



Ontario Confederation of University Faculty Associations  
Union des Associations des Professeurs des Universités de l'Ontario

## Ontario fall economic statement: What faculty should know

On Thursday, November 15, the Ontario government released its fall economic statement. The 155-page document offers an update on the status of the Ontario finances and introduces numerous government announcements across many different sectors. Also known as the mini-budget, the fall economic statement offers insight into the government's plans for different areas of the public sector and hints at upcoming budgetary decisions. Not surprisingly, the recurring themes in this year's statement are provincial deficit and debt levels and the need to create efficiencies to limit government spending. Below is a summary of the most relevant announcements for the postsecondary sector.

### A renewed approach to managing compensation

The government has flagged "managing compensation costs" as a key element in its overall plan for balancing the province's budget and making government more efficient. Accordingly, the economic statement announces that:

As an initial step, Provincial agencies will now be required to obtain approval of their bargaining mandates and ratification of collective agreements [from the provincial government]. This requirement will apply to agencies with collective agreements that expire on or after December 31, 2018.

This requirement will allow the government to better manage the estimated \$2.6 billion that Provincial agencies spend each year on compensation, and align with broader efforts to ensure that all agencies are relevant, efficient, effective and provide value for money. Looking ahead, the government is also exploring additional opportunities to expand collective bargaining oversight to other areas of the broader public sector.

**Analysis:** The Ernst & Young analysis of the Ontario budget proposed a number of different models for controlling compensation, particularly in the broader public sector, where the government does not directly bargain with public sector employees and unions. Centralized approval of bargaining mandates and tentative agreements was one of the models. It is worth noting that former BC Premier Gordon Campbell was hired to oversee the Ernst and Young analysis. Campbell's tenure in BC was marked by constant labour unrest and anti-union legislation. Some of the language in both the Ernst and Young report and the economic statement mirror the mandate of the Public Sector Employers Council (PSEC) in British Columbia. PSEC centrally controls all aspects of bargaining in the broader public sector, including universities, and has had the effect of driving down wages and undermining free and fair collective bargaining.

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We do not know what constitutes a provincial agency, but the reference to “other areas of the broader public sector” suggests that in the first application of this requirement, public sector partners such as universities will not be included. However, it is clear that government agencies are only a first step and the language in the update suggests work is already underway to explore “additional opportunities to expand oversight” to broader public sector bargaining. The implications for essential service and other arbitration sector employees are also not clear. In the coming weeks, OCUFA will be seeking further clarification on the application of the bargaining mandate policy and the future scope of this initiative.

### **Broader public-sector executive compensation**

The government has announced an immediate suspension of all pending broader public-sector executive compensation increases until June 7, 2019, when a full regulatory review is completed:

These restrictions apply to over 300 designated employers under the Broader Public Sector Executive Compensation Act, 2014, including colleges, hospitals, provincial agencies, school boards, and universities.

This suspension is an interim measure while the government works toward developing a long-term approach to broader public-sector executive compensation, one that supports the government’s fiscal priorities, and recognizes the value of leaders within the broader public sector in driving efficiencies, transformation and better outcomes for the people of Ontario.

**Analysis:** This measure is a continuation of the Liberal government’s policy of executive compensation restraint. It is not clear whether the goal of the impending review is to further constrain compensation, standardize compensation, or meet some other objective. We know that in the university sector, the Liberals’ past efforts did not act as a serious constraint on either executive compensation, or the growth of executive positions.

### **Pensions**

On the pensions front, there are two announcements that are of interest to the university sector. First, the government has announced its commitment to improving the pension system for the university sector by supporting the establishment of a jointly sponsored pension plan (JSPP):

A new JSPP is a means of obtaining efficiencies of scale, improved investment opportunities and savings in plan administration. The new JSPP would allow universities to focus on their core mandate of providing high-quality education for students rather than diverting resources to managing their single-employer pension plans.

Based on the shared risk structure between plan members and employers, it is expected that this newly established plan would be treated similarly to other broader public-sector, solvency-exempt JSPPs following a successful conversion and a request from the newly established university plan.

**Background:** Ontario's *Pension Benefits Act* does not automatically exempt a JSPP from funding on a solvency basis. It has been ambiguous, based on the past Liberal government's policy position on JSPPs and solvency, whether a JSPP in the university sector would qualify. The paragraph makes it clear that it would be exempt from solvency funding.

The government also announced the implementation of variable benefit accounts:

Government is moving forward with legislative and regulatory changes that, if passed, will facilitate the implementation of variable benefit accounts, allowing retired members of defined contribution pension plans to receive income directly from their plans. The introduction of variable benefit accounts will expand the options available and reduce red tape for retirees with defined contribution pension plans.

**Analysis:** Currently, Ontario's *Pension Benefits Act* requires that at retirement the account of a defined contribution pension plan member must either be used to purchase a life annuity or transferred to a Life Income Fund at a financial institution. If enacted, this change will permit plans to offer variable benefit accounts, where retired members can leave their funds in the pension plan, and determine how much income they wish to have withdrawn annually (subject to the requirements of the *Income Tax Act*). The Liberal government consulted on this proposal last spring. It provides improved setup options for defined contribution plan members compared to the status quo.

### **Free speech on campus**

The government has provided further clarification on the free speech directive issued at the end of the summer. As of September 2019, the Higher Education Quality Council of Ontario (HEQCO) will monitor each postsecondary institution's progress in upholding free speech on campus.

Each institution will be required to prepare an annual report on its progress in complying with its free speech policy, publish it online and submit it to HEQCO. A college or university that does not introduce, report on, or comply with its free speech policy may be subject to a reduction in operating grant funding. Students who contravene free speech policy are subject to existing campus disciplinary measures.

**Analysis:** The Ministry of Training, Colleges and Universities had previously announced that universities and colleges must each have a free speech policy meeting minimum standards set by the government by January 1, 2019. The government directive noted that HEQCO will be responsible for overseeing the process and ensuring all institutions have a policy by the deadline. The fall economic statement further clarifies the role of HEQCO as the mechanism for government auditing of free speech on campus.

For questions about any of these announcements, including queries about what resources and supports OCUFA can provide for member associations at the local level, please contact Mina Rajabi Paak at [mrajabi@ocufa.on.ca](mailto:mrajabi@ocufa.on.ca).