

Ontario Living Wage Certification

Presented To:	Finance and Administration Committee
Meeting Date:	May 17, 2022
Type:	Managers' Reports
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Recommended by:	General Manager of Corporate Services

Report Summary

This report provides information regarding options for the implementation of a living wage plan for employees and contractors of the City.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report.

Background

Initial Motion

Council passed the following motion which was carried at the February 15th meeting of the Finance and Administration Committee meeting (Motion FA 2022 – 07):

WHEREAS a living wage is considered to be the hourly wage a worker needs to cover basic family living expenses within their community and is deemed to be a practical tool for reducing poverty through paid work,

And Whereas the Ontario Living Wage Network promotes an employer certification program and maintains minimum rates for each municipality in Ontario which for Greater Sudbury is currently \$16.98,

And Whereas there is an opportunity for the City to demonstrate leadership by assessing those municipal job classifications that do not meet this living wage threshold, and/or by establishing requirements for externally contracted employees providing services on behalf of the municipality to be paid a living wage,

And Whereas implementing a living wage could result in several social, local economic and labour market benefits,

That Council direct staff to prepare a series of options for Council's consideration that illustrate the effects of paying, at a minimum, a living wage to all direct full and part time employees (including options for student employees) and externally contracted employees who provide service on a regular basis to the City,

And that a report containing information about the Living Wage Network, living wage plan implementation considerations and high level cost estimates be provided at the Finance and Administration Committee on May 17 2022.

ANALYSIS

The Ontario Living Wage Network

The Ontario Living Wage Network is a federally incorporated Non-profit called Living Wage Canada / Salaire Vital Canada. It is a network of employers, employees, non profits, researchers and proponents of decent work standards for all Ontario workers. It is funded by certification fees of its membership and financial support from Libro Credit Union, Mennonite Central Committee Ontario and Kindred Credit Union. Until 2020, it was hosted by the Mennonite Central Committee Ontario. The Living Wage certification it offers is a voluntary recognition private or public employers could receive when they follow an application-based process that includes qualifying criteria and multiple levels of recognition. Currently 582 private and public sector corporations have formally received some level of living wage certification.

To be recognized as a Living Wage Employer organizations commit to pay, at a minimum, their permanent full time staff a local living wage rate. Each year, the Ontario Living Wage Network calculates local living wage rates for communities across the province using a framework developed by the Canadian Centre for Policy Alternatives.

There are no permanent full time staff earning less than the living wage (which in 2001 is set at \$16.98 / hour) and so the City currently meets some of the qualifications as a Living Wage Employer.

Living Wage Calculation

The living wage sets a higher minimum rate for employees than the provincially mandated minimum wage in the Employment Standards Act regulations. The basis for this is an annual calculation undertaken by the OLWN that is unique to each community and is based on the cost of an assumed basket of goods and services that would typically be required by household. The calculation includes a weighted average based on presumed consumption patterns from three different households.

Each household in the calculation represents a different, but presumably typical, household consumption pattern. The calculation considers costs for a family of four with two adults each age 35, a 7-year old boy and a 3-year old girl. It also includes a single parent family with one 35-year-old female and a 7-year old boy. The third household type it includes is a single male adult age 35. In all three examples, it assumes the adults are working 35 hours a week for the full year. The living wage is calculated as the hourly rate at which a household can meet its basic needs once government transfers have been added to the family's income and deductions have been subtracted. It is not anticipated to allow for longer term investments such as retirement or education savings.

Local living wage rates are calculated and peer-reviewed on an annual basis where possible. The calculations are based on the Canadian Living Wage Framework from the Canadian Centre for Policy Alternatives. This framework provides the specifics for a reference family of four and a basket of goods and services to arrive at the living wage for a community. A list of living wages by region in Ontario is provided in Appendix 1.

Levels of Living Wage Certification

There are three levels of living wage certification. Certification begins at the initial, partner level and progresses through a phased implementation to the other levels as contracts and agreements with employees are renewed or renegotiated. Employees are classified as either direct or indirect. In our example, direct employees work directly for the City and indirect employees work for an externally contracted (third party) employer.

