

**Postsecondary Education
Sustainability and Renewal**
A Discussion Paper
June 2019

About this Engagement

In February 2019, the ministry consulted stakeholders to better understand current and future challenges and opportunities associated with employee renewal and sustainability.

During the February consultations, the ministry indicated that it was considering a policy to address employee renewal by potentially limiting the ability of postsecondary education employees to simultaneously collect full-time salaries and pension benefits. The policy could, for instance, require institutions to cap salary payments so that pension and salary payments combined were not greater than the employee's salary prior to pension payments commencing.

The ministry received feedback from many stakeholders during its consultations, and carefully considered submissions received. Responses provided during the consultations and in subsequent written submissions provided helpful feedback on the issue of employee renewal but did not identify an alternative proposal to address this issue at the system level.

In Ontario's 2019 Budget, the Ontario government addressed the issue of employee renewal:

“Ensuring a Dynamic University Workforce: The average retirement age of faculty has been increasing, suggesting that employees are remaining in their positions longer and limiting turnover that would bring in earlier career professionals with new teaching methods and increase diversity. This has cost implications, as these employees tend to be paid the highest salaries and benefits and, in some cases, are drawing salary and pension payments at the same time.

As such, the government is proposing to introduce amendments to the Ministry of Training, Colleges and Universities Act, that, if passed, could help achieve a more sustainable postsecondary sector and employee renewal. The Ministry of Training, Colleges and Universities will consult with the sector on how best to achieve these outcomes.”

One of the options that the ministry is considering is using the regulation-making authority established under the recent amendments to the *Ministry of Training, Colleges and Universities Act* to cap the total income received by postsecondary education employees through pension and salary.

The ministry is seeking further feedback on the policy it identified in February, as well as any other options the sector would like to bring forward for the ministry's consideration.

No decisions on how to address the issue have been made. This is an opportunity for stakeholders to provide input and advice on how the government should address the issues of employee renewal and the sustainability of the postsecondary sector.

In addition to responses to the questions identified below, the ministry welcomes any further input that could assist with the development of regulations or other possible policy tools to support employee renewal and the sustainability of the postsecondary sector.

Please send your input to the ministry via email psepolicy@ontario.ca by July 31, 2019.

Context

As outlined in the February 2019 consultation paper on employee renewal, the financial sustainability of Ontario's colleges and universities is key to ensuring students can learn the skills and content needed to meet their future employers' needs.

In the past, concerns about sustainability have been addressed through increasing operating grants tied to increasing enrolment. This approach ignored some fundamental structural issues of our postsecondary education system; issues which have become more apparent as enrolment growth slows, and even declines in parts of the province.

Given the financial situation of Ontario, when we consider how to strengthen Ontario's postsecondary education system in 2019 and the future, we must look at all expenditures in the sector, including labour, which is the largest budgetary expenditure for postsecondary institutions. Grant increases cannot address this sustainability issue. Moreover, employee renewal is an important issue for all stakeholders in the postsecondary education sector.

Labour costs constitute 65% and 76% of expenditures for colleges and universities, respectively.

As the Higher Education Quality Council of Ontario noted in its 2018 Report, *The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle*:

Since mandatory retirement was eliminated in Ontario in 2006, the proportion of university faculty aged 66 or older has grown from virtually zero to 9% of full-time faculty. At the same time, faculty renewal in the junior ranks is drying up: the percentage of faculty 35 years old and younger has shrunk from 9% in 2005 to 5% today. The College Employer Council reports that 8.3% of full-time faculty at Ontario's public colleges are over the age of 65... unlike other public sector employees (Ontario public

servants, teachers), in some cases faculty are permitted to draw pension funds while at the same time collecting a full salary.

