

NO: **R188**

COUNCIL DATE: **October 3, 2011**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **September 28, 2011**

FROM: **General Manager, Finance & Technology
General Manager, Human Resources**

FILE: **5080-01**

SUBJECT: **“Living Wage” Policy Considerations**

RECOMMENDATION

The Human Resources Department and the Finance and Technology Department recommend that Council receive this report as information.

INTENT

At its Regular meeting on February 7, 2011, Council adopted the following motion:

“That Council revisit its previous policy on “A Fair Wage Policy” with respect to employment and the procurement of goods and services and that the recent experiences of other Municipalities be canvassed on the topic.”

This report responds to the above resolution of Council.

BACKGROUND

In 1991, City Council approved Policy No. Q-18 – Fair Wage Policy, a copy of which is attached as Appendix “A”. Council repealed the Policy in 1996. The Policy was applicable to contracts into which the City entered with respect to construction, remodelling, repair and demolition work. “Fair wages” were defined as the wages and remuneration paid by employers who were signatories to labour contracts with the Construction Trade Unions in the City and by the collective agreement that the City had with its CUPE Local. The Policy did not apply to City purchases of non-construction goods and services.

Living Wage Definitions:

The terms “Fair Wage” and “Living Wage” are both used in discussions regarding the wages that are needed to cover the costs that households incur in providing for the necessities of life. For the purpose of this report, the term “living wage” will be used.

The Canadian Centre for Policy Alternatives has established the “living wage” for the Metro Vancouver region for 2011 as \$18.81 per hour. Based on a 35-hour workweek, the living wage for Vancouver equates to an annual income of \$32,917 for an individual or of \$65,835 for the household that is used in the definition of the term “living wage” (described in the next paragraph of this report). From the 2006 Census, the average family income in Surrey is \$82,254 and the median family income in Surrey is \$69,119.

The “living wage” is calculated such that a Lower Mainland family with two wage earners (both working full time) and two young children (aged 4 and 7 years) will have sufficient income to cover basic living expenses (i.e., food, clothing and shelter), to support the development of the children, to escape from financial stress and to participate in the community taking into account government transfers to households and government deductions and taxes. Included in the definition of “living expenses” are food, clothing/footwear, shelter, utilities, childcare, transportation, medical expenses, parents’ education and contingency/emergency funds. The “living wage” does not include owning a house, saving for retirement, saving for children’s education or servicing debt.

In 2008, an advocacy group was initiated and named the “Living Wage for Families Campaign”. Since that time, there have been a series of information sessions and outreach efforts to gain support for the establishment of a “Living Wage Policy” applicable to all employers in the province, including but not limited to the Province, municipalities, school districts, not for profit organizations, etc.

The sponsors of the campaign include:

- BC ACORN,
- BC Government & Service Employees Union,
- BC Teachers Federation,
- Canadian Centre for Policy Alternatives,
- CUPE:BC,
- First Call: BC Child and Youth Advocacy Coalition,
- Hospital Employees Union,
- MOSAIC – Multilingual Orientation Service Association for Immigrant Communities,
- United Food and Commercial Workers 1518,
- Vancouver and District Labour Council, and
- Vancouver District Parent Advisory Council.

The City’s Social Planning Advisory Committee has received a delegation from this organization.

Other Municipalities:

The BC municipality frequently mentioned with respect to establishing a “Living Wage” by way of a policy is the City of New Westminster. In early 2010, the New Westminster City Council adopted a resolution to establish a Living Wage Policy and asked its administration to review relevant information and bring recommendations forward to Council for consideration.

The City of New Westminster subsequently adopted a “Living Wage Policy” in 2011. The City of New Westminster calculated its own living wage value, being \$18.44 per hour, based on the cost of living in New Westminster.

As research for this report staff reviewed published studies, articles and internet material and contacted officials of a number of Canadian municipalities. Based on this research, even though a number of Canadian municipalities have considered the “living wage” matter, it appears that the only Canadian municipality that has formally implemented a living wage policy is the City of New Westminster.

BC Minimum Wage

In early April of this year, the BC provincial government announced an increase to the BC Minimum Wage from \$8.00 per hour to \$8.75 per hour effective May 1, 2011 and then a further increase to \$9.50 per hour on November 1, 2011, and then to \$10.25 per hour on May 1, 2012. The provincial government also eliminated as of May 1, 2011, the First/Job Entry level (<500 hours of work experience) minimum wage of \$6.00 per hour. This increase in BC’s Minimum Wage is forecasted to have a positive impact on low income earners.