1. **Partner Level** – All permanent full time employees are paid a living wage. Committed to begin raising the pay of all permanent part time employees to the living wage rate.
2. **Leader Level** – All permanent full time and part time employees are paid a living wage. Committed to including a living wage in service contracts for externally contracted (third party) employees who provide regular service to the City.
3. **Champion Level** – All permanent full time and part time employees are paid a living wage. All externally contracted (third party) employees that provide regular services are paid a living wage or will be when the contract renews.

There are exemptions allowed for certified employers for both direct and indirect employees. Although living wage employers are encouraged to include these groups, certified employers are allowed to exclude trainees, employees hired specifically for summer youth employment, apprentices, co-ops and those working less than a full year, provided that the total number of these employees does not exceed 10% of the employee population. Indirect employees who work less than 120 hours per year can be exempted from the requirement for an externally contracted (third party) employer to pay a living wage.

Becoming a Living Wage Employer

There are five steps to obtain and renew certification for living wage employers:

1. **Expression of Interest.** Complete initial contact form and work with the Manager of the Ontario Living Wage Network employer program to discuss certification details.
2. **Application Review and License Agreement.** Confirm the level of recognition and sign the license agreement and pay the annual employer certification fee (\$500.00).
3. **Certificate Presentation.** The living wage group will arrange for presentation of a Living Wage Employer Certificate.
4. **Recognition.** Organizations will be recognized through social media, events and publications and will be listed in the Living Wage Network website.
5. **Periodic Review.** Each year on the anniversary of certification organizations will be sent a renewal survey and invoice for the annual employer certification fee. When the living wage calculation is updated, organizations are advised of the new rate. Employers have six months to adjust once the new rate has been announced.

Living Wage License Agreement

The living wage agreement confirms details such as contact information, the number of full time, part time, student and externally contracted employees and number of each earning a living wage. It seeks a commitment and projected timeframe for each organization's phased implementation of the various levels. For smaller employers, the network anticipates a one to two year phased implementation period. For larger employers, it is common for the full implementation at the Champion level to take three to four years.

Living Wage Employers

There are 5 municipalities working toward the champion level in the Province of Ontario (City of Cambridge, County of Huron, City of Kingston, City of St. Catharines and the Municipality of North Perth). The Region of Waterloo is committed to provide an implementation plan in 2022 to their Council.

There are also 5 organizations currently certified as living wage employers in Greater Sudbury (Public Health Sudbury and Districts, the Social Planning Council, Sudbury Community Legal Clinic, Sudbury Workers Education and Advocacy Centre and the Sudbury and District Labour Council).

Benefits of Paying a Living Wage

According to the Ontario Living Wage Network, employers who have made the commitment to pay workers a living wage have reported higher morale, lower rates of absenteeism, savings on hiring and training due to greater employee retention. Employees who have seen an increase in pay to the living wage have reported lower stress levels, that they are better able to support their family, they feel appreciated at work. The network suggests a ripple effect from the payment of living wages that raises the standards within a given industry or geographical area:

Consumer demand is the fuel that drives economic growth. When consumers buy products, companies and their workers profit and the economy grows. But when most families have limited wealth, they cannot afford to buy goods and services. Widespread inequality creates an economy that lacks consumer demand. This lack of demand weakens economic growth, thereby causing the economy as a whole to stagnate and decline. A living wage enables workers to buy goods and services, thereby increasing consumer demand and kick starting the engine of economic growth. Fair wages don't just benefit workers and companies on an individual level, they also help the economy as a whole to function well. This in turn creates a broader tax base so that local, provincial, and federal governments can invest in the infrastructure and services that help strengthen communities. (OLWN Employer Guide)

Generally, an increase in wages should generate an increase in the quantity of labour (i.e. the quantity of candidates and by extension, the quality of applicants who will move from minimum wage employment). The most basic wage increase analysis support that within limits, an increase in wages will be net positive to the organization because it increases the supply of labour.

