

**REGION OF WATERLOO****SOCIAL SERVICES****Social Planning, Policy and Program Administration**

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

DATE: January 5, 2010

FILE CODE: S16-80

SUBJECT: LIVING WAGE IMPACT ASSESSMENT – PHASE 3 PUBLIC CONSULTATIONS

RECOMMENDATION:

THAT the Regional Municipality of Waterloo direct staff to complete a Living Wage implementation plan for consideration by the Community Services Committee based on Option 3, pursuant to Report SS-09-066, dated January 5, 2010.

SUMMARY:

In 2007, as part of their Living Wage Initiative, Opportunities Waterloo Region asked the Regional Municipality of Waterloo, 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 Region (SS-08-030, SS-08-050, SS-09-018). Those reports included a discussion on the Living Wage literature, national and international experiences, local efforts, preliminary considerations, further research and potential Living Wage policy options. This report discusses the results of a multi-stage public consultation process and a Social Return on Investment Analysis as per the work plan. Based on the consultation, staff recommends the Region begin implementation planning for Option 3, which provides for a Living Wage policy that requires a Living Wage for all non-student Regional employees and gives preference to bidders on specific Regional contracted services. This Option is voluntary and would not prohibit contractors who do not pay a Living Wage from bidding on Regional contracts. Stakeholders acknowledged that this Option would allow for the “phasing in” of expectations over time and enable opportunities for reflection and re-evaluation. Should Council direct staff to move forward, a detailed implementation plan will be brought back to Council for approval. As part of the implementation plan, the financial impact of Option 3 will be developed. It is expected that there would be a minor impact, the scope of which is being determined. Any financial impact would be considered as part of the Region's budget process for 2011.

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.

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. Phase 1

resulted in a background document outlining the major considerations related to developing and implementing a Living Wage. Phase 2 included further research and specific analysis to guide the development of a potential Living Wage policy. The major source of research for both phases 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.

In addition to the Regional Municipality of Waterloo, Living Wage rates for four Canadian cities have been calculated (without benefits) as part of Living Wage initiatives. A rate of \$16.74 has been calculated for metro Vancouver and \$16.39 for Victoria for a family of 4 with both parents working full time. The rate for Toronto is \$16.60 using the same methodology. Most recently, the City of Ottawa has calculated a Living Wage rate of \$13.50 for an individual working full time. Staff in that City have been directed to investigate possible Living Wage policy options and to report back to City Council at a date yet to be determined. The proposed Living Wage policy in Ottawa would affect 400 contract workers. In addition, City of London staff is currently investigating the impact of a Living Wage policy for City employees. In April, 2009, the Living Wage policy initiative in the City of Calgary was ended after City Council did not approve a staff report and recommendations.

2. Public Consultation Process

The Public Consultation Process involved a multi-staged approach in order to maximize opportunities for participation by a wide range of stakeholders. The two stages included:

- i) External Consultant Process;
- ii) Community Services Committee Public Input Meeting

i) External Consultant Process

In April 2009, the Regional Municipality of Waterloo commissioned the Social Planning Councils of Kitchener-Waterloo and Cambridge and North Dumfries to plan, facilitate and analyze the first stage of the Living Wage Public Consultation process. The purpose of this stage of the process, spanning from April to July 2009, was to seek public input on the four proposed policy options outlined in staff report SS-09-018. In total, input from over 700 people was gathered. A range of ages, educational levels and occupational sectors were represented. There were higher rates of women, post-secondary graduates and people with higher incomes who participated in the consultation activities. Area of residence was broadly aligned with that of the geographic distribution in Waterloo Region, with the exception that there were a higher number of participants residing in the City of Waterloo and fewer residing in the City of Cambridge. For additional information regarding participants' area of residence, please refer to Appendix A: Table 1.

