



# INFORMATION REPORT

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> December 12, 2011	
<b>SUBJECT/REPORT NO:</b> Living Wage (CS10092(a)) (City Wide)	
<b>SUBMITTED BY:</b> Joe-Anne Priel General Manager Community Services Department	<b>PREPARED BY:</b> Mark Weingartner 905-546-2424 Ext. 6095
<b>SIGNATURE:</b>	

The purpose of this information report is to update Council on living wage related work taking place in the community and being undertaken by city staff.

## Council Direction:

Council at its meeting of May 24, 2006, adopted Information Item d) of Social Services Committee Report 06-007, which reads as follows:

“Whereas the City of Hamilton has taken initiatives to mitigate costs through preventative services;

Whereas the minimum wage amount vs. the housing wage is profoundly polarized;

Whereas approximately 50% of renters are at risk of homelessness as a result of spending more than 30% of their income on shelter;

Whereas the City of Hamilton has control of censuring a fair wage policy which would be in line with housing wages which would mitigate the homeless risk in the City of Hamilton;

Whereas the City of Hamilton has a significant challenge in providing Social Services with a profound impact on taxes through the general levy;

Whereas the hourly wage of most privatized positions falls below the \$15.21 hourly housing wage;

Therefore be it resolved that staff be directed to evaluate a **Fair Wage Policy within the Corporations R.F.P.** process in order to mitigate the risk of homelessness and the increased demand on the City of Hamilton's Social Services Budget."

Council at its meeting of October 25, 2006, adopted a motion as Information Item (d) of Committee of the Whole Report 06-022, which reads as follows:

**"Sustainable Wage and Benefits – Staff to report back to Committee of the Whole**

Whereas the City of Hamilton is challenged by issues related to poverty;

Whereas, a sustainable wage and benefits are an essential component in combating poverty

Whereas the City of Hamilton wishes to lead by example;

Therefore, be it resolved that staff be directed to report back on the creation of a policy which addresses the following:

- (a) Ensuring that all temporary, part-time/full time city employees are compensated at an adequate sustainable income
- (b) That the policy be extended to employees who are paid by outside contractors hired by the City of Hamilton
- (c) Targeting employers who have a sustainable wage for their employees.

Council at its meeting of January 24, 2007, removed this item from the Outstanding Business List of the Emergency and Community Services (E&CS) Committee, and referred it to the Committee of the Whole for consideration.

Committee of the Whole at its meeting of September 16, 2010, received Item 1 of COW Report 10-025, Living Wage (CS10092) (City Wide), which provided Council with introductory information about the concept of a living wage as well as a brief overview of current work on living wage initiatives in Canada. Some Canadian municipalities have explored the issue. There is also a growing interest in this issue among individuals and organizations in Hamilton. The City's Senior Management Team (SMT) has created a cross-departmental staff working group to examine this issue.

**Information:**

1.0 Background

Income disparity continues to be a significant challenge for the City of Hamilton and its residents. While the poverty rate for Hamilton has declined from 19.8% in 1999 to

18.1% in 2005, 89,676 people were still living below the Low Income Cut-off (LICO)<sup>1</sup>. These figures are the most recent numbers available until 2011 Census data is released beginning sometime in 2012. Employment does not always insulate Canadians against poverty. Of those economic families<sup>2</sup> in Canada working full-time, 7% have employment earnings under LICO. And of those working part-time, 14% have employment earnings under LICO<sup>3</sup>.

What is a living wage? A living wage is “envisioned as a wage that allows employees not just to survive (in minimal physiological terms) but to have a decent quality of life, to raise children to be healthy and successful citizens, to enjoy recreation, culture, and entertainment, and to participate fully in social life”<sup>4</sup>.

### 1.1 Benefits of a Living Wage

A living wage benefits individuals and families and contributes to building and maintaining healthy communities.

While living wage policies have only been adopted in two Canadian municipalities and there is no comparable research on the impact of such policies in the Canadian context, there has been significant research undertaken in the United States. These studies have found that living wage policies can lead to direct wage gains and tend to benefit those more vulnerable to low wages and poverty, namely adults who work full-time, recent immigrants, visible minorities and lone mothers with children<sup>5</sup>.