At some point, however, increasing wages results in substitution. For example, increased labour costs could promote increasing the use of technology to reduce labour requirements. It could also lead to reduced demand due to the higher prices resulting from an increase in labour costs.

Other Considerations

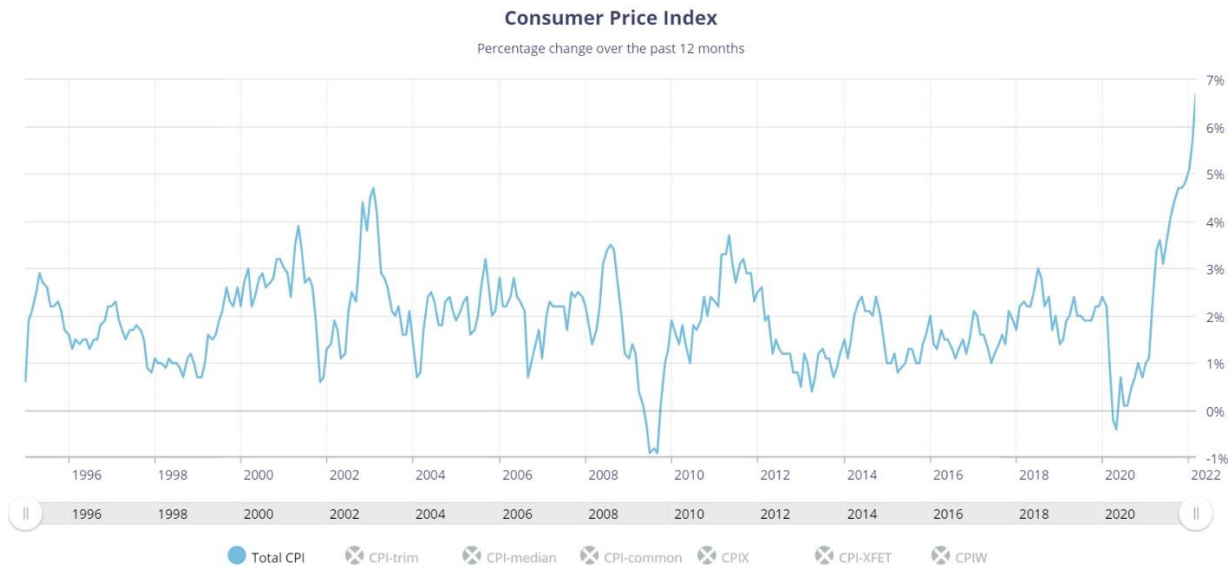
The Requirement for Negotiation

Direction to move toward becoming a living wage employer would be subject to negotiations with any bargaining agent where there are roles or wage scales for groups below the living wage. Our primary collective bargaining agreements are expiring in March of 2023. All collective agreements in Ontario (and each of our agreements) require that representative unions are the sole bargaining agent for employees and changes to employment terms and conditions must be negotiated with the applicable bargaining agent.

Ultimately, certification as a living wage employer would remove the City's ability to determine rates of pay at entry levels, regardless of other factors such as minimum wage increases, total compensation, union settlements, labour market pressures and cost of living. The City would be required to address living wage rates in future union negotiations with impacted bargaining units, including the potential to incur additional costs to maintain internal equity (internal relativities) with classifications earning more than the living wage and that had traditionally earned in excess of those classifications moving up to the living wage.

