



STAFF REPORT
with Confidential Attachment

**Non-union Employee Compensation: General Annual
Salary Adjustment (COLA) and Performance Pay - 2009,
2010**

Date:	April 2, 2009
To:	Executive Committee
From:	City Manager and City Solicitor
Wards:	All
Reason for Confidential Information:	The confidential attachment contains: 1. advice or communications that are subject to solicitor-client privilege; 2. information pertaining to labour relations or employee negotiations
Reference Number:	

SUMMARY

The Employee & Labour Relations Committee has requested a report regarding the motions approved at its March 23, 2009, meeting regarding non-union compensation for 2009 and 2010.

RECOMMENDATIONS

The City Manager recommends that:

1. The following report be received for information.
2. That Confidential Attachment 1 remain confidential and not be released as it contains advice that is subject to solicitor-client privilege and information pertaining to labour relations and employee negotiations.

Financial Impact

The Budget Committee recommended the 2009 Operating Budget include the required funding to provide for a general annual (cost-of-living) increase for all Non-Union employees in addition to the required funding to provide for performance-based progression through the salary ranges and performance based re-earnable lump sum payments.

Subsequently, the Employee & Labour Relations Committee approved a motion to implement for all non-union employees a 0% general annual (cost-of-living) increase for 2009 and a 1.0% general annual (cost-of-living) increase for 2010, combined with the elimination of the re-earnable lump sum payment for year 2009 and 2010. This will result in savings of approximately \$20 Million over two years in the Non-Program budget. Given the deteriorating economic situation and the rise of social services cases, staff are recommending that the 2009 savings in the Non-Program budget be shifted to the Social Assistance Stabilization Reserve resulting in an overall neutral impact on the 2009 budget.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The Employee & Labour Relations Committee at its March 23, 2009, meeting received recommendations from the Mayor regarding Non-union employee compensation for 2009 and 2010. The Committee approved the recommendations and requested that the City Manager review the impact of the decisions taken and report to the next Executive Committee meeting where the approved Employee & Labour Relations Committee motions will be considered.

ISSUE BACKGROUND

Each year City Council approves the City's annual budget which includes approval for Non-union employee compensation as per the Non-Union Compensation plans for non-union staff including senior management. The Non-Union Compensation plans provide for the process for determining salaries for Non-union employees including the provision of annual general salary increases (cost-of-living adjustments) and performance-based pay for (i) progressions through the salary range for those employees below the Job Rate (salary range maximum) and, (ii) for re-earnable lump sum payments for those employees at the Job Rate (salary range maximum).

COMMENTS

The approval of the recommendations will impact the two key components of the Non-union employee compensation program – the annual-cost-of-living adjustment and the performance-based salary lump sum payment.

The City pays competitive, fair market salaries comparable to other major urban centres to attract and retain the highly skilled and experienced personnel required to manage a publicly accountable organization. Due to its size and complexity as Canada's sixth largest government, the City of Toronto competes with other large organizations in seeking qualified and skilled employees to serve its residents.

Toronto Public Service People Plan

In September 2008, the City of Toronto introduced a Toronto Public Service People Plan with new strategic goals and objectives. To remain an agile and flexible organization able to meet its future challenges, the People Plan helps align the City's workforce strategies and plans with its business and service goals.

The People Plan is a comprehensive strategic human resources plan for ensuring that the City of Toronto takes the necessary steps to meet its current and future challenges that include continually shifting economic factors, changing demographics and emerging technologies and best practices that influence how the City develops programs and effectively delivers services.

The future success of the City of Toronto depends in large part on its diverse, service oriented and high performing employees. The City of Toronto needs to ensure that it has "the right people in the right place at the right time" to build a strong, prosperous and liveable City. A competitive compensation plan and structure directly contributes to the City's attainment of the People Plan's states goals and objectives.

The People Plan goals are:

- We will become a learning organization
- We will have safe and healthy workplaces
- We will attract and retain a skilled, high performing and diverse workforce
- We will have strong and effective leaders
- We will build a positive workplace culture

Impacts of the Proposed Changes to 2009 and 2010 Non-Union Employee Compensation

The proposed changes to the 2009 and 2010 Non-union employee compensation demonstrate the responsiveness of the Toronto Public Service (TPS) to a difficult economic situation, and the recognition of the role that the City plays in the economic recovery of Toronto and the surrounding region.

