

Ontario Public Sector Employment and Compensation: Historical Trends, Projections and Risks

Briefing Deck



Purpose and Overview

- This report analyzes Ontario Public Sector (OPS) employment and compensation.
- The report:
 1. provides an overview of public sector employment in Ontario;
 2. discusses upcoming collective bargaining negotiations and the application of wage restraint under Bill 124;¹
 3. projects provincial spending on employee compensation² over the next five years; and
 4. discusses three key risks to this projection: inflation, the court challenge to Bill 124 and staffing shortages.

1. Bill 124 refers to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*.
2. In this report “compensation” refers to salaries and wages, and excludes pensions and benefits.



Ontario Public Sector Employment



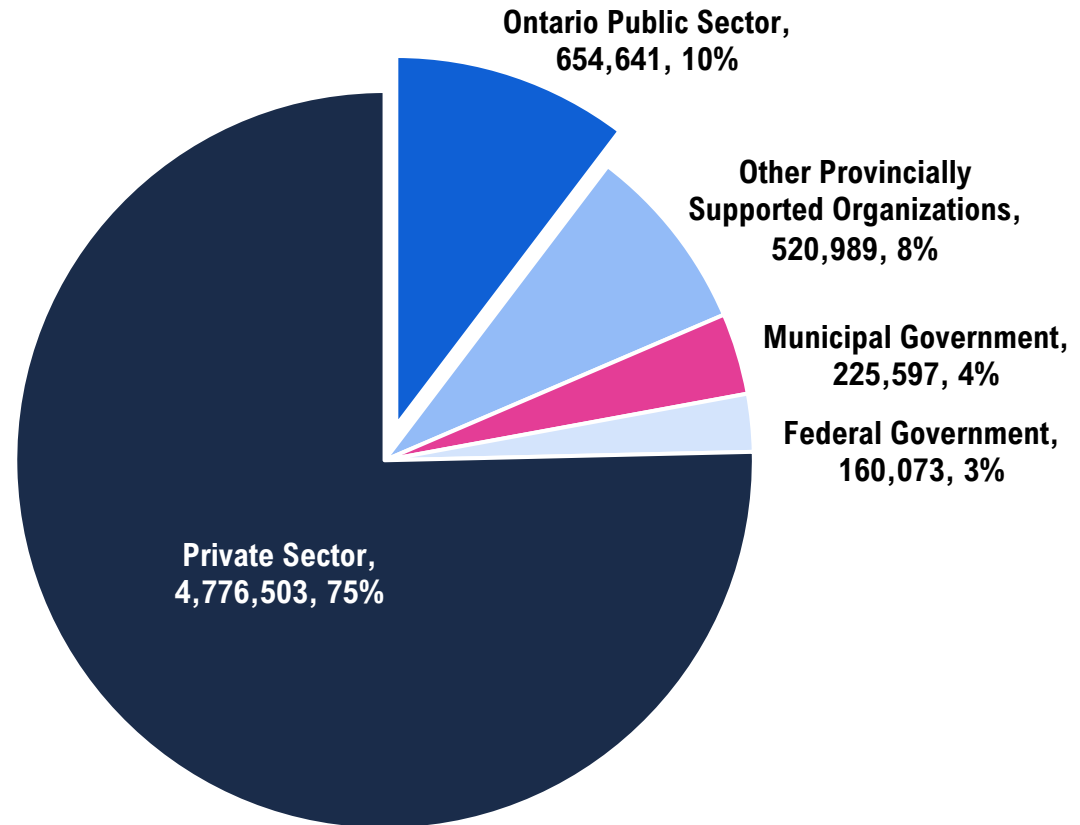
Number of Ontario Public Sector Employees

- The FAO estimates that there were 654,641 Ontario Public Sector workers in 2021, representing approximately 10% of total paid workers in Ontario.

Paid workers in Ontario in 2021

Note: Due to the classification criteria used by Statistics Canada, a small number of private sector workers may be included in public sector categories and vice versa. For example, school boards and colleges include some workers in private schools and technical colleges. In addition, the private sector includes business enterprises consolidated into the financial statements of the Province, such as Ontario Power Generation, and a small number of provincial agencies, such as the Royal Ontario Museum. Total paid workers in Ontario excludes 1.1 million self-employed Ontarians.

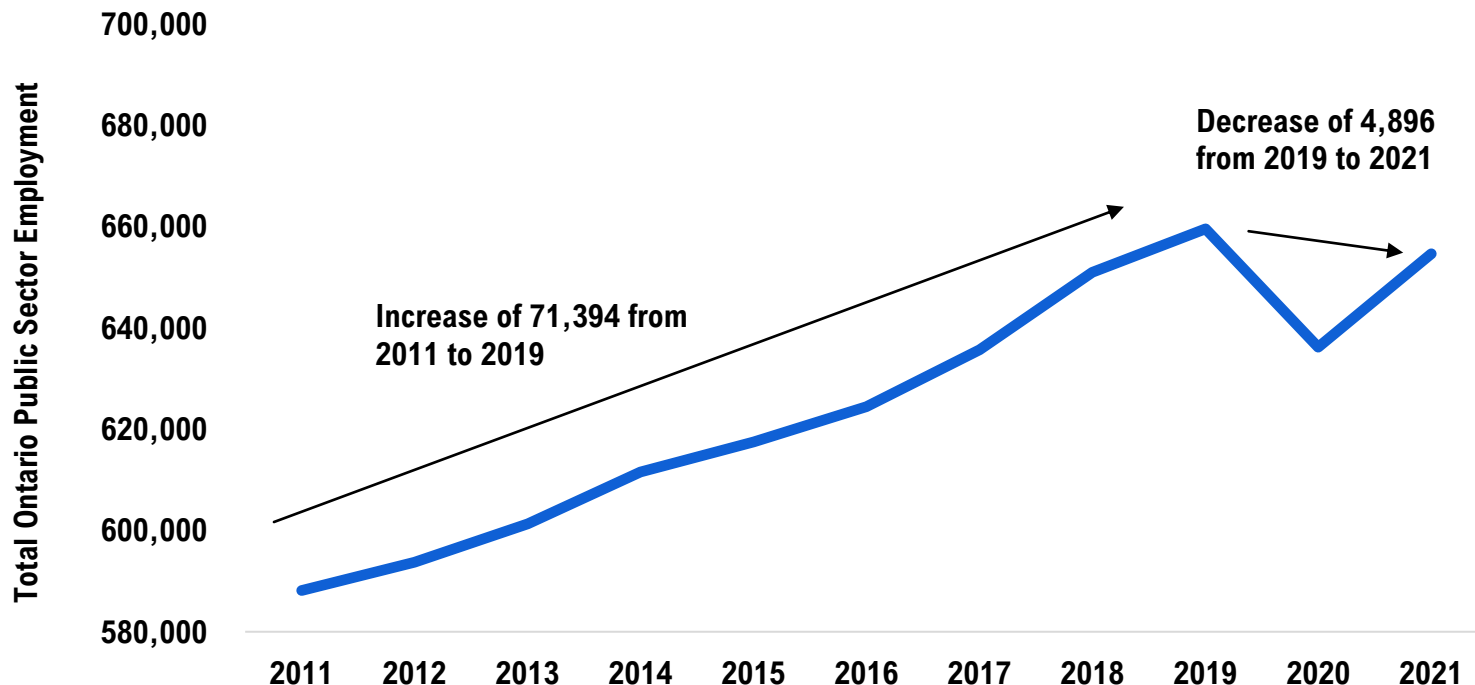
Source: FAO analysis of Statistics Canada's Survey of Employee, Payroll and Hours (SEPH).



