



STAFF REPORT ACTION REQUIRED

Voluntary Separation Program

Date:	January 6, 2012
To:	Budget Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

This report seeks approval to continue implementing the Voluntary Separation Program as outlined in the September 2011 Staff Report, on an as-needed basis to assist division in implementing their downsizing plans and the deletion of positions approved through the 2012 budget. Providing divisions the ability to offer VSPs to employees whose positions have been approved for deletion allows for an alignment of resource needs with 2012 budget decisions, a cost effective tool for implementing position deletions and continued effective delivery of services to the public.

RECOMMENDATIONS

The City Manager recommends that City Council:

1. Authorize the continuing use of the approved Voluntary Separation Program for employees who are bargaining unit, non-union exempt and management staff , on an as-needed basis.
2. Fund the Voluntary Separation Program (for City divisions) and any subsequent separations including any ancilliary payments for vacation and sick leave payouts that are required to effect permanent, sustainable savings for the 2012 budget and beyond from the tax stabilization reserve.

Financial Impact

Cost Estimate Projections

Funding for voluntary separation payments will be made from the tax stabilization reserve, to be funded from 2012 and future year operating budget surplus.

In order to meet budget reduction targets, the annual budget submission to Council identifies deletion of positions in various City divisions. The 2012 budget submission includes the deletion of approximately 714 positions that are currently occupied, 666 of which are bargaining unit employees.

For example costing purposes only, if VSPs were offered to one 'average' bargaining unit Local TCEU 416 or CUPE Local 79 employees (average salary = \$63,500), the City would incur a one-time cost of approximately \$31,752, resulting in permanent budget reductions of \$79,381. In addition there would be an average sick pay one-time payment (for those eligible) of \$21,400 plus up to \$2000 for the Transition allowance:

Example: Average Bargaining Unit Employee

Cost Element	Voluntary Separation Cost (One Time Cost)	Permanent Base Budget Reduction (Base Savings)
Separation Payment (up to max. 26 weeks salary)	(\$31,752)*	\$79,381
Transition Allowance	(\$2000)**	
Total VSP Cost	(\$33,752)	\$79,381
Sick Pay Costs	(\$ 21,400)	
Total Cost/Savings	(\$55,152) One Time	\$79,381 Base

For example costing purposes only, if VSPs were offered to one 'average' non-union/management employees (average salary = \$95,616), the City would incur a one-time cost of approximately \$47,808, resulting in permanent budget reductions of \$119,520. In addition there would be an average sick pay and one-time payment of \$44,580 plus up to \$3,000 for the Transition allowance:

Example: Average Non-union/management Employee

Cost Element	Voluntary Separation Cost (One Time Cost)	Permanent Base Budget Reduction (Base Savings)
Separation Payment (up to max. 26 weeks salary)	(\$47,808)*	\$119,520
Transition Allowance	(\$ 3,000)**	
Total VSP Cost	\$50,808	\$119,520
Sick Pay Costs	(\$ 44,580)	
Total Cost/Savings	(95,388) One Time	\$119,520 Base

The end result of continued utilization of the VSP is lower costs to the City and an opportunity to realize budgetary savings sooner.

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

Equity Statement

The City is committed to ensuring fairness and equity in all of its policies and programs. The implementation of the Voluntary Separation Program will be consistent with this commitment.

Issue Background

Bargaining unit employees are covered by the terms of their collective agreements, and in the event of their position being deleted, are currently provided with options including redeployment (being placed in another job), lay-off, bumping rights, and wage protection (up to 30 or 35 months), if they are placed into a position that is at a lower wage grade than the position they previously held. Employees who are laid off retain the right to recall for 2 years.

When a position is deleted as a result of contracting out, the City has an obligation to find alternative work for permanent employees, under the existing collective agreements.

Since amalgamation, a Council approved Voluntary Separation Program has been in place at the City of Toronto. This program is made available to divisions on an as-needed basis, where the organization has identified areas and specific position classifications which will be subject to position deletions. Where this is known, employees in a defined group or position category have been given the opportunity to volunteer to be separated.

This option has been exercised in discreet situations over the past 13 years, and provides for a cost-effective strategy for a division to realize permanent budget savings in a substantively more expedited manner. The advantage to the bargaining unit employee is a lump-sum payment in lieu of exercising their options under the collective agreement, which may result in placement in a position or work location that they may deem not desirable. The benefits to the City as the employer are significant, as it allows for a much quicker realization of savings from the deletion of the position, and avoids the lengthy and resource-intensive process of redeployment, lay-off and bumping which is disruptive to the workplace and which results in the City incurring salary and benefits costs, often in excess of 12 months (until the displaced employee is placed or laid off), for positions which have been deemed to be redundant.

For non-union/management employees, offering a voluntary separation payment to a targeted work-unit where there is a need downsizing allows benefits to both the City and the employees. By achieving the necessary position reductions through voluntary separation payments, this reduces the need for the City to provide more costly separation payments that would be required under ESA and common-law, if specific employees are targeted. At the same time, this approach is more conducive to maintaining good employee morale, as those who are willing to leave are the ones who are exited from the organization, while employment is preserved for those who do not want to accept a voluntary separation payment.

At its meeting September 26, 27, 2011 City Council rescinded the Voluntary Separation Program adopted by Council in 1998 and replaced it with a new Voluntary Separation Program, that was announced corporate-wide, and that was to be implemented by December 31, 2011.

The report seeks approval to continue implementing the Voluntary Separation Program as outlined in the September 2011 Staff Report, on an as-needed basis to assist divisions in implementing their downsizing plans and the deletion of positions approved through the 2012 budget. Providing divisions the ability to offer VSPs to employees whose positions have been approved for deletion allows for an alignment of resource needs with 2012 budget decisions, a cost effective tool for implementing position deletions and continued effective delivery of services to the public.

COMMENTS

The 2012 budget submission contains staff recommendations to delete 714 positions (Toronto Public Service) that are currently occupied. An additional 737 positions that are vacant have also been identified for deletion.

Redeployment and bumping are time consuming, labour intensive processes that are disruptive to the workplace. The ability for the City to realize savings from the deletion of bargaining unit positions is often significantly delayed as a result of the time required to carry out these processes, which can take many, many months, or longer, even after the deletion of the position has been approved. During this time period, the employee remains active on the payroll and the division must continue to incur salary and benefits costs, even if they have deemed that the position is no longer required in their division.

For non-union/management employees, access to a voluntary separation payment provides a much more cost-effective and desirable approach for achieving position reductions, compared to targeting employees for involuntary terminations and incurring significant financial costs to implement these terminations without cause.

Offering a voluntary separation payment directly to impacted employees at the time that they are being advised of their pending position deletion, provides the City with an opportunity to realize long-term savings in a more expeditious time frame. Minimizing the number of employees needed to be redeployed or placed in alternative work, immediately reduces the time and resources required to implement this process, and reduces the potential for providing wage protection for employees who may be assigned to lower-wage grade positions. The end result of continued utilization of the VSP is lower costs to the City and an opportunity to realize budgetary savings sooner.

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SIGNATURE

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