Paying employees a living wage can lower costs associated with absenteeism, turnover, and productivity, and is generally consistent with the values held by many organizations<sup>6</sup>.

A major concern expressed by municipalities and the business community is the potential negative financial impact of implementing any kind of living wage policy. US studies found that the anticipated negative impact of living wage ordinances on the local economy was significantly over-estimated and that contract price increases were minimal and had a negligible impact on city budgets<sup>7</sup>. Further research and analysis

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<sup>1</sup> Mayo, S., & Fraser, M. (2009). *Incomes and poverty in Hamilton*. Hamilton, ON: Social Planning and Research Council of Hamilton.

<sup>2</sup> According to Statistics Canada, an economic family (also a census family) refers to a group of 2 or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoptions. The LICO will vary depending on the number of individuals within an economic family.

<sup>3</sup> Source: Statistics Canada, Census 2006.

<sup>4</sup> Canadian Centre for Policy Alternatives. (2008). *A living wage for Toronto*. Ottawa, ON: Author.

<sup>5</sup> Thompson, J. & Chapman, J. (2006). *The economic impact of local living wages. Briefing paper*. Washington, DC: Economic Policy Institute.

<sup>6</sup> Ibid.

<sup>7</sup> Elmore, A. (2003). Living wage laws: Smarter economic development, lower than expected costs. New York: Brennan Centre for Justice. Niedt, C., Ruiters, G., Wise, D., & Schoenberger, E. (1999). *The effects of the living wage on Baltimore*. Washington, D.C.: The Economic Policy Institute. Thompson, J. &

will be completed in order to explore the potential impact for both the City of Hamilton and the local business community.

### 1.2 Living Wage in other Canadian Communities

New Westminster, British Columbia became the first municipality in Canada to establish a living wage policy in 2010. Their policy requires the City to pay a set hourly rate to both full time and part time employees who “perform physical work on City Premises and properties”. The rate is established each year by the Living Wage for Families Campaign and is currently set at \$16.74. New Westminster is now investigating the implications of the Living Wage on contracted services. The only other Canadian municipality to adopt a Living Wage policy is the Township of Esquimalt, British Columbia. This took place in December 2010. The rate for Esquimalt is \$17.41 (the rate for Metro Victoria<sup>8</sup>) and applies to all employees (full-time, part-time, and casual) within the Township. Waterloo Region and the cities of Calgary and Ottawa began work on developing municipal living wage policies several years ago but decided not to move ahead with further development or implementation.

### 2.0 A Local Living Wage Calculation

The general consensus around establishing a living wage is that each community, through discussion and debate, must determine what a living wage means to them and that the process of developing an acceptable living wage rate is important in engaging the community. Living wages are often determined based on the local cost of living, poverty thresholds and agreed upon measures of poverty or need.

As part of its Action Priorities for 2010-2013, the Hamilton Roundtable for Poverty Reduction (HRPR) established a Living Wage Working Group (LWWG). The role of the LWWG is to work in support of one of the HRPR’s 8 action priorities – specifically, to make the economic case and encourage the City of Hamilton, Hamilton’s key public institutions (post-secondary, hospitals and school boards) and local businesses to adopt living wage policies for employees and contractors. The LWWG is comprised of representatives from business (private and public and not for profit sector employers), labour, research, service provider/advocacy organizations, municipal government, and individuals who have experienced poverty.

The LWWG has worked to develop a methodology and calculate a living wage rate for Hamilton, enlisting the aid of Hugh Mackenzie, an economist who has undertaken work for the Canadian Centre for Policy Alternatives (CCPA).

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Chapman, J. (2006). *The economic impact of local living wages. Briefing paper.* Washington, DC: Economic Policy Institute.

<sup>8</sup> The Township of Esquimalt, British Columbia is adjacent to Victoria, British Columbia and therefore in the Metropolitan Victoria area.

The CCPA has undertaken similar work in several areas across Canada including Vancouver/Victoria, Manitoba and Toronto. Mr. Mackenzie coauthored the report *A Living Wage for Toronto* in 2008. This work, based on methodology developed by CCPA in British Columbia, examined what it cost to live in Toronto and estimated that to attain a minimal socially acceptable standard of living, a family of four with two adults employed full time/full year, would need to earn \$16.60 per hour. This figure is calculated by totaling the expenditures a family needs to “support full social participation” and then examining the income that would be required to do so. This takes into account family earnings as well as government supports such as the Canada Child Tax Benefit, the Universal Child Care Benefit and the GST credit.