Trends in OPS Employment Levels

- Since 2011, Ontario Public Sector employment has grown by 66,498, representing average annual growth of 1.1%, which is less than for all public sector workers in Ontario (1.4%) but higher than the growth rate of Ontario private sector workers (0.9%).

Ontario Public Sector employment from 2011 to 2021



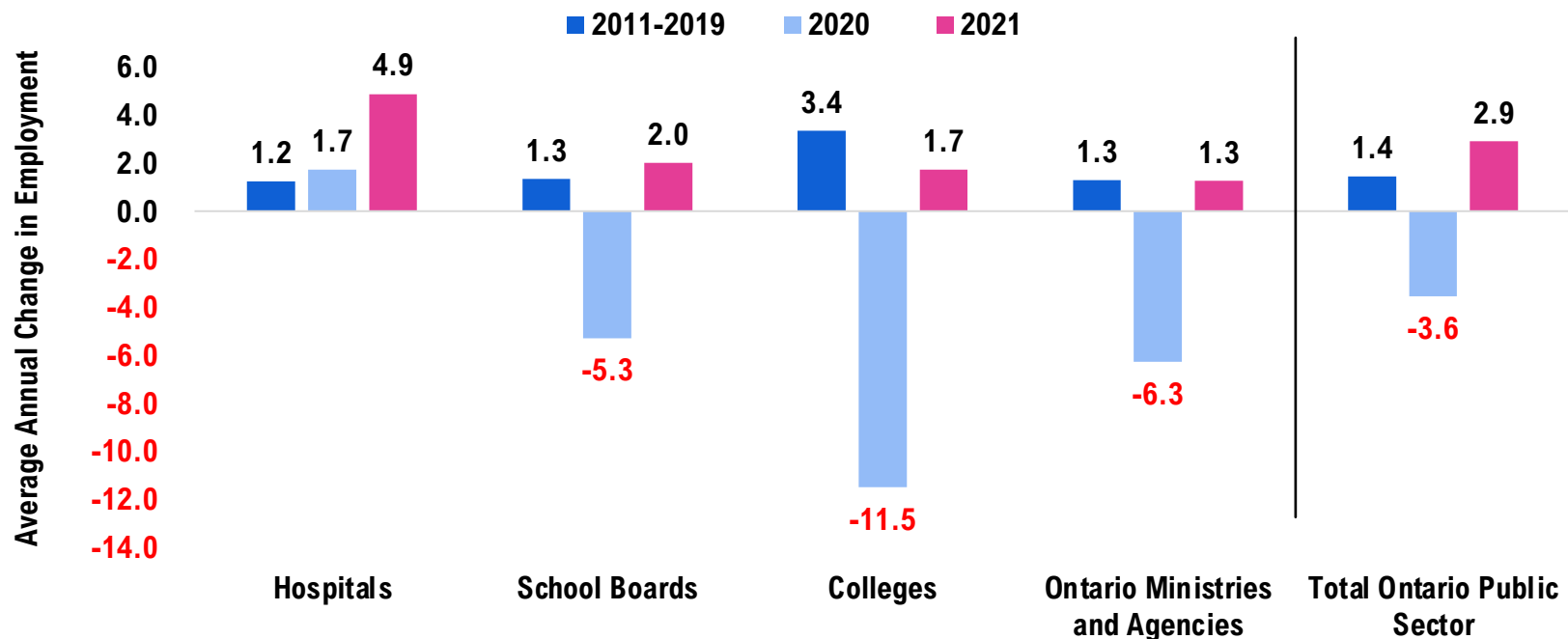
Source: FAO analysis of Statistics Canada's Survey of Employee, Payroll and Hours (SEPH).



In 2020, Only Employment in Hospitals Increased

- From 2011 to 2019, employment grew in each Ontario Public Sector category. However, in 2020, only employment in hospitals increased, while employment in school boards, colleges, and Ontario ministries and agencies experienced sharp declines.

Average annual change in Ontario Public Sector employment from 2011 to 2021, per cent