Historically High Inflation and a Tight Labour Market

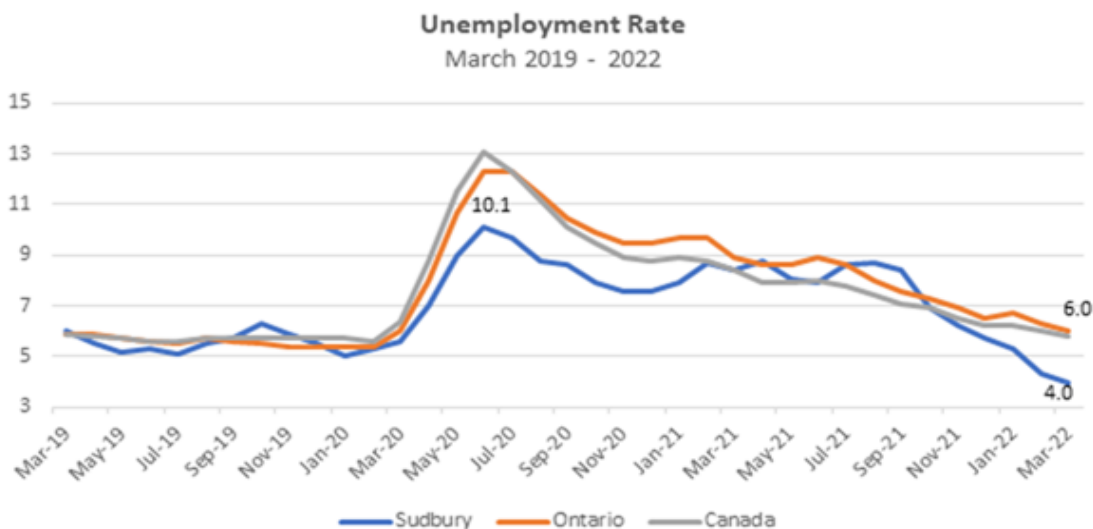
Figure 2: 12-month Change in Total Canadian Consumer Price Index (1996 – April 2022)



The Consumer Price Index has reached a 30-year high at 6.7% in April of 2022. Living wages are determined, as above, based on a basket of living expenses for an average set of family circumstances in a local context. Those expenses are increasing rapidly in 2022. The next calibration of the living wage is scheduled to be communicated in November of 2022. If a 6.7% increase could be assumed, Greater Sudbury's living wage could increase to \$18.12 / hour.

At the same time as the economy is experiencing historic inflation, Figure 3 demonstrates that Greater Sudbury is experiencing historically low unemployment. In fact, at 4.0% in late March of 2022, Greater Sudbury has the second lowest unemployment among census metropolitan areas in Canada (second only to Abbotsford-Mission, British Columbia at 3.9%). In such a tight labour market there may be distinct competitive benefits to guaranteeing a living wage.

Figure 3: Unemployment Rates March 2019 to March 2022



The “Double Edged Sword” of Wage Floors

Figure 1 demonstrates the risk that higher wages among our entry level, front line classifications could lead to service level change and decreases in the number of hours worked in the future. This potential is explored in a number of studies and described in a paper entitled “Economic Effects of Living Wage Laws” produced by the Fraser Institute. Other things equal, employers demand—or are willing to hire—more labour at lower wage rates while workers are willing to supply more of their labour at higher wage rates. The wage rate that ultimately prevails in competitive markets is one that balances the supply and demand for labour. When governments impose a wage floor (through minimum wage or living wage laws) that is higher than what would prevail in a competitive market, more workers are willing to work than employers are willing to hire. The result is less employment than would otherwise occur as employers find ways to operate with fewer workers and more automation and technological changes.

The tight labour market in Greater Sudbury may moderate this impact and it is possible that the City would benefit from an increased supply of labour and qualifications. There is a risk that wage floors could create a substitution effect or a decrease in levels of service as employers compete at a higher wage rate and find ways to reduce the quantity of labour demanded.

Impact of Living Wage on Other Government Supports

Historically, changes to the minimum wage and living wages across the Province have not lead to reduction in government supports such as Ontario Works or the Ontario Disability Supports (ODSP) Program. Ontario Works clients who have been in receipt of assistance for a period of 3 months or more are eligible for an earnings exemption of \$200 plus 50% of total earnings declared. To date this has rendered the changes to minimum wage inconsequential from the perspective of changes to assistance. Clients receiving ODSP assistance are generally unable to work full time and are encouraged to work, even part time if they can.

