REPORT FOR ACTION

Non-Union Separation Costs for 2022

Date: October 16, 2023
To: General Government Committee
From: Chief People Officer
Wards: All

SUMMARY

This report provides information on non-union employee separation costs for 2022.

In 2014, the City's Auditor General reviewed the City of Toronto'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 separation 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 Committee receive this report for information.

FINANCIAL IMPACT

There are no financial impacts resulting from the adoption of this report.

The average cost of a separation payment in 2022 was $167,137.

The total cost of separation payments made in 2022 was $3,175,611.

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

The Interim Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact section.

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 2018 - 2022.

Year	Total Number of Exits Per Year	Annual Separation Cost (millions)	Percentage of Non-Union Workforce
2018	21	$ 3.5	0.45%
2019	31	$ 4.9	0.57%
2020	11	$ 0.9	0.2%
2021	16	$ 2.3	0.26%
2022	19	$ 3.2	0.28%

As noted, the total number of exits in 2022 represents a very small percentage of the approximately 6,751 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 include:

- length of service: a rough guideline is one month of pay per year of service;
- 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;
- the character of the employment: a greater period of notice is often awarded to employees who occupy positions of greater responsibility;
- whether the employer enticed the employee to leave previous secure employment;
- the availability of comparable employment; and
- the employer’s good faith and fair dealing in carrying out the termination of employment.

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

Table 2 below provides a summary of separation payments to departing employees during 2022.

Separation Amount per Employee	# Employees	Total Separation Costs	Average Years of Service
Less than $100,000	*4*	$ 228,728	*5*
$100,000 to $199,999	*9*	$ 1,407,465	*15*
Greater than $200,000	*6*	$ 1,539,418	*22*
Total	19	$ 3,175,611	

Since the Auditor General’s 2014 review, the People & 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 & Equity division agreed to provide an annual report on the related costs, while ensuring that personal information is protected.

CONTACT

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SIGNATURE

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