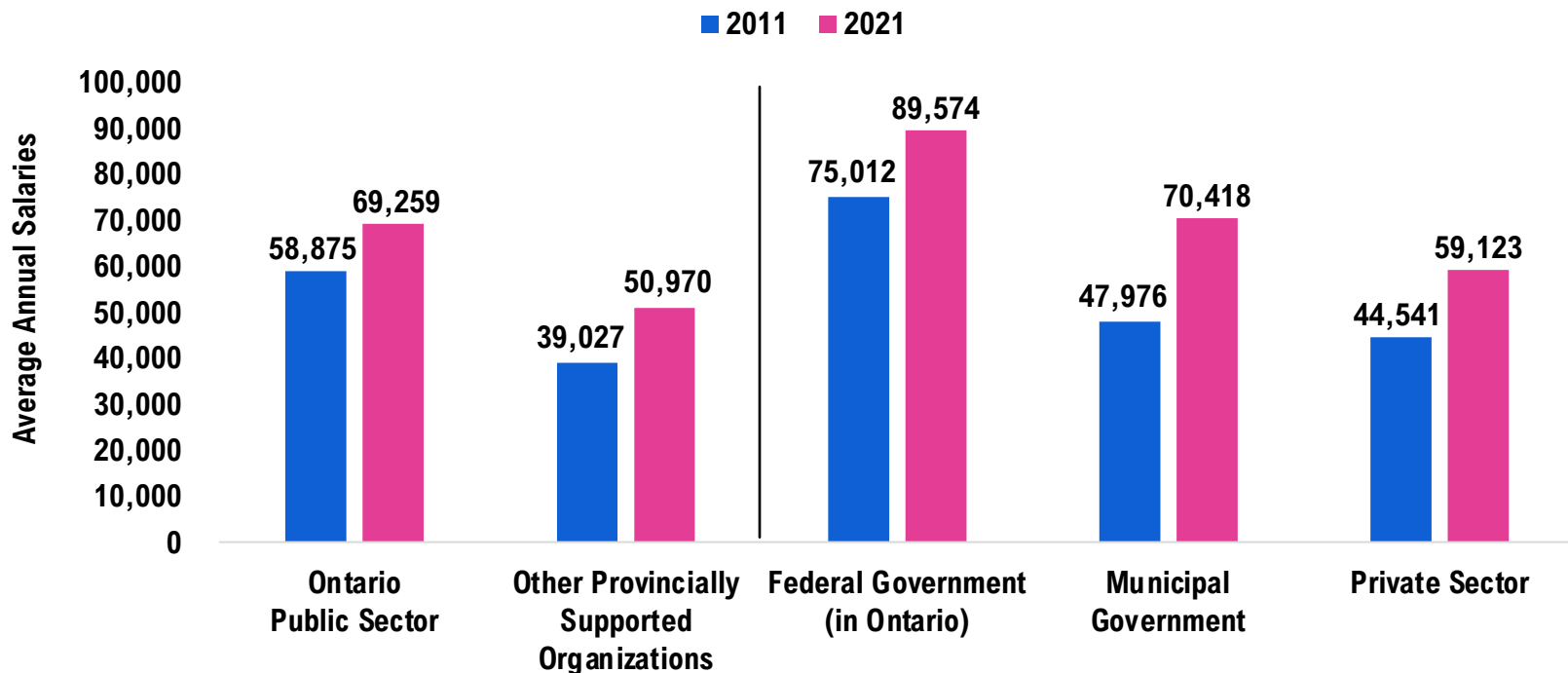


Source: FAO analysis of Statistics Canada's Survey of Employee, Payroll and Hours (SEPH).

Trends in Wage Levels

- Since 2011, the average annual salary for Ontario Public Sector employees has increased by \$10,385 (or 1.6% on average annually), which is the lowest across the sectors and lower than inflation, which averaged 1.8% per year over this period.

Average annual salaries of paid workers in Ontario in 2011 and 2021



Note: Average annual salary is calculated using average weekly earnings (gross payrolls before deductions) from Statistics Canada Table 14-10-0204-01 and assumes 52 weekly earning periods in a year. Source: FAO calculations from Statistics Canada's Survey of Employee, Payroll and Hours (SEPH).



Ontario Public Sector Collective Bargaining

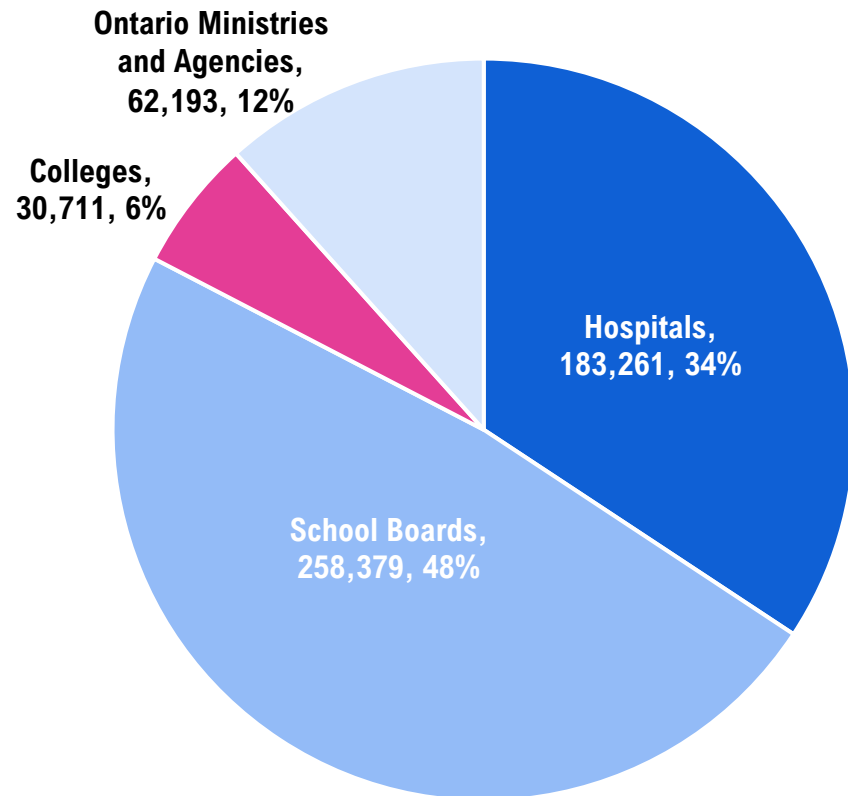


About 82% of OPS Employees are Unionized

- In 2021, an estimated 534,544 Ontario Public Sector workers were part of a labour union, with nearly half of those employees employed by school boards.

Number of unionized Ontario Public Sector employees by category and per cent of total, 2021

