of the current discussion, however, we make one simple observation: senior faculty are more expensive than their junior colleagues. Had mandatory retirement remained in place, 1,239 professors would have retired since 2006, freeing up the same number of positions for junior faculty. Senior university faculty are not only at the top of their earnings curve but, unlike college faculty or school teachers in Ontario, their salaries have no cap. Most continue to receive progress-through-the-ranks pay adjustments (on top of cost-of-living adjustments) without limit. Moreover, unlike other public sector employees (Ontario public servants, teachers), in some cases faculty are permitted to draw pension funds while at the same time collecting a full salary.

Preventing age discrimination is an important principle. In our university system, the approach taken to honour this principle — an across-the-board elimination of mandatory retirement with no other adjustments to terms and conditions of employment — may be in conflict with other important priorities such as faculty renewal and institutional sustainability. It may be that this legislative change, though sound in principle, has resulted in potentially problematic and unintended consequences for our universities, particularly in the area of faculty renewal. This has also had an impact on the cost of sustaining the full-time faculty complement since junior faculty earn less than their more senior colleagues. The question is whether these consequences could be mitigated to ensure fair and equitable treatment of all faculty while promoting greater faculty renewal and institutional sustainability.

To achieve this, governments and institutions could:

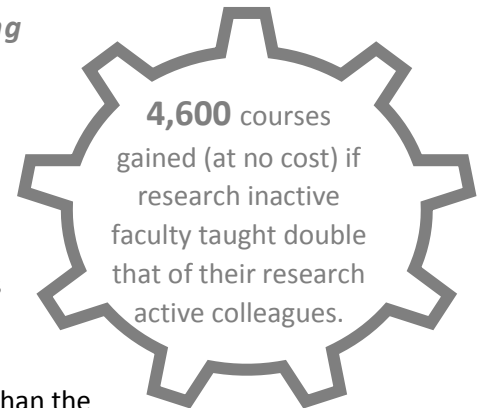


- Explore the latitude allowed under the current legislation or consider amendments to it that would encourage more senior faculty to retire at age 65. This could include the removal of financial incentives, such as the ability of some faculty to collect both a full salary and a full pension, the imposition of salary caps, or the elimination of progress-through-the-ranks salary increases at age 65.
- Implement rigorous and comprehensive performance assessments that ensure equitable work contributions from all faculty.

Given the current focus on faculty renewal and the use of part-time instructors, failure to consider some of these options could raise questions about the sustainability of the tenure system.

Lever 3a: Maximize productivity by increasing teaching loads

We recognize that full-time faculty undertake job responsibilities beyond teaching. We focus our attention on the teaching component of their role because it is at the core of the academic mission and is in direct service of students. The average teaching load of a full-time college professor is eight semester-length courses per year.⁴ In the university sector, where there is some variation between disciplines, the average full-time tenure-stream professor teaches 3.2 semester length courses per year. This is less, we note, than the amount articulated in those collective agreements that define a teaching load. (It is important to remember when contrasting the two systems that university faculty are expected to conduct research as well). Workload — especially with regard to teaching responsibility — is carefully negotiated. We are under no illusions that changing norms will be easy. Nevertheless, our focus here is about maintaining academic quality within a system that can no longer expect revenue increases. Faculty represent the largest chunk of institutional expenditures and the potential impact of increasing the teaching requirements of full-time faculty is not trivial. For example, if institutions:



- Increased workload by requiring full-time university faculty to teach an additional one-semester course per year, this would result in an increase of 13,500 courses at no additional cost to the system.
- Promoted intra-university equity of workload by requiring those full-time faculty who are research inactive to teach double the load of those undertaking a research agenda pursuant to the traditional 40/40/20 model, this would result in an increase of 4,600 courses at no additional cost to the system.⁵

⁴ From the [2015–2016 CAAT Academic Workload Survey](#).