The LWWG decided to employ CCPA’s methodology for several reasons. The CCPA is an independent, non-partisan research institute concerned with issues of social, economic and environmental justice. This methodology has been “field tested” in several areas of the country and thereby has acquired some legitimacy, and it can be readily adapted to Hamilton’s situation. The Social Planning and Research Council, in consultation with the LWWG, undertook the task of calculating a local living wage rate for Hamilton.

Based on CCPA’s methodology, the proposed Living Wage rate of \$14.95 per hour (including benefits) was identified for Hamilton. This rate is based on two family sizes; one that consists of two parents and two children (10 and 4 years of age) and one that consists of a lone parent and one child (4 years of age). While the number of hours considered to be full-time varies from workplace to workplace, the number of hours used to calculate the living wage rate was 37.5 per week. The calculation assumes an average market rental rate, insurance, utilities, food, household supplies, personal care, clothing and footwear, health care, transportation<sup>9</sup>, communication (basic cable and phone, standard internet), recreation/leisure, and some minimal savings for emergencies. Consistent with Toronto’s approach, the calculation also takes into account government transfers such as tax credits, the Universal Child Care Benefit, the Canada Child Tax Benefit, subsidized childcare and child support payments (where applicable).

### 3.0 City of Hamilton Living Wage Cross Departmental Staff Working Group

The City of Hamilton has established a cross departmental staff working group to develop and analyze a range of living wage policy options as per Council’s direction. Members were appointed to the living wage cross departmental staff working group by the Senior Management Team in October 2010 and include representatives from the City Manager’s Office, Human Resources, Finance and Corporate Services, Planning and Economic Development, Public Works, Public Health Services and Community Services Departments.

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<sup>9</sup> The budget assumes a 4 year old vehicle and a transit pass for the two parent family and a 4 year old vehicle for the lone parent family.

The group has agreed that the methodology utilized by the HRPR based on work by CCPA is sound.

The staff working group is currently reviewing research on living wage initiatives in the United States and Canada, and has begun to develop and analyze a range of living wage policy options for Council's consideration. The scope<sup>10</sup> of these policy options follow along a continuum from a narrow or limited living wage policy to one that is more broad and inclusive.

For the purposes of this work, the working group will utilize the proposed Living Wage rate as calculated by the Poverty Roundtable's Living Wage Working Group – \$14.95 per hour.

### 3.1 Preliminary Analysis of City of Hamilton Employee Wage Rates

In order to develop living wage policy options and complete a comprehensive analysis of their impact, an understanding of current wage rates of City of Hamilton employees was required.

Human Resources and Payroll records were utilized to determine staff positions that fall at or below the proposed living wage rate of \$14.95 per hour. Hourly rates also include the value of benefits provided by the employer.

- 83% (n=6,726) of the City's total workforce of 8,132<sup>11</sup> earn more than the proposed living wage rate of \$14.95 per hour.
- 100% of full-time union and non-union positions earn more than the proposed living wage rate. This represents 5,011 employees or 62% of the City's total workforce.
- 65% (n=1,623) of the City's part-time and casual positions earn more than the proposed living wage rate (this represents 20% of the total workforce).<sup>12</sup>
- 35% (n=886) of the City's part-time and casual positions earn less than the proposed living wage rate (this represents 11% of the total workforce). The average wage for this group is \$12.47 per hour.
- 15% (n=92) of the City's student positions earn more than the proposed living wage rate (this represents 1% of the total workforce).

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<sup>10</sup> The scope of the policy refers to the range of stakeholders that could potentially be included by a policy.

<sup>11</sup> Total workforce numbers includes all full-time, part-time, casual and student positions. It does not include Hamilton Police Services, HECFI or Hamilton Public Library. Total workforce numbers vary from month to month. Figures included in this report represent workforce numbers as of July 15, 2011.

<sup>12</sup> Many of the part-time and casual positions are held by students but are not specifically student positions.

- 85% (n=520) of the City's student positions earn less than the proposed living wage rate (this represents 6% of the total workforce). The average wage for this group is \$11.89 per hour.

