



**REGION OF WATERLOO**

**SOCIAL SERVICES**

**Social Planning, Policy and Program Administration**

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**TO:** Chair Sean Strickland and Members of the Community Services Committee

**DATE:** March 31, 2009

**FILE CODE:** S16-80

**SUBJECT: LIVING WAGE IMPACT ASSESSMENT – PHASE 2**

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**RECOMMENDATION:**

THAT the Regional Municipality of Waterloo receive the report “A Living Wage Policy Impact Assessment for the Regional Municipality of Waterloo – Phase 2 Research for Information;

AND THAT the Regional Municipality of Waterloo direct staff to consult on the options of adopting a living wage with the broader community as per Phase 3 of the Work plan, as outlined in report SS-09-018, dated March 31, 2009.

**SUMMARY:**

In 2007, as part of their Living Wage Initiative, Opportunities Waterloo Region asked the Regional Municipality of Waterloo (Region) as an employer to consider establishing a Living Wage rate of \$13.62 for its employees and for those employees who work for contractors providing services to the Region. Previous reports have been prepared on the implications of developing a Living Wage policy for the Regional Municipality of Waterloo. (SS-08-030, SS-08-050) Those reports included a discussion on the Living Wage literature, national and international experiences, local efforts and some preliminary considerations. This report discusses potential policy options and implications of each should the Region adopt a Living Wage policy. While the impact of implementing a living wage for Regional employees or contractors (in terms of individuals) may be minimal, it would set precedence. A number of private sector employers have adopted such a policy.

**REPORT:**

**1. BACKGROUND**

A Living Wage is the amount a single adult working full-time, full-year needs to remain above the poverty line. The rationale for a Living Wage policy is that wages should be sufficient to provide a ‘livable income’ and an equitable standard of living. A Living Wage provides funds to meet basic needs, to maintain a decent standard of living in the community and to save for future needs and goals. It includes funds to support interaction, recreation and generally feeling connected to the community.

There are a number of studies which looked at the impact of a Living Wage on people earning low wages. In addition to greater economic self-sufficiency, proponents of a Living Wage point to other positive impacts including: reduced stress; greater sense of responsibility and higher sense of self-worth; decline in worker absenteeism and improved health; reduced reliance on social programs; increased savings, credit and investment assets; enhanced sense of inclusion, belonging, and citizenship; reduced need to take a second low paying job to supplement income; and increased time for family, recreation and participation in society. Those opposed to a Living Wage identify

issues related to a lack of a single methodology to calculate the rate; inability to impact a large number of employees; and potential indirect and hidden costs associated with implementation.

In the fall of 2007, Regional Council, in response to a request from Opportunities Waterloo Region, directed staff to develop a report that would provide an assessment of the impact of implementing a Living Wage policy on the Region. In October 2008 Council approved a multi-phase work plan to assess, consult and potentially plan for the implementation of a Living Wage policy.

## 2. RESEARCH

**Phase 1** resulted in a background document outlining the major considerations related to developing and implementing a Living Wage. The report included a discussion on the Living Wage literature, national and international experiences, local efforts and some preliminary considerations. Over 140 jurisdictions in the United States of America have implemented Living Wage Bylaws that in some form require or encourage through incentives, a Living Wage for municipal employees and/or contractors. No Canadian municipality has implemented a Living Wage policy although Living Wage initiatives are underway in several Canadian municipalities (Calgary, Hamilton, Vancouver, Victoria and Toronto). The local campaign led by Opportunities Waterloo Region (Opportunities 2000) was initiated some time ago. Initial calculations of a Living Wage were based on a family of four. Recently Opportunities Waterloo Region calculated a Living Wage for a single adult in Waterloo Region. They are hoping that this renewed effort will encourage employers to pay a Living Wage. In fact, some private sector employers have introduced such a wage in Waterloo Region.