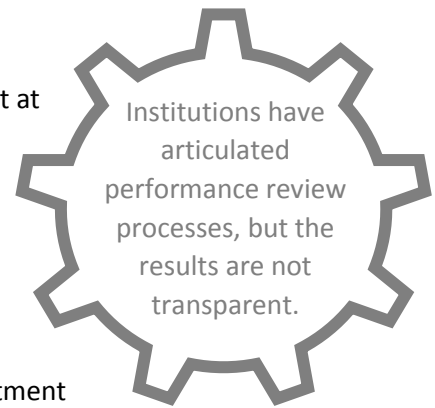
⁵ Derived from data included in Council of Ontario Universities [Faculty at Work Report](#) (2014).

- Required each full-time faculty member to teach one additional one-semester course per year, they could decrease reliance on part-time instructors by 5,870, or more than a third of the part-time workforce.⁶

Lever 3b: Maximize productivity through rigorous performance review

As in other sectors, employee productivity in postsecondary institutions is monitored through institutional performance review processes. In the college system, the Standard Workload Formula governs workload and provides a mechanism for performance review. For faculty at most Ontario universities, these practices are negotiated through the collective bargaining process. Our review of collective agreement provisions related to performance review indicated that most institutions have clearly articulated employment expectations for faculty and outline sensible processes to track and gauge performance through annual reviews.

Of course, if teaching loads were increased we could well observe a corresponding reduction in research or service (or both). However, the Council of Ontario Universities 2014 *Faculty At Work* report indicates that at least 13% of full-time faculty are research inactive and 19% conduct no service. Given the typical — and traditional — trifecta of responsibilities for full-time university faculty, it is not clear why there is less than full adherence to the traditional 40/40/20 model, and the results of institutional performance reviews are not made public.



To maximize the impact of this lever to increase system sustainability, colleges and universities can ensure that all faculty, regardless of appointment status or seniority, are contributing appropriately and equitably. They could:

- Embrace the principle of transparency with regard to performance review, workload monitoring and productivity, and thereby facilitate system-wide analysis of these topics by making public the results of existing processes.
- Develop comprehensive workload reporting mechanisms that include full-time and part-time faculty. This tool would cover all major aspects of job responsibility and monitor trends in productivity over time. This evidence would be available to inform compensation negotiations and decisions about deployment and to ensure internal equity of workload.

Summary of Levers

We acknowledge that the levers available to manage expenditures are challenging to discuss and implement, and that each comes with important caveats and complexities. However, if we are serious

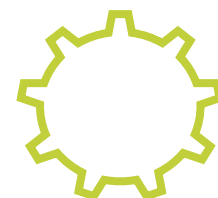
⁶ Derived from data included in Council of Ontario Universities [Faculty at Work Report](#) (2018).

about achieving long-term solutions to the sustainability challenge in our postsecondary system, we can no longer avoid these difficult conversations.

The recent college faculty strike in Ontario brought these issues into stark focus. After faculty spent more than a month off the job, the eventual settlement resulted in a pay increase and committed to increase compensation for part-time instructors as well as a task force to examine staffing models, funding needs, accessibility and academic governance structures. These initiatives will cost money. At the same time, there will be no more money from government or student tuition. How, then, will colleges accommodate these extra costs? As the system is currently structured in Ontario, they may be forced to grow enrolment (if they can, particularly from international markets), freeze hiring, and/or allow the physical plant and student services to degrade. The resulting larger class sizes, reduced course offerings and crumbling infrastructure can negatively impact the quality of the learning experience for students and influence their post-graduate outcomes. There has been much debate about the college strike and efforts to mitigate its short-term impacts on students, but the potentially more significant, downstream impact on academic quality has not been broached. This merits discussion.



For all the complexities involved in institutional budgeting — from government policy to collectively negotiated labour agreements to program costs — managing sustainability is pretty straightforward. Government is responsible for articulating priorities related to outcomes and providing public funds to support them. Institutions must provide the high quality postsecondary education that students deserve, expect and require while balancing their books and meeting their obligations to faculty and staff. As we have articulated, there are a limited number of levers available within the system to influence the dynamic.