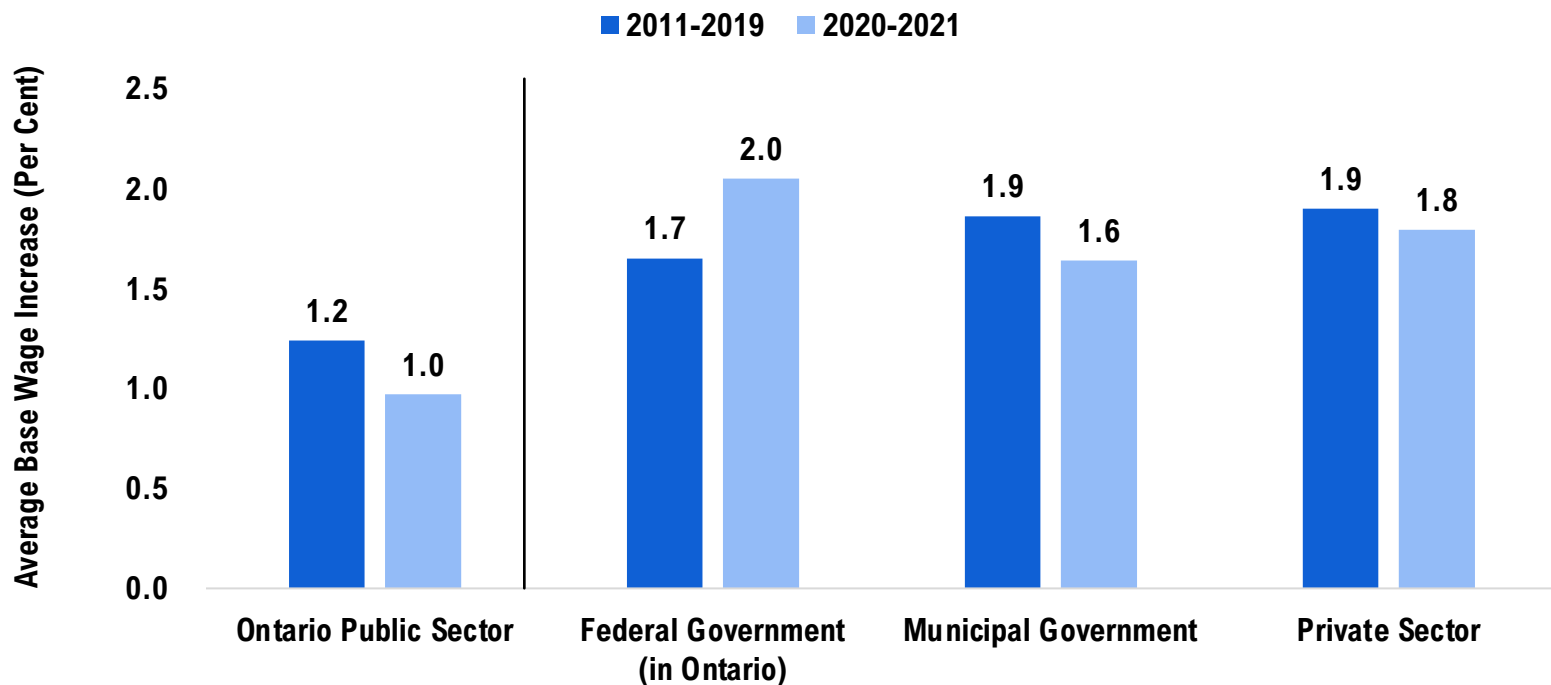
Source: The FAO calculates the number of “unionized” employees as the number of employees in a bargaining unit at the time of the ratification of an agreement, as reported in the Ministry of Labour, Immigration, Training and Skills Development’s publicly available collective bargaining database. In addition, the FAO has used other publicly available information to adjust for some unionized employees that are employed outside of the Ontario Public Sector.



Recent Wage Settlements for Unionized Employees

- Settlements for base salary increases in collective agreements for Ontario Public Sector unionized employees have been relatively lower than in other sectors.

Average annual base wage increases for collective agreement settlements, 2011 to 2021

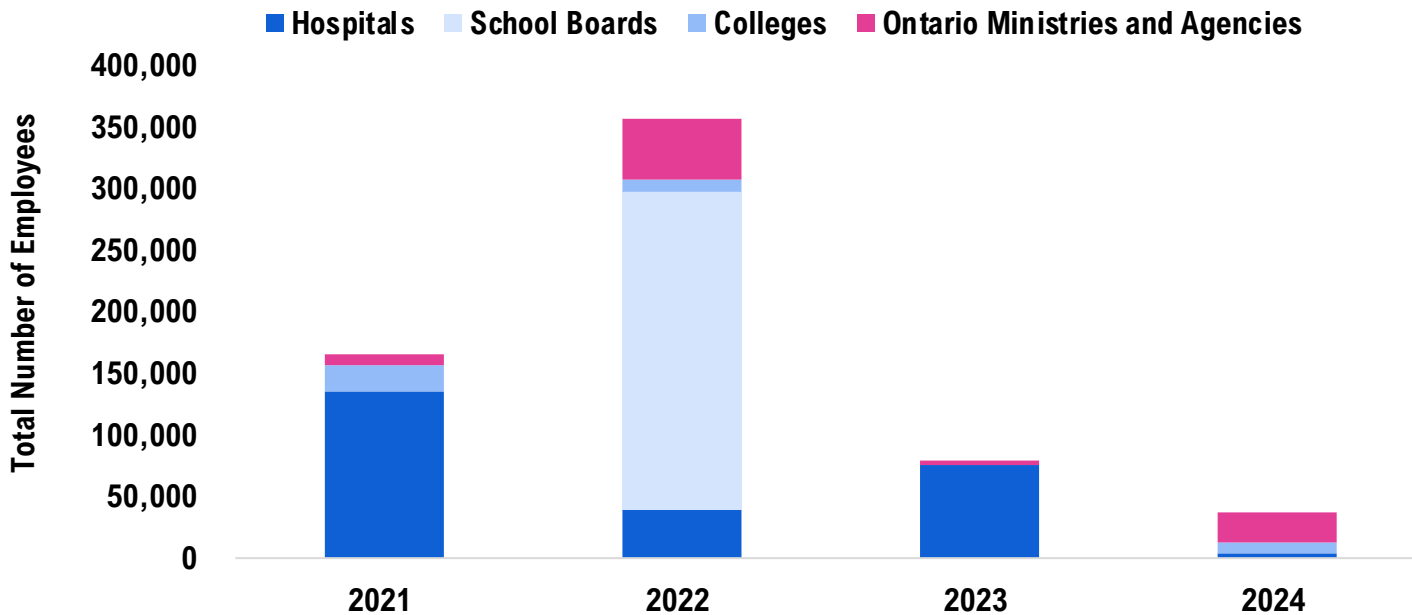


Source: FAO analysis of Ministry of Labour, Immigration, Training and Skills Development's Annual Collective Bargaining Review, 2022.

Upcoming Negotiations for Unionized OPS Employees

- Combined, in 2021 and 2022, the collective agreements of 522,147 OPS employees have expired or are expiring. This includes 258,379 school board employees with collective agreements that expired on August 31, 2022.