The consultation activities in this stage included; paper-based and web surveys, focus group discussions and face-to-face and telephone interviews. Eighty percent of participants completed on-line or paper surveys, while twenty percent participated in focus group discussions, face-to-face or telephone interviews. Some of the stakeholder groups engaged by consultants included people living in low income, Regional contractors, owners and managers of businesses in low-wage employment, social service providers, community leaders in the education sector and business associations. Refer to Appendix A: Table 2 for a summary of stakeholder groups engaged in the external consultant process. Appendix A: Table 3 contains the specific activities.

ii) Community Services Committee (CSC) Public Input Meeting

A Community Services Committee Public Input Meeting was held on the evening of September 16, 2009 to seek further public input on the four proposed policy options. This meeting involved a staff presentation providing an overview of the Living Wage Impact Assessment to date, participation by nine delegations and six written submissions.

3. Summary of Public Consultations

Although the precise language used by stakeholders throughout the consultation process varied, an analysis of the data revealed several key themes. At the broadest level, these themes have been categorized by **General Themes** and **Policy Options Themes**. Some of the themes below were more commonly expressed in specific consultation activities, while others were articulated across all activities. For a cross-listing of themes emerging by consultation activity, refer to Appendix A: Table 4 and Table 5.

3.1 General Themes

General themes based on the feedback have been further sub-categorized according to those that would typically either lend or detract support for the adoption of a Living Wage policy. In cases where significant variations to the key themes were more prominent for specific stakeholder groups (i.e. Regional contractor and business stakeholders) those differences are noted. For the most part, the themes below emerged in the context of Policy Option 4.

The following themes would be considered supporting a Living Wage policy.

Demonstrates leadership: The majority of stakeholders who participated in the web survey, focus groups and the CSC Public Input Meeting felt as though the adoption of a Living Wage policy would be a positive step for the Regional Municipality of Waterloo in terms of demonstrating a level of seriousness and moral responsibility in its commitment to poverty reduction. Similarly, it was often stated that if the Region were to adopt a Living Wage policy, it would provide a leadership opportunity by setting a good standard for other employers across the region to follow.

Economic benefits for the geographic region: A number of stakeholders who participated in the CSC Public Meeting were of the opinion that a Living Wage could act as an economic stimulus for Waterloo Region by reducing costs to social services and redistributing income back into the local community. The majority of business and Regional contractor stakeholder groups who participated in web surveys and focus group discussions did not feel as though a Regional Living Wage policy would reduce costs to social services.

Employee impact: There was widespread belief in the ability of a Living Wage to increase overall quality of life for its recipients. Some of the perceived positive impacts for employees mentioned included: increased feelings of belonging and participation in the community, a greater amount of spending power, higher levels of food security, and increased self-esteem and feelings of pride. There was a concern that while the concept of paying a Living Wage has merit for employees, such a policy would require a complex decision-making process.

Employer impact: Efficiency gains such as a reduction in employee turnover, reduced training costs and increased levels of productivity were mentioned as perceived benefits for employers paying a Living Wage throughout both stages of the consultation process. These impacts were often discussed in the context of factors that could offset the costs associated with the implementation of a Living Wage policy. Business and Regional contractor stakeholders were less likely than other stakeholder groups to believe that implementation costs would be tempered by such efficiency and productivity gains.

Set minimum wage rates: With the exception of business and Regional contractor stakeholder groups, the vast majority of survey respondents were of the belief that the minimum wage rate is not sufficient to meet basic needs or to raise a child. Thus, the majority of stakeholder groups expressed that a higher wage rate is required.

Need for government intervention: Survey respondents overwhelmingly were of the opinion that government intervention at some level is needed in order to determine wage levels (i.e. minimum wage legislation). As such, respondents felt as though employers should not be able to set wage levels as they see fit, but rather regulation to ensure that employees are paid a base rate is required and should be maintained.

The following themes would be considered as not supporting a Living Wage policy.

