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2017 OPERATING BUDGET BRIEFING NOTE

Progression Pay for Non-union Employees – City of Toronto Divisions

Issue/Background:

This Briefing Note responds to a request from Budget Committee for detailed information on the financial impact of progression pay for non-union employees in City Divisions and Agencies in 2016. Specifically, information to include:

- number of employees subject to progression increases in 2016;
- the 2016 financial impact of these increases;
- the number of employees by division or by agency and the corresponding rating;
- the cost of living increase given in 2016, and
- the average performance increase given in 2016.

In addition, a legal opinion on whether these increases can be frozen (i.e. negated for 2017) or paid back, was requested. A Confidential Briefing Note is attached providing this opinion.

- The Council approved Non-union Compensation and Performance Management System for employee in City of Toronto divisions includes a performance-based salary progression, which allows employees to progress through their salary grade range, from range minimum to maximum, based on individual merit/performance.
- Employees who are at the top of their salary range are eligible to receive an annual performance-based re-earnable lump sum payment.
- The salary range maximum is the competitive job rate for the position.
- Under the current performance management system in the Toronto Public Service, it takes the majority of employees, based on a performance rating of '*meeting expectations*', seven (7) years to move from the minimum of the salary range to the competitive job rate. As identified in previous external Consultants' reviews, this is an excessive length of time for an employee to achieve the job rate of their position (and is not in keeping with best practices followed by other organizations in the broader public sector).
- Any reductions in performance financial rewards will increase the time it takes an employee to reach the competitive job rate of their position.
- A competitive compensation program includes salary progression and merit performance rewards and is critical for driving a high-performing workforce, for optimizing organization performance, and for being able to effectively recruit and retain talent.

Key Points:

- Approximately 4400 active non-union employees received a performance payment in 2016, for a total cost of \$11,317,695
- The cost of living increase provided in 2016 was 1.25%
- The average performance increase given in 2016 was \$2526
- Performance payments are added to base salary for those employees moving through the range, and provided as lump sum payment for those at the maximum of the range
- A separate, accompanying Confidential Briefing Note provides a legal opinion on whether 'progression pay' and cost-of-living increases for non-union employees can be frozen for 2017 or paid back
- In addition to the legal considerations, it should be noted that the City's non-union/management group have previously received wage freezes and cancellation of performance payments, resulting in reduction of salary increases relative to their unionized colleagues at the City. Unionized employees, representing the large majority of the workforce in the Toronto Public Service continue to receive negotiated cost-of-living increases, and, where applicable, step increases.
- Any type of freeze on non-union compensation may contribute to salary compression, as union wages continue to rise, while non-union do not.
- Management and non-union employees are responsible for maintaining City operations during any potential labour disruption, emergency situation, etc. Providing differential salary treatment to this group does not demonstrate the recognition for these significant and essential contributions.
- Any decision to implement performance pay freezes should consider the impact on employee morale, engagement and the City's ability to attract and retain talent.
- The performance rating distribution for City divisions, by clusters, in 2016 was as follows:

2015 Performance Review Ratings by Cluster

<i>Cluster/ Division</i>	<i>Numbers Exceeds</i>	<i>Per cent Exceeds</i>	<i>Numbers Meets</i>	<i>Per cent Meets</i>	<i>Numbers Meets Most</i>	<i>Per cent Meets Most</i>	<i>Numbers Unsatisfactory</i>	<i>Numbers Unsatisfactory</i>
A	260	14.76%	1,390	78.93%	57	3.24%	6	0.34%
B	187	15.13%	945	76.46%	33	2.67%	4	0.32%
C	125	13.62%	697	75.93%	38	4.14%	3	0.33%
City Manager's Office	65	15.33%	327	77.12%	7	1.65%	0	0.00%
City Clerk's	10	8.85%	98	86.73%	1	0.88%	0	0.00%
Legal	24	15.09%	120	75.47%	1	0.63%	1	0.63%
Overall (TPS)	671	14.55%	3,577	77.58%	137	2.97%	14	0.30%

Notes:

Data does not include Accountability Officers and their staff and staff in the Mayor's or Councillors' offices.

The percentages for the four performance review rating levels do not add up to 100 per cent because not all employee performance reviews were processed in SAP. The most common reasons for reviews not being processed were employee absences such as sick leave or the employee left the organization before the end of the performance review cycle.