Estimated number of unionized Ontario Public Sector employees with expiring collective agreements, 2021 to 2024



Source: FAO analysis of public collective bargaining information available from the Ministry of Labour, Immigration, Training and Skills Development.



Application of Bill 124

The application of Bill 124 wage restraint to completed, existing and upcoming collective agreements by number of unionized Ontario Public Sector employees

Sector	Employees with Completed or Existing Collective Agreements Subject to Bill 124	Employees with Upcoming or Under Negotiation Collective Agreements that will be Subject to Bill 124	Total Unionized Employees
School Boards	258,379	0	258,379
Colleges	8,699	22,012	30,711
Hospitals	79,824	103,437	183,261
Ontario Ministries and Agencies	28,371	33,822	62,193
Total Ontario Public Sector	375,273	159,271	534,544
<i>Per Cent</i>	70	30	100

Source: FAO estimate based on public information available from the Ministry of Labour, Immigration, Training and Skills Development as of September 12, 2022.



Provincial Spending on Ontario Public Sector Compensation

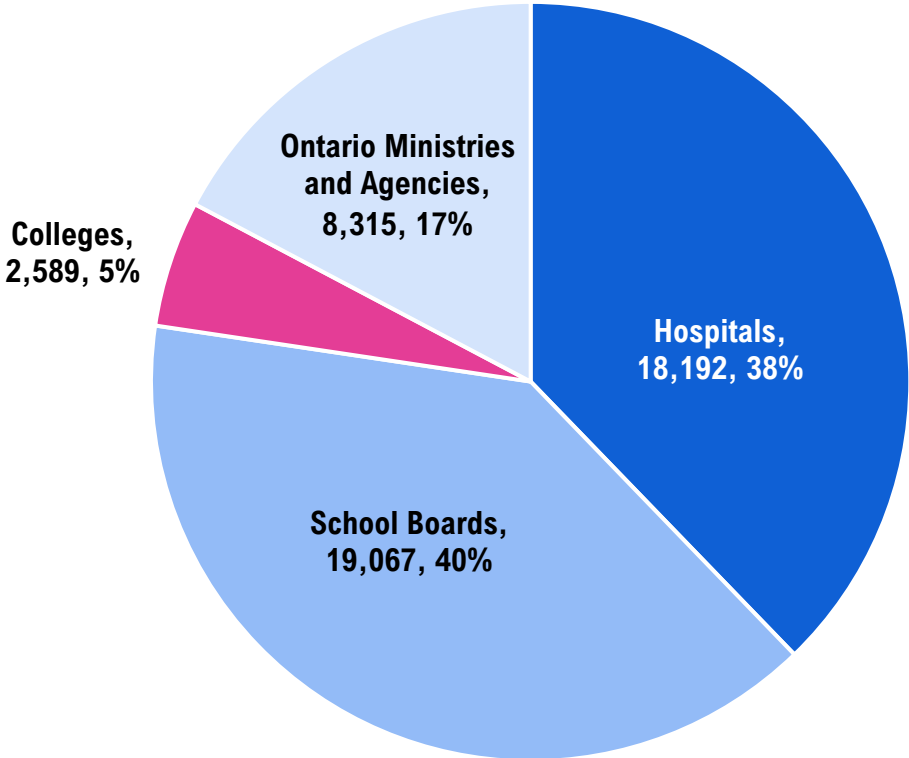


Provincial Spending on Ontario Public Sector Compensation in 2021-22

- The FAO estimates that in 2021-22, the Ontario government spent \$48.2 billion on the salaries and wages (excluding pensions and benefits) for Ontario Public Sector employees.

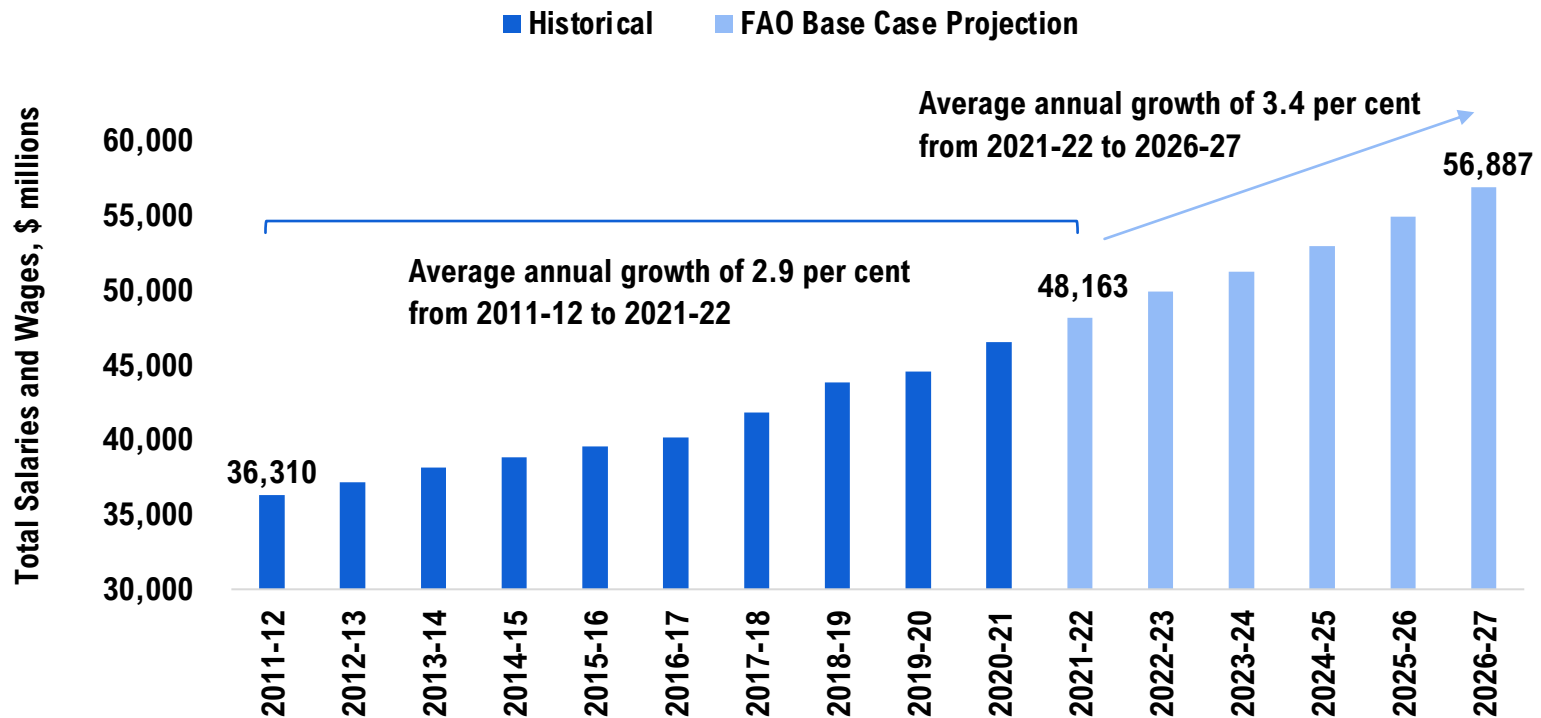
Estimated total salaries and wages spending for Ontario Public Sector employees, 2021-22, \$ millions and per cent of total

Note: In this report “compensation” refers to salaries and wages, and excludes pensions and benefits.
Source: FAO calculations.