Students who qualify for Ontario Student Assistance Program (OSAP) can earn up to \$5,600 gross amount during each term of study before it impacts the level of assistance. Income earned below this threshold is not reported and will have no impact on the funding assessment. Depending on the individual circumstances, the income of the student’s parents may impact the level of financial aid from OSAP but even full time hours for both parents at the current levels of living wages in Greater Sudbury would not impact OSAP eligibility.

Costs

All permanent full time employees are paid above the living wage threshold for 2021 (i.e. \$16.98 / hour). Increases to 15 positions would be required if the corporation was a Living Wage Employer using our 2022 rates.

As a certified living wage employer, staff would expect achieving a “champion” level of certification would take several years as collective bargaining agreements and service contracts get renewed, or new ones are introduced. The general expectation is that all direct employees are moved to the annually updated living wages within six months of its calculation. Certification persists for those employers who are continuing to progress in renewal of any collective bargaining agreements or their externally contracted (third party) service employment contracts as they are renewed and this is anticipated to take 3-4 years for larger employers.

Using the 2021 living wage for Greater Sudbury and current wage rates in April of 2022, the cost of full living wage certification would be approximately **\$1.16 million**.

At the current wage rates for students (\$15.23 - \$16.68), the cost of moving all student classifications to the living wage is **\$525,000 per annum**.

The cost for externally contracted (third party) service contractors is estimated based on a survey of current service contractors and assumptions in some cases about their current level of pay for employees is estimated at **\$150,000 - \$200,000 per annum**.

The cost for all direct employees (not including students or externally contracted, third party employees) is **\$434,000 per annum.**

There are a total of 15 current full and part time classifications would be impacted if Council directed staff to pursue certification. The full-time classifications impacted are filled on a temporary/seasonal basis. The list of roles impacted is included as Appendix 2.

OPTIONS

Option 1

Given the risks identified, direct staff to include options and living wage implementation proposals in our analysis when preparing a bargaining mandate for collective agreement negotiations with CUPE 4705 and its locals in January 2023. Committee could also direct that subsequent to agreement with CUPE 4705, a living wage analysis be performed and presented during budget deliberations each year so that the living wage could be considered as salary and benefits budgets are approved.

Option 1 Next Steps

As a part of the usual wage and benefit benchmarking and proposal development for collective agreement negotiations, staff present a bargaining mandate to City Council in closed session. Proposals to move all current employees to a minimum of \$16.98 / hour and any revised living wage for Greater Sudbury anticipated in November of 2022 would be costed in detail and presented along with anticipated Union positions and proposals in January of 2023. Although Union agreement is required to make changes to wage rates, provided a general agreement was reached, staff would analyze and present the ramifications and costs of paying living wages during budget deliberations moving forward.

Option 2:

To allow time to understand the potential impacts of historically high inflation on the 2022 living wage for Greater Sudbury while advancing negotiations and discussions with our union partners, Council commits in principal to paying a living wage to all direct employees effective July 1, 2022.

Option 2 Next Steps

Staff would prepare a memorandum of agreement with CUPE 4705 to move all direct employees (excluding students) earning less than \$16.98 to \$16.98 effective July 1, 2022. Staff would prepare a set of proposals for collective bargaining which would include additional options for living wage implementation when preparing a bargaining mandate for collective agreement negotiations with CUPE 4705 and its locals in January 2023. Staff would not initiate the process of making application for certification as a living wage employer (i.e. by completing the initial contact form). The cost of this option is \$434,000 with less inflationary risk.

Option 3:

Council direct staff to pursue Partner level certification with the Ontario Living Wage Network and that all direct employees (***excluding students***) move to the prescribed living wage for Greater Sudbury as their wages are renewed through collective bargaining with CUPE 4705 and its locals.