Performance/Progression Pay – Agency Summary

Agency Name/Program	Number of Exempt Employees	Number of Exempt Employees Entitled to Progression Pay	Does Agency use City policy for Performance Assessments?	Not Eligible	Unsatisfactory	Meets Most Expectations	Meets Expectations	Exceeds	Average Performance Payment	Performance Increase \$	COLA %	COLA \$	Notes
Toronto Public Library	118	115	No	3	1	17	74	20	\$ 2,759.95	\$ 309,114.40	1.25%	\$ 180,000.0	TPL non-union compensation plans are administered in accordance with City of Toronto non-union copensation plan
Toronto Police Service	6	3	No	N/A	N/A	N/A	N/A	N/A	\$ 6,166.00	\$ 18,500.00	2.43%	\$ 24,500.0	TPS employees are not eligible for performance pay. The performance increase is related to progression pay
Toronto Police Service Board	5	0	No	N/A	N/A	N/A	N/A	N/A	\$ -	\$ -	2.43%	\$ 19,500.0	TPSB employees are not eligible for performance pay.
Toronto & Region Conservation Authority	75	75	No	0	0	0	75	0	\$ 2,226.00	\$ 167,000.00	2.00%	\$ 350,000.00	1
Toronto Transit Commission	3,239	910	No	2,329	0	0	910	0	\$ 2,021.98	\$ 1,840,000.00	1.75%	\$ 6,900,000.00	TTC Performance pay is related to progression (step rate increases) and staff at the top of their respective pay range are not eligible for progression pay increases. The number of TTC non-union employees that were eligible for step rate increases but were denied due to poor work performance is minimal as the TTC takes corrective action immediately for poor work performance, with action including dismissal.
Exhibition Place	119	119	Yes	0	0	4	94	21	2.81%	\$ 241,899.00	1.25%	\$ 107,722.0	
Heritage	7	7	Yes	7	0	0	0	0	N/A	\$ -	2.50%	\$ 6,850.6	2
Arena Boards of Management	56.4	33.6	No	0	0	0	8	0	61.25% to 2.5%	\$ 38,768.05	1.00% to 2.5%	\$ 31,593.2	
Bill Bolton	8.3	0	No	N/A	N/A	N/A	N/A	N/A	N/A	\$ -	N/A	\$ -	3
Ted Reeve	10	8	No	0	0	0	8	0	2.00%	\$ 7,745.00	N/A	\$ -	4
McCormick	7	0	No	N/A	N/A	N/A	N/A	N/A	N/A	\$ -	2.25%	\$ 8,000.0	3
Moss Park	6.7	5	No	N/A	N/A	N/A	N/A	N/A	2.50%	\$ 8,497.05	2.50%	\$ 8,497.05	3.5
North Toronto	7.6	7.6	No	N/A	N/A	N/A	N/A	N/A	FT: 2%, PT: 1.3%	\$ 12,848.00	N/A	\$ -	3
Forest Hill	9.8	6	No	N/A	N/A	N/A	N/A	N/A	1.75%	\$ 7,855.00	2.25%	\$ 10,504.0	3
Leaside	1	1	No	N/A	N/A	N/A	N/A	N/A	N/A	\$ -	1.25%	\$ 1,391.0	3
George Bell	6	6	No	0	0	0	0	6	1.25%	\$ 1,823.00	1.00%	\$ 3,201.1	4
Yonge Dundas Square	6	5	No	N/A	N/A	N/A	N/A	N/A	4.45%	\$ 11,153.00	1.25%	\$ 5,318.0	6
Toronto Zoo	96	87	Yes	9	-	6	66	15	1.15%	\$ 38,824.00	1.90%	\$ 148,989.00	7
Toronto Centre for the Arts	13	13	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.50%	\$ 20,653.00	8
St. Lawrence Centre for the Arts	13	13	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.20%	\$ 19,700.00	8
Sony Centre for the Performing Arts	31.7	N/A	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.25%	\$ 50,000.00	8
Applegrove Community Complex	3	3	Yes	0	0	0	0	3	4.50%	\$ 8,481.05	1.25%	\$ 2,673.98	
Cecil Community Centre	3	3	Yes	0	0	1	1	1	0	\$ 7,649.00	1.25%	\$ 4,040.00	
Central Eglinton Community Centre	4	4	Yes	0	1	0	0	3	3.40%	\$ 10,809.38	1.25%	\$ 5,840	
Community Centre 55	3	3	Yes	0	0	0	2	1	3%	\$ 6,732.98	1.25%	\$ 4,258.51	
Eastview Neighbourhood Community Centre	3	3	Yes	0	0	0	2	1	\$ 2,606.00	\$ 9,615.00	1.25%	\$ 1,796.00	
Ralph Thornton Community Centre	3	2	Yes	1	0	0	1	1	2.17%	\$ 5,380.00	1.25%	\$ 3,127	1 Staff was hired in November 2015, therefore, not eligible for progression increase.
Scadding Court Community Centre	5	5	Yes	0	0	1	3	1	2.50%	\$ 13,306.80	1.25%	\$ 6,239	
Swansea Town Hall Community Centre	2	2	Yes	0	0	0	2	0	0	\$ 3,974.00	1.25%	\$ 1,984	
The 519 Community Centre	15	12	Yes	3	0	0	10	2	2.09%	\$ 23,541.36	1.25%	\$ 12,432	3 Staff were hired in 2016, therefore, not eligible for progression increase.
Waterfront Neighbourhood Centre (former Harbourfront Community Centre)	6	6	Yes	0	0	0	6	0	0	\$ 15,197.43	1.25%	\$ 6,259	
Total	3832.1	1423.6		2352	2	29	1254	75		\$ 2,769,945.45	1.94%	\$ 7,913,475.34	
Notes													
1 Employee increases are based anniversary dates, ie. seniority versus merit and knowledge development. Employees that are not meeting expectations would be terminated.													
2 Salaries have been frozen due to budget constraints resulting in no performance pay increases being awarded to the Agencies 7 exempt employees. COLA is awarded to those exempt employees who have completed one full year of service (2016: 4 employees)													
3 The Arena does not leverage City policy for performance assessments; performance pay and COLA awards are ultimately subject to approval by the Arena's board of management.													
4 The Arena leverages City policy for performance assessments as a guideline only; performance pay and COLA awards are ultimately subject to approval by the Arena's board of management.													
5 The Moss Park Arena Board of Management approved a uniform 5% increase to its 5 full-time employees to cover cost of living as well as progression increases (assumed to be 2.5% each).													
6 The Agency maintains its own system of performance/merit assessment which is applied within Board approved salary ranges to determine increases. Under this methodology, 5 employees were eligible for performance pay increases based on start dates, however all 6 exempt employees were awarded COLA. Performance pay and COLA awards are ultimately subject to approval by the agency's board of management.													
7 The Board has adopted a performance pay policy that is consistent with the City's practices.													
8 The Boards for the three Civic Theatres do not currently have any performance pay related policies.													
9 All AOCCs follow the City's policies.													

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