The Next Frontier: Measuring Academic Quality

From the outset of our work on sustainability, we have stressed that the issue is as much about quality as it is about balancing the budget. Institutions are extraordinarily good at balancing budgets and the reality is that the government will not allow public higher-education institutions to shutter. Our colleges and universities are too important to fail. In our view, sustainability of the academic mission and quality should dominate the conversation.

The critical issue is whether institutions, in an effort to maintain financial sustainability, are forced to engage in practices that diminish the quality of the education that they offer students. This conversation is critical because none of us — not institutions, students, employers or citizens — can afford to tolerate diminished quality in our postsecondary system. The work, output and contributions of our colleges and universities are too important to the economic future of the province and its citizens. The analyses presented in this series on sustainability demonstrate that fixing the sustainability challenge will require us to engage in serious conversations and will necessitate difficult actions. The status quo is not an

option: If we fail to address the sustainability challenge, the quality and competitiveness of our postsecondary system will continue to slide. This serves no one.

If, as we assert, sustainability is principally about the preservation of quality within the system and financial accountability and balanced budgets are but tools, it is imperative that we are ultimately able to measure academic quality. A necessary next step must be to identify good ways to measure it. Institutions have no way of identifying or redressing sustainability challenges if they do not know whether the quality of their product is diminishing, staying the same or improving.

Current postsecondary quality-assurance processes in Ontario focus largely on inputs and surrogate measures that, while important, provide at best an indirect assessment of quality. We can do better. To advance, the system should embrace direct assessment methods that measure how much and what students are learning. At its most basic, assessing quality is about measuring whether students who take postsecondary programs have, in fact, acquired the information and skills the programs are designed to teach.

We at HEQCO are committed to finding ways to measure quality in postsecondary education. Our focus is on ensuring that institutions measure not just content knowledge, but the enduring skills and competencies we expect a postsecondary graduate to possess. Measuring academic quality is challenging, but we believe the system has a responsibility to undertake this work. This is why HEQCO is committed to developing large-scale assessment techniques that directly measure the skills acquired by students. We have an obligation to ensure that we are measuring the skills that institutions aim to teach, that students wish to learn and that employers seek in workers. This is the inextricable link between sustainability and quality.

Conclusion

In our series of papers on university and college sustainability, we have worked to understand the nature of the challenges facing Ontario's postsecondary sector. We offer several observations and recommendations.

The first is that postsecondary education is central to the health, prosperity and success of our province. Our public colleges and universities can fulfill their missions only when the education they offer is of high quality and to do this, they must be on sustainable footing.

Second, sustainability is not a solely financial goal; our definition of a sustainable system is one in which institutions are able to maintain or improve academic quality and manage expenditures within the confines of fixed revenues.

Moreover, revenues are neither the problem nor the solution. Even after years of government grant increases and demographic shifts that have supported significant growth in enrolment, we find ourselves facing the possibility of declining quality in our system. Concerns about quality and sustainability have been raised by government and students as well as HEQCO's Expert Panel.

Government has signaled that the fiscal reality of the province will not support ongoing operating grant

increases, while tuition increases have been limited to 3% annually. Demographics in all parts of the province, save the GTA, indicate that enrolment growth will not be the answer either.

Future efforts to maintain academic quality must be a function of managing expenditures. Because the single largest expenditure item for institutions is the cost of labour, these conversations are sensitive. However, as we have outlined in this paper, there are levers available to help manage expenditure increases while maintaining quality.

Perhaps the most important observation that has emerged is the importance of measuring academic quality — of programs, of learning, of the student experience and of outcomes. Without robust quality assessment, we are unable to assure students that they are receiving an excellent education or to ensure that essential financial decisions are made from a position of confidence.