

Ministry of Education

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MEMORANDUM TO: Board Chairs

FROM: Laurel Broten
Minister of Education

DATE: April 5, 2012

SUBJECT: **2012 Budget Long-Term Plan for Public Sector Compensation**

I am writing to provide information regarding the government's proposed changes to public sector compensation, introduced and tabled in the Legislature as part of the 2012 Budget.

The government's plan contains a number of components that are relevant to your organization and are outlined below.

Executive Compensation

Under proposed amendments to the *Broader Public Sector Accountability Act, 2010*:

- Compensation costs would be managed by extending compensation restrictions for designated executives, earning greater than \$100,000 annually, at hospitals, universities, colleges, school boards and designated organizations for another two years, effective March 31, 2012. If passed, this would mean compensation restrictions would be in place for four years.
 - Organizations to which the proposed amendments apply would be required to attest annually to their compliance with the legislation.
- Directives would be issued by Management Board of Cabinet, requiring those making hiring decisions at hospitals, universities, colleges, school boards and designated entities to:
 - conduct compensation studies of other Canadian organizations to determine appropriate compensation; and
 - report publicly on the results of the compensation studies.

If the amendment to the Act is passed, all aspects of a compensation plan would be frozen, and base salaries would not be increased for two years. The Act would permit

performance pay provided it was a part of the existing compensation plan and awarded as a result of achievements related to the:

- Achievement of articulated government priorities;
- Successful implementation of measures to reduce costs while protecting front-line services; or
- Achievement of performance improvement targets set out in an annual quality improvement plan developed under the *Excellent Care for All Act*, 2010.

I appreciate you taking the time to familiarize yourself with the proposed legislation, which is intended to ensure the ongoing management of compensation costs, accountability and transparency within our organizations.

Provincial Compensation Framework

In order to ensure fiscal sustainability, the 2012 Budget outlines the government's expectation that all broader public sector (BPS) partners, including the education sector, will bargain in good faith in a fiscally responsible manner that considers current and future total compensation costs as well as aspects of collective agreements that enhance productivity and facilitate public sector transformation. Further dialogue between our ministry and the education sector about collective bargaining and outcomes may be warranted, and your cooperation will be appreciated.

Interest Arbitration

The government will introduce a focused, balanced package of proposed legislative reforms that would increase accountability, transparency, efficiency, and timeliness within the interest arbitration system, while preserving the essential independence of the decision-making process. The Ministry of Labour will be offering a technical briefing on the proposed interest arbitration reforms for any interested parties. To participate, please email Marcelle.Crouse@ontario.ca with your name, organization, email address and phone number by Monday April 2, 2012. You will then be contacted with details about the technical briefing teleconference.

Public Sector Pensions

The government intends to introduce a number of measures regarding public-sector pensions, following consultations with affected stakeholders.

Also enclosed is a 2012 Ontario Budget "Backgrounder" on Public Sector Compensation which provides additional information on the initiatives outlined above.

Contact

Should you have any questions regarding these proposed changes, please contact Gabriel Sékaly, Assistant Deputy Minister, Elementary/Secondary Business and Finance Division at Gabriel.sekaly@ontario.ca or 416 325-6127.

Sincerely,

Laurel Broten
Minister