**Phase 2** included further research and specific analysis to guide the development of a potential Living Wage policy. Staff surveyed a representative sample of the Region's contractors; analyzed financial data; reviewed the Living Wage Policies and practices from other jurisdictions as well as the Region's own purchasing bylaw and related policies; and consulted with key informants. Attached in Appendix A is the Executive Summary: A Living Wage Policy Impact Assessment for the Regional Municipality of Waterloo – Phase 2 Research for Information. Full copies of the report are available should members of the Community Services Committee want a copy. One copy will be placed in the library for Councillors.

The major sources of research for both phase 1 and 2 of the work plan has been the American and UK experience although the body of evidence for the Canadian experience is beginning to emerge. Living Wage rates for three Canadian cities have been calculated as part of Living Wage initiatives. A rate of \$16.74 has been calculated for metro Vancouver for a family of 4 with both parents working full time. The rate for Toronto is \$16.60 using the same methodology. The City of Calgary released their report on the Impact of implementing a Living Wage April 2008 and calculated a rate of \$12.00 per hour with benefits or \$13.25 without benefits based on the Before Tax Low Income Cut Off (LICO).

## 3. SOCIAL POLICY IMPACTS

Poverty is a complex social issue that continues to confound policy makers, communities and those living with low income. Those living in low income tend not to hold full time jobs or work regular hours resulting in poor health, food insecurity and housing instability. A partial explanation is described as two conflicting realities: the complex needs of those living in low income and the simple tools that exist (income support, housing, shelters, and counseling) to respond to those complex needs.<sup>1</sup> A Policy Integration Approach is suggested to be the most viable solution to

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<sup>1</sup> Born, Paul "Community Conversations: mobilizing the Ideas, Skills, and Passion of Community Organizations,

reducing poverty. In this model, investments in social infrastructure & public programs work with wage supplement programs (federal/provincial transfers) and a Living Wage to improve the standard of living for individuals in poverty. Wage supplements established by federal and provincial governments focus on labour force participation and are meant to supplement earnings. Both the provincial and federal governments have introduced benefits/supplements to low-income families (e.g. Working Income Tax Benefit, Ontario Child Benefit). Social infrastructure and public programs help shift the burden from the individual to the society. In Waterloo Region there is significant direct financial investment by all levels of government in social programs (income support, child care, housing and homelessness, outreach, and crime prevention) that support low-income residents. Ontario's minimum wage increase to \$10.25 by 2010 will not bring a single person living in a large urban area working full-time year-round to the Low Income Cut-Off (poverty line). A Living Wage of \$13.62 boosts the income of low wage earners by just over \$7,000 annually.

#### **4. POLICY OPTIONS AND POTENTIAL IMPACT**

Staff has developed four potential options in regard to a Living Wage policy. The options, potential impacts, and advantages/disadvantages are set out in the following and are based on the research.

##### **Option 1 – do nothing or defer implementing any Living Wage policy.**

As an advantage, this option would avoid any increased financial cost for the Region in regard to the implementation of a Living Wage Policy. As a disadvantage, the Region would not be assisting employees who are currently earning below a Living Wage.

##### **Option 2 – adopt a Living Wage policy for the Region of Waterloo that requires a living wage for all non-student Regional employees and create a public education program encouraging other employers across the Region to adopt a similar Living Wage policy.**

As an advantage, this option would avoid any significant increased financial cost for the Region in regard to the implementation of a Living Wage policy. There would be no direct financial impact as all full time, non-student employees of the Region earn a Living Wage. A public education program may also assist some employees who are currently working below a Living Wage as some other employers may also adopt such a policy. As a disadvantage, a public education campaign may have limited impact and the Region would not be assisting employees who are currently working at Regional facilities who earn below a Living Wage.