The ministry has heard that the practice of simultaneously collecting pensions and salaries acts as an incentive for employees to stay on in the workplace longer than in other sectors. This has an impact on the employment opportunities for earlier career employees and the educational benefits they can bring to colleges and universities through a healthy cycle of employee renewal. This in turn can impact the financial viability of colleges and universities because it creates upward pressure on labour costs with no corresponding offset typically associated with the entry of new employees.

In this respect, the postsecondary sector is different from the broader public sector in Ontario. For example, the College of Nurses of Ontario's 2017 Membership Statistics Report noted that only 4% of all nurses in Ontario were over the age of 65. Employees of the Ontario Public Service retired on average at age 59 in 2017.ⁱ According to the Ontario Teachers' Pension Plan, and similarly to these other sectors, the average retirement age for Ontario teachers in 2017 was 59. By contrast, in 2017-18, 9.5% of Ontario university faculty were over the age of 65, with 3% over the age of 71.ⁱⁱ In 2016-17, 8.3% of college faculty were over 65.ⁱⁱⁱ

The ministry recognizes that the research experience and teaching acumen of longer-serving faculty at Ontario's colleges and universities are crucial parts of a high-quality educational experience for students. It is important that these services continue to be provided in a sustainable manner.

Much of the data available on this issue is related to university faculty. However, the ministry has also heard that the practice of simultaneously collecting pension and salaries is used throughout colleges and universities – including by non-faculty staff members. During the consultations in February, the ministry heard from both college and university employer representatives that there are opportunities in both sectors to collect pension and salary prior to age 71. For this reason, stakeholders from across both sectors are invited to share their thoughts.

For Consideration:

During the February 2019 consultations, the ministry also heard about the complexity of this initiative.

In thinking about next steps, the ministry has identified a number of questions for your consideration and values your feedback to ensure that the approach selected reflects the needs of its stakeholders.

Regulation is one of several potential tools the government is considering to support employee renewal. Responses to the following questions could help inform key design features of regulation or other policy tools.

Consultation Questions

1. The government is considering developing a policy that would require institutions to cap salaries for those receiving pensions. If pursued, how could you see institutions operationalizing this proposed approach?
 - A. What challenges would institutions face in identifying employees who are receiving pensions? Calculating and applying salary reductions?
 - B. Should this proposed approach allow for a transition period for individuals? If so, what are the reasons for providing for a transition period and how long should it be?
 - C. Are there different considerations in how this proposed approach should apply to full and part time employees?
 - D. Do you have suggestions on whether or how this proposed approach should apply to employees who move between institutions or change positions at the same institution?
2. What design/operational aspects of an approach to employee renewal and sustainability in the postsecondary sector should be consistent across the sector? What design/operational aspects should be determined at an institutional level?
3. What do you think are the risks associated with this initiative and how would you mitigate them?
 - A. The ministry has heard, for instance, that more experienced faculty members attract research funding and are important for supervising graduate students.
4. What is the appropriate tool for government to utilize to implement an approach to employee renewal and sustainability of Ontario's postsecondary sector – regulation, policy, other?

5. Are there other options to address the issues of employee renewal and sustainability of Ontario's postsecondary sector that the ministry has not considered?
6. Do you have any other comments or feedback that the ministry should consider?

Conclusion

Your participation in this process is greatly appreciated as we work toward the government's goal of ensuring a sustainable and world-class Ontario publicly-assisted postsecondary sector.

Thank you for taking the time to read this paper. Feedback is welcome on any of the topics raised above as well as those not addressed in this paper. The ministry looks forward to receiving your feedback.

Please send any further input to psepolicy@ontario.ca by July 31, 2019.

ⁱ OPS Workforce Facts: Quarterly Report – 2017/18 Q4, 11.

ⁱⁱ UCASS data, Staff Count for the main 20 Ontario universities by age group, 2016-2018.

ⁱⁱⁱ This number comes from College Employer Council data, quoted in, Harvey Weingarten, Amy Kaufman, Linda Jonker, and Martin Hicks, *The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle* (Higher Education Quality Council of Ontario, 2018), 10.