FAO's Base Case Projection for Provincial Spending on Salaries and Wages to 2026-27

Estimated provincial spending on Ontario Public Sector employee salaries and wages from 2011-12 to 2026-27, \$ millions



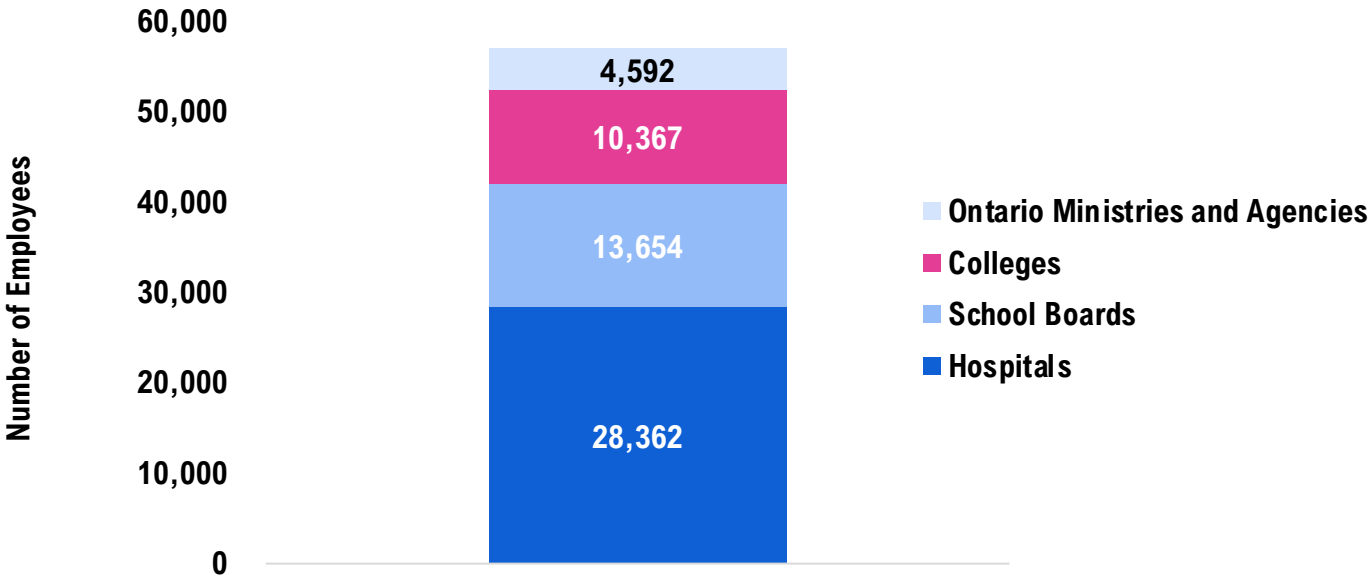
Source: FAO calculations based on information from the Public Accounts of Ontario and Statistics Canada's Survey of Employee, Payroll and Hours (SEPH).

Ontario Public Sector Employment Projection

- Based on a review of current government policies and commitments, the FAO estimates that the Province will add a total of 56,974 Ontario Public Sector workers from 2021-22 to 2026-27, for an average annual increase of 1.7%.



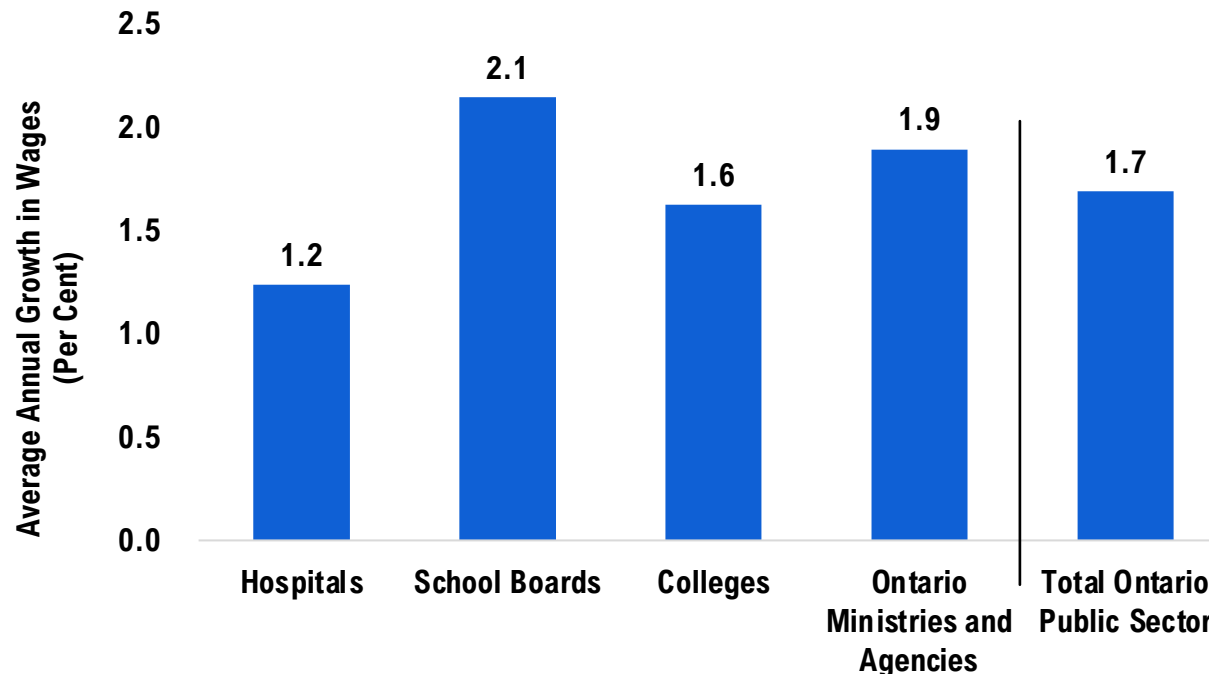
FAO’s projected growth in Ontario Public Sector employment, 2021-22 to 2026-27



Source: FAO calculations.