##### **Option 3 - implement a Living Wage policy for the Region of Waterloo that (i) requires a living wage for all non-student Regional employees, (ii) gives preference to bidders on specific Regional contracted services (e.g. security, housekeeping, cafeteria, grounds keeping) who agree to pay a living wage for all non-student employees who would work at Regional facilities, and (iii) create a public education program encouraging other employers across the Region to adopt a similar Living Wage policy.**

As an advantage, the Region would be taking some direct action to assist employees at Regional facilities who are earning less than a Living Wage. As a disadvantage, this option would not bind all contractors. It would only give some preference to those who agree to pay their employees a Living Wage. This option would also create some additional cost to the Region. There are approximately 600 contracts for a range of services with an annual cost of \$3.2 million. Based on a survey and detailed analysis it is estimated that 150 contractors may pay below a Living Wage. Giving

preference to bidders who pay a Living Wage would require revisions to the Purchasing Bylaw policy and procedure. The impact on bidders is not known. Part of the consultation in Phase 3 of the work plan would include an assessment of this impact. Currently security guards working at Regional buildings are being paid a Living Wage. Employees who provide other services such as housekeeping, cafeteria, and grounds keeping are not paid a Living Wage. An estimated cost to bring 200 employees, representing approximately 70% of all service contracts (housekeeping, cafeteria, and grounds keeping) up to a Living Wage rate would require an increase of between \$644,500 and \$829,500. The Net Levy impact if the Region were to assume these costs would range from .26 - .34 percent. Lastly, there would be implications for monitoring and enforcing such a policy.

It should also be noted that there is the possibility of a ripple effect which occurs when lowest wages are raised, the relative differences between workers of different skill levels are retained. There is the potential to positively impact a number of people beyond those at the threshold. The research indicates that the cost of ripple effect raises range from an additional \$.50 to \$2.70 for every dollar. Alternatively there is the potential for unintended consequences should that employer determine that an increase in wages cannot be absorbed thus resulting in layoffs. When accounting for the ripple effect, the American experience indicates that this cost is not likely to be enough to force businesses to close their doors. A Living Wage policy can also have an indirect impact in a local community through potential increases to the prevailing wages for persons doing similar work on non-region contracts. For example, it was estimated that 1,575 janitorial and kitchen helpers are paid below a Living Wage in Waterloo Region (Statistics Canada, 2001). In the event that a Living Wage policy were to be adopted by the Region, it is possible that some employers of these individuals could likewise choose to adopt a similar policy.

**Option 4 - implement a Living Wage policy for the Region of Waterloo that requires a (i) living wage for all non-student Regional employees, (ii) that all persons contracting with the Region for specific services (e.g. security, housekeeping, cafeteria, ground keeping) pay a living wage for all non-student employees working at Regional facilities, and (iii) create a public education program encouraging other employers across the Region to adopt a similar Living Wage policy.**

The difference for Option 4 is that all contractors would be **required** to pay their employees a Living Wage when employed at Regional facilities. Option 3 only gave preference to those who agreed to pay a Living Wage. The advantages and disadvantages are similar to those in Option 3.

## 5. POLICY DEVELOPMENT

Policy development would need to include setting a living wage rate based on a Market Basket Measure, and determining scope and coverage. This could involve identifying specific contractors, determining exemptions (e.g. employers greater than 100 employees), and considering a lower limit (contract value threshold).

A Living Wage of \$13.62 (without benefits) was originally calculated by Opportunities Waterloo Region. Based on 2009 costs, \$13.62 is still a valid rate. Using a Market Basket Measure (MBM) approach they established this rate for a single adult living in Waterloo Region. The MBM is a complex and resource intensive measure to calculate, however is felt to accurately reflect local costs. The Low Income Cut Off (LICO) and the Low Income Measure (LIM) developed by Statistics Canada are less reflective of local conditions however when used together all three measures inform the development of a Living Wage. A full description of the calculation was included in a previous report (SS-08-030). The literature also indicates that a Living Wage, unlike a minimum

wage, is “heavily influenced by social and cultural expectations that change over time”.<sup>2</sup> If implemented, a Living Wage rate would have to be maintained over time and a methodology to update the rate would have to be determined. It would also have to be determined whether or not there should be a rate with benefits in addition to one that has been determined which excludes benefits (\$13.62).

