

Subject: Becoming a Living Wage Employer

Recommendation:

**BE IT RESOLVED THAT Council receive Report #2023-0047 -
Becoming a Living Wage Employer, for information;**

AND THAT Council direct staff to either:

**a) develop a Living Wage Employer Implementation Plan to be
submitted to the Ontario Niagara Living Wage Network; or**

b) develop a Living Wage Policy to be reviewed by Council in August.

Background:

At the January 17, 2023 meeting, Council requested that staff provide a report on becoming a certified living wage employer. A living wage is the hourly rate one must earn to afford basic expenses in their region, such as food, housing, transportation and childcare. A certified living wage employer is one that pays the living wage to all employees, including those with part-time and casual employment status. This also includes ensuring any third-party contractors providing services to the employer on a regular basis pay their employees the living wage. The only exemption is for positions offered exclusively to students. For further clarity, positions staffed primarily by students but in theory could be offered to someone not enrolled in secondary or post-secondary education must be paid the living wage.

The living wage is calculated annually by the Ontario Living Wage Network (OLWN) and is published in November each year. The OLWN is also responsible for certifying employers who meet their criteria. The 2022 rate for Niagara is \$19.80 per hour, which is \$4.30 more than the provincial minimum wage.

Currently there are six municipalities certified as living wage employers in Ontario, including the City of St. Catharines which will be fully compliant by 2024.

Analysis:

All full-time, permanent staff at the Town of Pelham already earn a living wage. After eliminating student positions, there are only four non-union part-time positions and two unionized positions that do not earn \$19.80 across all steps on the salary grid. Should the Town decide to officially certify, hourly rates that do not meet the calculated living wage would be required to increase within six months. As collective agreements are considered contracts, the starting rate for the unionized positions would not need to be adjusted until the current agreement expires.

In addition to Town employees, the OLWN requires that all third-party contractors that provide services to the Town on a regular ongoing basis be paid a living wage. The OLWN defines ongoing as being any service that is utilized more than 120 hours per year. While the Town is unaware of the hourly rates its contractors pay their staff, the contracts likely to be impacted by this change are assumed to be snow removal and grass cutting, custodial workers, and security services. The Town would not be required to open existing contracts to re-negotiate the living wage. However, a living wage clause would need to be included in all future contracts, request for proposals and tenders and the Town's Procurement Policy would need to be updated accordingly. Once certified, the Town would not be able to enter into any new contract with an ongoing, regularly utilized contractor who does not agree to pay a living wage to its employees. There is no way to realistically estimate the potential cost of this requirement.

It should be noted that if the Town opts to certify as a living wage employer it would not cover any boards funded by the Town, including the Lincoln Pelham Library. That organization would need to apply and certify independently in the same manner as the Town.

To apply to become a living wage employer, the Town will need to submit a Living Wage Employer Implementation Plan to the OLWN. The plan must include:

- Basic details about the Town and its employees
- An initial timeline to have all direct employees earn the living wage
- How the Town will ensure that all employees are maintained at the living wage when the rate increases
- The number and type of service contracts affected by certification
- What the Town will do internally to ensure that all relevant service contracts include a living wage clause at the time of renewal or initial awarding
- Who will be responsible for overseeing the plan and how it will be done.

The certification process allows for a phased implementation, which would allow the Town to focus on ensuring all full-time staff earn a living wage (Supporter Level, which the Town has already achieved), followed by ensuring the living wage to all

part-time staff (Leader Level) and lastly ensuring that all regularly used third-party contractors are paid a living wage (Champion Level). When an employer becomes certified there is no actual distinction made between the three levels. The expectation is that regardless of the level the Town is at when it receives its initial certification, it will have a plan in place to achieve the Champion Level and will provide the OLWN with progress updates. If found to have not fulfilled the criteria, the Town's living wage employer certification would be revoked.

Financial Considerations:

An analysis has been completed by the Payroll Clerk to determine the total annual budget impact to bring the affected non-union part-time positions to the living wage. This is estimated at approximately \$19,851 including benefits. Certifying midway through the year should allow the Town six months to implement so this increase would be included in the 2024 budget. Changes to the union wage grid would be done during negotiations later this year and implemented in 2024.

In addition, there will likely be increased costs for the previously mentioned contracted services as a result of the living wage requirement. However, this will not have an immediate impact as the rates do not need to be changed until existing contracts expire. Currently bidders do not disclose the rates they pay their staff and, as such, the financial impact of adding a living wage clause to future contracts is unknown at this time. Further analysis will be required if the Town opts to certify to determine the actual implementation cost for contracted services.

Lastly, there is an annual fee to remain certified. According to the OLWN's website, non-profit and public sector organizations with less than 250 employees must pay an annual fee of \$200.

Alternatives Reviewed:

As an alternative, the Town could adopt a living wage policy or implement a compensation strategy that ensures the Town achieves the Leader Level by paying the living wage to all staff (excluding students) without seeking official certification as a living wage employer. This would give the Town more control over the timeline to become compliant each year as the new living wage is released and not bind the Town to any future budget increases that may not be feasible.

Additionally, dependent upon the approved policy language, this option may not require the Town to alter its agreements with third-party contractors. In the event that Council does wish for the policy to include some of its third-party contractors, the policy could define which contractors to whom the policy applies. As an example, the policy could indicate a living wage clause be included in any contracts exceeding \$500,000, rather than having to include it for any contractor utilized

more than 120 hours per year as required by the OLWN. The City of Hamilton is an example of an employer who has adopted such a policy to include only large construction contracts.

Strategic Plan Relationship: Strong Organization

Becoming a living wage employer, whether officially or by policy, will have multiple benefits to the Town. Those who have certified report having a more motivated and productive staff, an increase in employee retention, and a decrease in time and money spent on hiring and training.

The OLWN views municipalities as a crucial component to the living wage effort due to the requirement of ensuring a living wage for anyone doing regular business with the Town. The benefits of officially certifying certainly extend beyond the employees of the Town of Pelham.

Consultation:

The Treasurer, Deputy Treasurer and Payroll Clerk provided the financial analysis for this report.

Other Pertinent Reports/Attachments:

None.

Prepared and Submitted by:

Brianna Langohr, CHRL
Manager, People Services

David Cribbs, BA, MA, JD, MPA
Chief Administrative Officer