Ontario Public Sector Wage Growth Projection

- The FAO projects that the average salary for Ontario Public Sector workers will grow at an average annual rate of 1.7%.
 - Assumes wage growth that is consistent with existing collective agreements and, for new collective agreements, either the wage restraint terms under Bill 124, if applicable, or historical long-term average growth in wages.
 - The FAO costed the impact of Bill 124 and estimated that it will save the Province \$9.7 billion in salaries and wages costs for Ontario Public Sector employees from 2019 through to 2026-27.



Projected average annual salary growth for Ontario Public Sector employees, 2021-22 to 2026-27, per cent

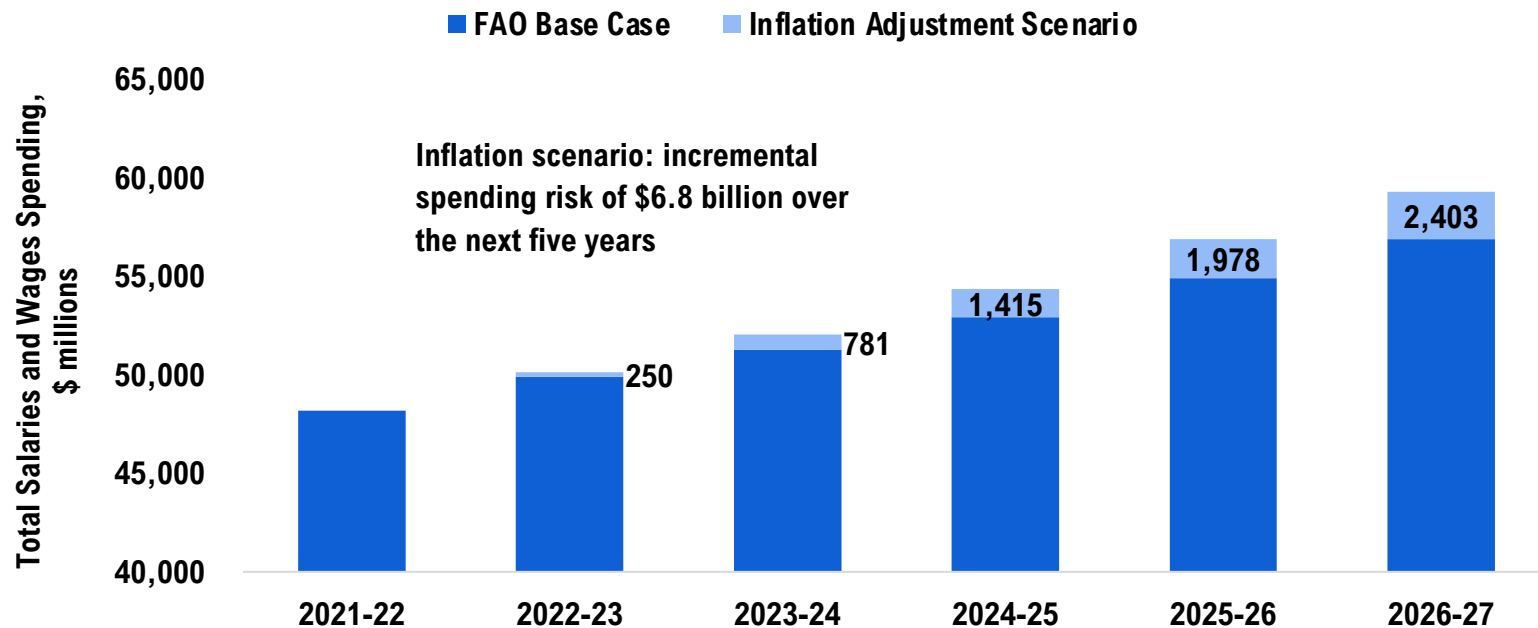
Note: 2021-22 includes temporary retention bonuses for nurses which lowers the average annual growth rate.
Source: FAO estimates.

Risks to the FAO's Base Case Projection



Risk 1: Elevated Inflation Could Lead to Above-Average OPS Wage Settlements

Projected spending on Ontario Public Sector employee salaries and wages with inflation adjustment scenario, 2021-22 to 2026-27, \$ millions



