REPORT FOR ACTION

Non-Union Employee Separation Costs for 2018

Date: October 29, 2019
To: General Government and Licensing Committee
From: Chief People Officer
Wards: All

SUMMARY

This report provides information on non-union employee separation costs for 2018. In 2014, the City of Toronto's Auditor General reviewed the City's non-union employee separation costs. The review affirmed that separation costs had been awarded in accordance with City of Toronto policies, procedures, applicable legislation and jurisprudence. The Auditor General recommended that separation costs continue to be monitored and that the costs be reported out regularly.

The City of Toronto has statutory and legal obligations to provide separation pay when the employment relationship is terminated by the City of Toronto without just cause. Administering separation payments for non-union employees whose employment is terminated without cause falls under the authority of the City Manager.

The payment provided in each circumstance is informed by both provincial legislation and the application of a number of factors that are consistently considered by the courts. The total number of exits in each of the reported years represents a very small percentage of the total number of non-union employees employed by the City of Toronto.

RECOMMENDATIONS

The Chief People Officer recommends that:

1. The General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

The average cost of a separation payment in 2018 was $167,473.69.

The total cost of separation payments made in 2018 was $3.5 million.

Separation payments are funded through the Approved Operating Budgets of the impacted divisions.

There is no financial impact resulting from the adoption of the recommendation in this report.

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

DECISION HISTORY

In 2014, the Auditor General reviewed the City's non-union employee separation costs. The resulting report affirmed that separation costs have been awarded in accordance with City policies, procedures, applicable legislation and jurisprudence. The report provided some recommendations to enhance overall oversight and accounting for these costs. The Auditor General also recommended that the Chief People Officer continue to track non-union separation costs and report out regularly on these costs.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.AU16.15

COMMENTS

The City has statutory and legal obligations to provide separation payments when the employment relationship is terminated by the City, without just cause.

Table 1 below provides a summary of separations and related costs for the years 2014 - 2018.

Year	Total Number of Exits per year	Annual Separation Cost ($M)	% of Non-Union Workforce
2014	26	$3.1	0.59%
2015	11	$1.3	0.25%
2016	30	$3.6	0.68%
2017	37	$4.4	0.84%
2018	21	$3.5	0.45%

As noted, the total number of exits in each of these years represents a very small percentage of the approximately 4,637 non-union employees employed by the City.

Administering separation payments for non-union employees whose employment is terminated without cause falls under the authority of the City Manager. The calculation of separation payments is informed by both provincial legislation and the application of a number of factors that are consistently considered by the courts. These factors are:

1. length of service: a rough guideline is one month of pay per year of service;

2. the employee's age: a greater period of notice is often awarded to older employees in recognition of the fact that they may have difficulty obtaining comparable employment;

3. the character of the employment: a greater period of notice is often awarded to employees who occupy positions of greater responsibility;

4. whether the employer enticed the employee to leave previous secure employment;

5. the availability of comparable employment; and

6. the employer's good faith and fair dealing in carrying out the termination of employment.

Table 2 below provides a summary of separation payments to departing employees during 2018.

Separation Amount per Employee	**# Employees**	**Total Separation Costs**	**Average Years of Service**
Less than $100,000	4	183,443.38	3.75
$100,000 to $199,999	11	1,649,341.87	16.4
Greater than $200,000	6	1,684,162.20	24.7
Total	21	3,516,947.45	

Such terminations arise as a result of workforce reductions, organizational restructurings and other reasons that are not related to employee misconduct.

Since the Auditor General's 2014 review, the People and Equity Division has been tracking the cumulative separation costs incurred by the City on an annual basis.

As part of efforts to enhance the oversight related to non-union employee separations, the People and Equity division agreed to provide an annual report on the related costs, while ensuring that personal information is protected. As well, all separation costs incurred are approved by the Chief People Officer.

CONTACT

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Chief People Officer