Based on this preliminary analysis, and if one considers full-time union and non-union employees only, the City of Hamilton is a living wage employer.

### 3.2 Next Steps and Development of Living Wage Draft Policy Options by Cross Departmental Staff Working Group

Work on the development of living wage policy options will proceed in two phases. The initial phase will focus on several policy options and the financial impact of the living wage rate on positions within the City of Hamilton. The second phase will examine the impact on the City's contracted services.

In Phase I, staff will develop several living wage policy options and examine their impact on municipal employment classifications and pay rates (full-time, part-time, casual, students, etc.) as well as any upward pressure on pay bands at or above the living wage rate.

At that time, staff will also examine staff positions that fall at or below the proposed living wage rate within the City's Boards (HECFI, Hamilton Police Services and the Library).

In Phase II, staff will develop living wage policy options related to contracted services. The analysis will examine the potential impact of these policy options including their potential impact on the City's tendering process. This work will include extensive consultation with internal and external stakeholders, as well as an analysis of the potential impact of a living wage policy on the local business community.

The following timeline is proposed:

- Phase I – Spring/Fall 2012
- Phase II – Spring 2013

Staff will report back to the General Issues Committee on Phase I in the spring/fall 2012 with a series of living wage policy options and a detailed analysis of each option including scope, social and financial/budget impact, advantages and disadvantages.

Living wage is not an "all or nothing" proposition; rather it is work that takes place on a continuum and over time, looks to benefit low wage workers. It is important to note that the undertaking of this work or subsequently supporting or approving any one phase does not constitute a commitment by Council to support or approve subsequent phases. Additionally, Community Services staff will continue to participate on the HRPR's Living Wage Working Group.

#### 4.0 Living Wage – Ongoing Work in the Community

The Living Wage Working Group is currently developing a strategy to inform and engage citizens and community stakeholders (not-for-profit and social service agencies, the business community, etc.) in conversations about a local living wage. They have organized focus groups with business, labour, not-for-profit organizations and key public institutions including the Hamilton and District Labour Council, to discuss the concept of living wage and the proposed living wage rate.

Other activities include developing *livingwageHamilton.ca* as a web resource, a short video (adapted from *A Living Wage for Families* in BC), as well as a recognition program that identifies local employers who pay a living wage. The program will recognize employers at silver, gold and platinum levels depending on what proportion of their employees earn a living wage, and will support and encourage employers who are not living wage employers to move in that direction.

The SPRC and the Hamilton Training Advisory Board (HTAB) – in addition to their work on the Living Wage Working Group – have undertaken work to support living wage efforts in Hamilton. HTAB is preparing a *Leading Employer Guide for Hamilton* handbook. This handbook will include a section on the advantages of paying a living wage or providing other types of employee benefits, and should be available for distribution by the end of the year. The SPRC has prepared a report to the community that introduces the concept of living wage and the proposed living wage rate for Hamilton, and discusses the impact of earning or not earning an adequate income.

#### 5.0 Conclusion

Hamilton continues to struggle with significant income disparity, health inequities, and the social exclusion of some of its citizens. The premise of Living Wage goes beyond simply the issue of income but speaks to an improved quality of life and a sense of social inclusion<sup>13</sup>.

Living Wage initiatives hold promise as one means of addressing income disparity and inequality, and are aligned with the City of Hamilton's Vision, "to be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities". These initiatives also align with the Corporate Priority Plan (Report CM09021) which aims "to increase the number of living wage jobs in Hamilton"<sup>14</sup> and one of the goals of the City's Economic Development Strategy (2010) which is "to improve Hamilton's quality of life and prosperity by attracting and supporting employers who provide employment conditions that promote quality of life"<sup>15</sup>.

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<sup>13</sup> "Social inclusion is about making sure that all children and adults are able to participate as valued, respected and contributing members of society" - Andrew Mitchell and Richard Shillington (2002). *Poverty, Inequality and Social Inclusion* (Laidlaw Foundation).

<sup>14</sup> City of Hamilton. (2010). *2010 corporate priority plan (CM09021)*.

<sup>15</sup> City of Hamilton. (2010). *City of Hamilton economic development strategy*.