DISCUSSION

Surrey Council has adopted a variety of strategies focussed on the social well-being of its residents including the Social Well-Being Plan, the Child and Youth Friendly City Strategy, the Sustainability Charter, the Crime Reduction Strategy, the Literacy Strategy, the Surrey Homelessness and Housing Society, the Committee on Healthcare, the Diversity and Inclusion Advisory Committee, and the Social Planning Advisory Committee. Each of these initiatives is focussed on addressing subsets of the complex and multifaceted issue of individual and family well-being.

A variety of complications exist relative to implementing a living wage policy, including but not limited to the following factors:

Internal Factors:

- The City does not have the ability to unilaterally amend the wage levels of its unionized staff due to the provisions of Collective Agreements into which the City has entered; and
- A “living wage policy” could impact the historic equity patterns of the City’s wage structures and could be very expensive for the City to implement, which would drive up property taxes and other fees and charges that the City uses to fund the services it delivers.
- **Potential Budget Impact to the City**

The additional annual cost of the implementation of a Living Wage Policy to the budget of the City of Surrey depending on how it is implemented could be as high as \$10 million to \$16 million per year (which is the equivalent of a 5 to 8% property tax rate increase) based on 2011 expenses. This amount would compound as wages increase into the future.

External Factors:

- Questions regarding “distribution of income”, which is fundamentally where a “living wage policy” best fits, are generally addressed at the provincial or more preferably the national level, and should be applied uniformly across all business sectors including government. This is the reasoning underlying the fact that the Province is responsible for setting minimum wages. Such minimum wage standards apply uniformly across the entire province. The application of a living wage policy by one municipality that is embedded in a region with many other municipalities, may affect that municipality’s competitiveness in comparison to the other municipalities in the same region. On this basis, such a policy could have the effect of discouraging business development as business owners will look to set up or move their facilities to locations where costs are less expensive.
- The definition of a living wage in the specific economic environment of the local government is challenging (i.e., the economic environment varies significantly across the region, the province and the country, particularly in the area of housing costs);
 - There is some suggestion that each municipality should determine its own living wage that may be lower or higher than the rate calculated by the Canadian Centre for Policy Alternatives. This calculation and its ongoing maintenance would be difficult to keep current and administer effectively.
- The scope of the Living Wage Policy (i.e., to which contractors/suppliers should it apply);
 - The City contracts a wide-range of services and supplies from a diverse group of large and small businesses using a competitive bidding process. Identifying all the suppliers that would be impacted by a living policy would be a complex process. Ensuring that all suppliers understand the new policy, would require dedicated purchasing positions that would incur new expenses to the City; and
 - In addition, requiring all suppliers to comply with a living wage policy would result in additional operating costs to the City.
- The impact on organizations, societies, not-for-profits, etc. that deliver services in City buildings;
 - A variety of suppliers and City space users are smaller organizations with complex mandates and minimal resources. The City of New Westminster has specifically excluded some of these groups from the living wage policy to avoid compromising those employers’ ability to provide services to residents.
- Gaining cooperation from contractors in relation to the Policy and accessing verifiable information on the wages paid by contractors in relation to the provision of goods and/or services to the local government would be very difficult.
- Compliance with the City’s Purchasing Policy;
 - Significant legal research and administrative change would be required to develop and implement a supplement to the City’s Purchasing Policy. Staff is concerned that adding a living wage provision could hamper the transparent and fair purchasing standards that it has already implemented. There is also concern that the City would become involved in setting employment standards of private sector employers. There is a risk that such additional costs might negatively impact those companies’ viability.

- The practicality of developing and applying appropriate contractor audit standards is very questionable.

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Appendix "A": City Policy No. Q-18 – Fair Wage Policy (repealed - 1996)



CITY POLICY

No. Q-18

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| REFERENCE: | APPROVED BY: | CITY COUNCIL |
| REGULAR COUNCIL MINUTES 17 JUNE 1991 PAGE 2 | DATE: | 17 JUNE 1991 |
| | HISTORY: | Repealed Res- 96-3701 |

TITLE: FAIR WAGE POLICY

- "939. (1) Every contract made by a municipality for construction, remodelling, repair or demolition of municipal works is subject to the condition that all workers, mechanics, artisans and labourers in the employ of the contractor, subcontractor or other person doing or contracting to do all or a part of the work shall, during the continuance of the work, be paid the wages and remuneration that are generally current in each trade for competent workers in the municipality. The contractor, subcontractor or other person shall comply with the condition, and is bound to pay those wages.
- (2) Should a dispute arise as to what are the current wages in the municipality, the question shall be referred to the Minister of Labour for determination, and his decision is final and binding on the contractor."

The definition of fair wages, payable under Section 939 of the Municipal Act, to all workers engaged in construction, remodelling, repair and demolition of public works, be the wages and enumeration paid by employer's signatory to labour contracts with the Construction Trade Unions in the Municipality and the Municipal CUPE Union contract.