Option 3 Next Steps

Should Council direct staff to pursue option 3, staff would prepare a memorandum of agreement with CUPE 4705 to move all permanent full time and part time employees (***excluding students***) earning less than \$16.98 (the 2021 living wage for Greater Sudbury) to \$16.98 effective July 1, 2022. Additionally, the City would express an interest in becoming a living wage employer through the completion of an initial contact

form. Staff would automatically propose moving all permanent full time and regular part time employees who are earning a living wage to the revised living wage for 2022 as a part of collective agreement negotiations. As service contracts with externally contracted (third party) service providers are renewed, the tender or RFP documentation would reflect the requirement to pay employees working for the City of Greater Sudbury a living wage. The cost of this option, as above, is \$634,000 and carries all the inflationary risks indicated above.

Option 4:

Council direct staff to pursue Partner level certification with the Ontario Living Wage Network and that all direct employees (***including students***) move to the prescribed living wage for Greater Sudbury as their wages are renewed through collective bargaining with CUPE 4705 and its locals.

Option 4 Next Steps

Should Council direct staff to pursue option 4, staff would prepare a memorandum of agreement with CUPE 4705 to move all permanent full time and part time employees (***including students***) earning less than \$16.98, (the 2021 living wage for Greater Sudbury) to \$16.98 effective July 1, 2022. Additionally, the City would express an interest in becoming a living wage employer through the completion of an initial contact form. Staff would automatically propose moving all permanent full time and regular part time employees including students who are earning a living wage to the revised living wage for 2022 as a part of collective agreement negotiations. As service contracts with externally contracted (third party) service providers are renewed, the tender or RFP documentation would reflect the requirement to pay employees working for the City of Greater Sudbury a living wage. The cost of this option, as above, is estimated at \$1,160,000 and carries all the inflationary risks indicated above.

Resources Cited

[OLWN Employer Guide.pdf \(healthunit.org\)](#)

Charles Lammam (2014). The Economic Effects of Living Wage Laws. Fraser Institute.

<https://www.fraserinstitute.org/sites/default/files/economic-effects-of-living-wage-laws.pdf>

Appendix 1:**Living Wage by Region**

Community	Living Wage	Date Last Calculated
Chatham–Kent	\$16.33	Nov-2018
Grey & Bruce	\$18.39	Nov-2019
Guelph & Wellington	\$18.10	Nov-2021
Haldimand–Norfolk	\$17.35	Nov-2021
Halton	\$20.75	Nov-2021
Hamilton	\$17.20	Nov-2021
Hastings & Prince Edward	\$17.95	Nov-2021
Kingston	\$17.75	Nov-2021
Leeds, Grenville, & Lanark	\$18.25	Nov-2021
London & Middlesex	\$16.55	Nov-2021
Muskoka	\$18.55	Nov-2021
Peterborough	\$18.35	Nov-2021
Niagara Region	\$18.90	Nov-2021
Norththumberland	\$18.80	Nov-2021
United Counties of Prescott & Russell	\$17.15	Nov-2019
Sault Ste. Marie	\$16.20	Nov-2021
Ottawa	\$18.60	Nov-2021
Renfrew County	\$17.40	Nov-2021
Toronto	\$22.08	Nov-2021
Sudbury	\$16.98	Nov-2021
Perth & Huron	\$17.95	Nov-2021
St. Thomas & Elgin	\$16.57	Nov-2018

Durham	\$17.80	Nov-2021
Waterloo Region	\$17.20	Nov-2021
Simcoe County	\$19.05	Nov-2021
Thunder Bay	\$16.30	Nov-2021
Peel Region	\$19.80	Nov-2021

Appendix 2:

List of classifications at the City of Greater Sudbury Paid Below Sudbury's Living Wage (effective April 30, 2022)

Animal Care Attendant
Digital Alliance Project Scanner
Mascot
Page
Jr Arena Maintenance person
Land Rec Worker
Outdoor Rink Staff
School Crossing Guard
Service & Program Staff
Specialty Serv & Program Staff
VE Fire Special Assistant
Cemetery Attendant
Lift Attendant/Utility person helper
Park Attendant
Ski Lift Attendant