## 6. NEXT STEPS

**Phase 3** of the work plan, Societal Impact Assessment, is planned for Apr 09 – Sept 09. The main focus of this phase would be public consultations on the policy options given the potential for impact beyond the Region. Regional staff would work with community organizations such as Opportunities Waterloo Region and the Social Planning Councils, as well as businesses, area municipalities, employer associations, the Chambers of Commerce, etc. to develop an understanding of the opportunities and challenges of implementing a Living Wage. Such activities could include sponsorship of a community conversations series, public consultations, and surveys. The deliverable from this phase would be confirmation of the policy options and a staff report to Community Services Committee for consideration and direction in the fall of 2009. At this milestone, if Council members adopted a Living Wage policy, staff would proceed with Phase 4 – Implementation Planning.

### CORPORATE STRATEGIC PLAN:

This report relates to the Corporate Strategic Plan, Focus Area Four: Human Services – to promote quality of life and create opportunities for residents to develop to their full potential.

### FINANCIAL IMPLICATIONS:

NIL

### OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

This report was developed and reviewed through a working group with representation from: Finance, Legal Services, Facilities Management, Human Resources, Planning, Housing and Community Services and Social Services. Public Health was also consulted in the process.

### ATTACHMENTS

Appendix A: Executive Summary: A Living Wage Policy Impact Assessment for the Regional Municipality of Waterloo

**PREPARED BY:** *Nicole Francoeur*, Social Planning Associate  
*Lynn Randall*, Director, Social Planning, Policy and Program Administration

**APPROVED BY:** *Michael Schuster*, Commissioner, Social Services

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<sup>2</sup> CCPA, Mackenzie, Hugh and Jim Stanford “A Living Wage for Toronto” November 2008.

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## **Executive Summary: A Living Wage Policy Impact Assessment for the Regional Municipality of Waterloo**

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### **Why was this report developed?**

This report has been developed in response to a request from the Regional Municipality of Waterloo's Community Services Committee to proceed with Phase 2 of a work plan to further investigate the implications of implementing a Living Wage policy.

### **What is a Living Wage?**

A Living Wage "provides funds to meet basic needs, to maintain a decent standard of living in the community and to save for future goals. It includes funds to support interaction, recreation and generally feeling connected to the community".<sup>i</sup> The rationale for a Living Wage is that wages should be established to provide a 'livable income' and more equitable standard of living.

There are two basic approaches to Living Wage initiatives:

- *Regulatory* – bylaws or policies of an organization that require the organization and any contractors operating under a contract with the organization to pay a wage above the poverty line.
- *Voluntary* – employers voluntarily improve their overall workplace practices, including wages and benefits.

### **How have local Living Wage efforts been organized?**

Since 2003, local efforts to raise the issue of a Living Wage have been organized by Opportunities Waterloo Region (Opportunities), a multi-stakeholder poverty reduction initiative.

In 2007, Opportunities approached Regional Council to seek support for a regulatory approach through the recommendation of a *Sustainable Livelihood Urban Budget for a Single Person Living in the Tri-cities of Waterloo Region*.

In response, "A Living Wage Policy Impact Assessment for the Region of Waterloo: Preliminary Considerations" was developed. This report examined the potential impacts of a Living Wage policy if it were extended to staff directly employed by the Region to deliver Regional services (union or non-union, full-time, part time, permanent and temporary). Further, the report provided an overview of the potential impacts of a Living Wage policy should it be extended to staff employed by contractors or organizations who have agreements with the Region of Waterloo.

### **Which areas are further examined in this report?**

The objective of the Phase 2 report is to continue to respond to several areas requiring additional investigation as identified in Phase 1. The following are further examined in this report:

- policy integration approach;
- segments of the population who would benefit most from a Living Wage policy;
- promising practices from other Canadian communities involved in Living Wage research;
- impact of a Living Wage policy for low wage earners, employers and the community;
- options for establishing and updating a Living Wage rate;
- potential ripple effects and costs of maintaining the integrity of a wage structure;
- unintended consequences for low-wage earners; and
- implications for cafeteria services.

### **What are the activities that have informed this report?**

The activities include:

- A literature review.
- Communication with several Canadian municipalities exploring a Living Wage policy;
- Further investigation into salary scales for Region of Waterloo service contracts with support from Facilities Management Division.
- Further examination into workers paid below a Living Wage in Waterloo Region with support from Waterloo Wellington Training and Adjustment Board (WWTAB).
- The development of a local case study with support from the Facilities Management Division to develop an increased understanding of the impact of a wage increase for low-wage earners.