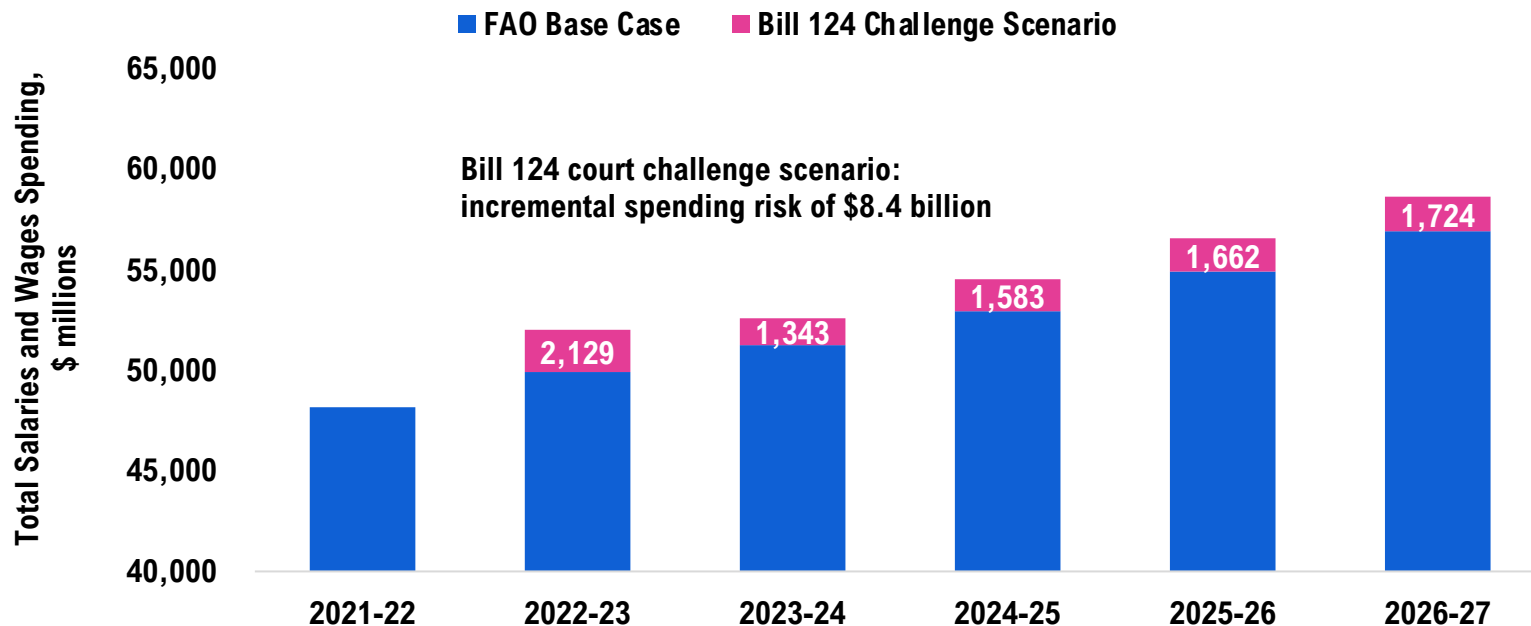
Note: Inflation adjustment scenario assumes that for upcoming collective agreements that are no longer subject to Bill 124 wage restraint terms, Ontario Public Sector employees receive wage increases above historical trends for a three-year period, followed by a return to wage increases consistent with long-term trends. The inflation adjustment is 1.7 percentage points for three years based on the inflation adjustment observed as of September 12, 2022 for unionized private sector employees in 2022. Source: FAO estimates and public collective bargaining information available from the Ministry of Labour, Immigration, Training and Skills Development as of September 12, 2022.



Risk 2: Court Challenge to Bill 124

- A successful court challenge to Bill 124 could increase provincial spending on salaries and wages by a cumulative \$8.4 billion over five years, including a \$2.1 billion retroactive payment in 2022-23.

Projected spending on Ontario Public Sector employee salaries and wages with Bill 124 challenge scenario, 2021-22 to 2026-27, \$ millions



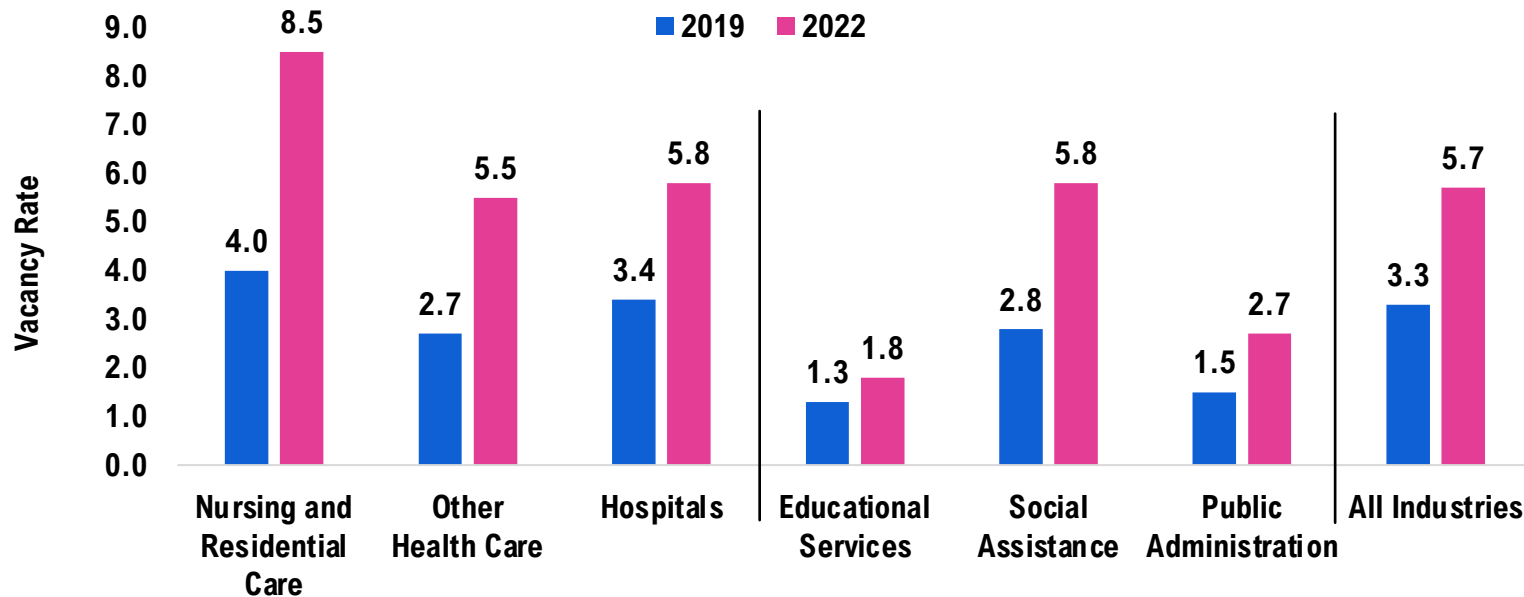
Note: Bill 124 challenge scenario assumes that unionized Ontario Public Sector employees are compensated for Bill 124 wage growth restrictions that have applied since 2019, estimated as the difference between historical average wage growth and the amount received under collective agreements subject to Bill 124 wage restraint. Going forward, this scenario assumes that wage restraint under Bill 124 would no longer apply, and that wage growth would be consistent with the long-term historical average. Source: FAO estimates.



Risk 3: Staffing Shortages

- Staffing shortages could lead to reduced service levels and higher wage increases.
 - The FAO estimates that an additional 138,669 employees will need to be hired by 2026-27 in the Ontario Public Sector and by other provincially supported organizations that deliver provincial programs in long-term care, home care and child care.

Ontario job vacancy rate by category, per cent



Note: Dates refer to the second quarter of each calendar year. The job vacancy rate is the number of job vacancies expressed as a percentage of total occupied and vacant jobs. Educational services includes schools, colleges and universities. Social assistance includes child care and children's aid societies.
 Source: FAO analysis of Statistics Canada Table 14-10-0326-01.



Thank you!



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