However, the restraint measures proposed may have a long-term effect upon the City of Toronto and the TPS.

1) Ability to attract and retain talent

The City will continue to compete with the surrounding municipalities and broader public sector organizations to attract and retain talent. As outlined in previous reports, Council's approved pay policy provides that non-union positions shall have a Maximum Salary (Job Rate) set at the 75th percentile, to reflect the complexity of the City's organization, scope and size and to ensure the City is a competitive employer relative to other public sector employers in the Greater Toronto Area. Recent review data indicates that the Maximum Salary (Job Rate) for Senior Management (CM, DCMs and Division Heads) and Director level positions at the City are actually near or at the 50th percentile and not at the 75th percentile as per Council approved policy.

The combined effect of a 0% and 1.0% cost of living adjustment over the next two year period will have a negative impact on the competitiveness of the City's salaries, and will result in increased difficulty to attract and retain non-union staff in general, and senior management, in particular. A recent survey of the surrounding GTA municipalities has indicated that most of those City Councils approved a 3% cost of living adjustment for their Non-union employees for 2009.

2) Perception of inequitable treatment within the Non-union employee group

The differentiation in the approval of performance-based pay for (i) employees progressing through their salary range, versus (ii) employees eligible for a re-earnable lump sum for those employees at the top of their salary range (Job Rate) may have a negative impact upon morale for those employees who are having their re-earnable lump sums cancelled. However, the former have not yet reached the 75th percentile Job Rate, and some may be at the Normal Entry Point which is 24% below the Job Rate, while the latter are already at their maximum salary (Job Rate).

3) Salary Compression between Unionized and Non-union positions

The effect of a 0% 2009 cost-of-living adjustment and a 1.0% 2010 cost-of-living adjustment may result in salary compression issues between unionized and non-union positions, particularly if unionized salary increases over this time period are greater than that approved for non-union employees. There is a clear need for an organization to have supervisor positions that pay more than the staff that they supervise and, in many cases, the talent pool for supervisor positions comes from the promotion of unionized staff. Hence, there needs to be an appropriate salary structure to encourage the City's high performing unionized employees to seek and obtain promotion to supervisory non-union positions.

4) Reduced pension income

In addition to impacting 2009 and 2010 earning potential of Non-union employees, the 0% 2009 and 1.0% 2010 cost-of-living adjustments, and the suspension of the performance-based re-earnable lump sum payment will also impact the pension incomes of those employees planning to retire in the near future. An employee's pension is based on their best five years of annual salary, which typically is their last five years of annual salary. For those employees who are anticipating retirement in the near future, and who were expecting annual cost-of-living increases as well as performance pay (progression pay or lump-sum payments), the proposed changes will result in a decrease in their annual pension income or, alternatively, these employees may decide to work longer before they decide to retire.

This effect on pension income may manifest itself in two different ways. Some employees may choose to extend their employment beyond their original planned retirement date, in order to wait for better times when salary increases will be higher. Others who are currently eligible or will soon be eligible to retire may choose to retire sooner than planned - since working for the next two years may not result in any enhancements to their pension entitlement. Either of these circumstance might have an impact on succession planning and renewal efforts to recruit and retain a high performing, diverse workforce.

5) Morale of the Non-union employee group

The City Manager's office and other senior city staff have received numerous complaints from non-union employees. While staff clearly appreciate and are supportive of the challenges faced by the City, particularly in light of the difficult economic circumstances, they express concerns of inequity and that they are being treated differently than the other employees, at a time when their services and leadership will be needed the most. As a result, there is a general belief that they are undervalued and underappreciated for their key and important contributions made toward the success of the City in the delivery of its services to the public.

CONTACT

Bruce L. Anderson
Executive Director, Human Resources
Tel. (416)397-4112

Darragh Meagher
Director, Employment Law
Tel. (416)392-8948

Barbara Shulman
Director, Staffing, Compensation &
Employment Equity
Tel. (416)392-7987

SIGNATURE

Joseph P. Pennachetti
City Manager

Anna Kinastowski
City Solicitor

ATTACHMENTS

Attachment 1 – Confidential Information