### **What is a Policy Integration Approach?**

The literature suggests that adopting a Policy Integration Approach is the most viable solution for reducing poverty and improving overall quality of life. Such an approach involves all levels of government through a combination of wage supplement programs, investments in social infrastructure and public programs, and a Living Wage policy.

### **What is the Region of Waterloo currently doing to reduce poverty?**

The Region of Waterloo currently adopts many aspects of a Policy Integration Approach by engaging in a range of poverty reduction initiatives, including:

- Social Purchasing Portal – helping to create long-term sustainable employment for people who face challenges entering or re-entering the work place;
- Community infrastructure – providing affordable housing, emergency shelter services, and quality child care;
- Income supports – providing employment and income services, subsidizing child care;
- Social development – providing outreach, peer health, community nutrition and crime prevention programs;
- Surveillance and monitoring – assessing food affordability and impacts of poverty on health; and
- Strategic planning – participation in leadership round tables, learning circles and community comprehensive initiatives.

### **What are some trends to support a Living Wage policy?**

The key trends to support a Living Wage policy include: the local labour market, health status among people with low income, food insecurity and housing stability.

## **Who is more likely to earn below a Living Wage?**

There are a significant number of residents in Waterloo Region who participate in the paid workforce, but nonetheless continue to live in poverty. Recent immigrants, Aboriginal persons, unattached persons over the age of 15, children under 6 and female-headed lone parent families are most likely to be overrepresented in this group.

## **How can a Living Wage be calculated?**

An annual Living Wage could be calculated in a number of ways, including:

- Low Income Cut-Off (LICO) from Statistics Canada,
- Low Income Measure (LIM) from Statistics Canada, or
- Market Basket Measure (MBM) based on a survey of the actual costs to live in a community.

## **Has a Living Wage been calculated for the Region of Waterloo?**

Yes. For Waterloo Region, a Living Wage rate of \$13.62 per hour (without benefits) has been proposed for an individual. This rate is based on a Market Basket Measure approach calculated in 2007.

## **What is the best way to calculate a Living Wage?**

Methods such as the LICO and LIM are useful because they provide key information that should be considered when setting a Living Wage. Both of these poverty measures are updated by Statistics Canada and readily available each year, but they are limited because they do not take into account the actual costs of living in a particular community.

On the other hand, the MBM, while a complex and resource intensive measure to calculate, appears to more accurately reflect local costs, and can help to illustrate local needs more clearly.

Ideally, the literature suggest that the MBM, LICO and LIM be used together to provide the best available information for understanding both income and expenses in local communities, and that this data inform the calculation of a Living Wage.

## **What are the potential impacts of a Living Wage on:**

### **The community?**

- multiplier effect;
- ripple effect; and
- increases in wage levels for others performing similar work.

### **The person earning a low wage?**

- increased income and reduced poverty levels;
- greater economic self-sufficiency;
- reduced stress;
- greater sense of responsibility and higher sense of self-worth;
- declined worker absenteeism and improved health;
- reduced reliance on social programs;

- increased savings, credit and investment in assets;
- enhanced workers' sense of inclusion, belonging and citizenship;
- reduced need to take a second low paying job to supplement an income; and
- increased time for family, recreation and participation in society.

### **The contractor?**

Greater efficiencies in the form of:

- higher job satisfaction;
- reduction in absenteeism; and
- reduction in employee turnover.

### **The Regional Municipality of Waterloo?**

- No financial impact if a Living Wage were to be extended to Regional employees.
- An estimated increase of 0.26-0.34 percent on the total Net Levy to bring staff of specified service contracts with the Region up to a Living Wage.
- Financial impact unknown for staff of third party contracts and Human Service organizations who have agreements with the Region of Waterloo.

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i Randall, L . Understanding the Implications of Implementing a Living Wage Policy – Proposed Research, Consultation and Implementation Work Plan. Report SS-08-050. Waterloo, ON: Region of Waterloo Social Services, 2008.