Costing impacts: There was widespread concern expressed by stakeholders with respect to the potential costs of a Living Wage policy for:

- *Region and/or taxpayer* – There was concern that taxes would increase for all residents in the region as a result of the costs associated with the implementation of a Living Wage policy. Also, stakeholders did not see the value in creating a new level of bureaucracy to enforce a Living Wage policy for Regional employees who are already paid at or above a Living Wage rate. Further, many stakeholders who participated in the survey and focus group discussions were of the belief that taxpayers would be affected through rising costs for products and services across the region.
- *Contractors/businesses and/or employers* – There was unease expressed that contractors/businesses and/or employers could experience a reduction in profit margins in order to compensate for a higher wage level required not only as a result the Living Wage policy itself, but also as a result of the ripple effect. Ripple effect raises occur in order to maintain the integrity of the wage structure. It was identified that a Living Wage policy could prohibit small businesses from seeking Regional contracts because it would be difficult for them to compete with the larger organizations. As a result, it was predicted by these stakeholder groups that the quality of services may be reduced because the more desirable companies may choose to no longer bid on Regional contracts.
- *Workers* – There was concern expressed that workers could be displaced and lose their job or could end up in the same or a potentially worse financial situation if they were to move into a higher income bracket as a result of a Living Wage policy. It was suggested that a base rate of \$13.62 could push employees with low education and skill levels out of the job market, as employers could be more inclined to pay a Living Wage to more qualified workers.
- *Social service recipients* – There was concern expressed that cuts to social service spending would ensue in order to compensate for costs associated with a Living Wage policy. As a result, possible negative implications for social service recipients were a consideration.

Resulting in minimal impact: Many stakeholders shared sentiments that reflected the belief that a Living Wage policy would have a minimal impact on reducing poverty in the region due to its limited scope (affecting approximately 200 non-student employees).

Using resources wisely: Some stakeholders were of the belief that the use of Regional resources would be better directed toward education and employment training programs, rather than to a Living Wage policy. Regional contractors suggested that issues related to a Living Wage could be addressed through improvements in to the Region's tendering process and by establishing a list of qualified bidders in advance. It was proposed that the Region work directly with Regional contractors to improve the tendering process. This would also serve the purpose of continuing to cultivate strong business relationships with contractors. Furthermore as an alternative to the implementation of a Living Wage policy, it was suggested by several stakeholders that the Region hire employees directly.

Widening income disparity: A considerable number of stakeholders expressed concerns that a Living Wage policy could serve to increase the wage disparity between employees of contractors who provide services to the Region and other private sector employees working in non-Regional

contracts in comparable industries. As such, some stakeholders had reservations about the ability of a Living Wage policy to more equitably spread income across the region.

Responsibility for setting wage rates: Some participants of the CSC Public Input meeting were of the opinion that legislating wages should remain a provincial responsibility only.

Timing: Many stakeholders identified that adopting a Living Wage policy in the current economic climate would be problematic because many businesses are currently struggling and/or have experienced reduced profit margins. As such, it was expressed that it could be difficult for businesses to absorb costs associated with a Living Wage policy.

The following themes were also identified.

More public education needed: It was a widely held belief by stakeholders involved in both stages of the Public Consultation Process that further education with respect to a Living Wage is needed. Such an education campaign could increase public awareness and allow for further reflection on the issue.

More assessment needed: Often speaking in relation to the need for further education, several stakeholders expressed concern that additional time is required in order to fully assess the financial impact of a Living Wage policy. Moreover, additional public input into a Living Wage policy was requested by some focus group participants.

Students: It was widely held by stakeholders that students should not be excluded from a Living Wage policy. Some of the justifications for coverage of students in a Living Wage policy related to the financial obligations of the population and their future role in contributing to our economy and community. It is currently the policy of the Region that seasonal/co-op students are paid 66 percent of the rate for the equivalent full time positions, as they are not expected to perform full duties and responsibilities of the position to which they are assigned. To be classified a seasonal/co-op student, an employee must be registered and returning to full-time studies or completing a work term/practicum requirement.

3.2 Policy Option Themes

Major themes with respect to each proposed Living Wage policy option are presented below. The quantitative data have been collected via a web survey, and the qualitative data have emerged out of focus group discussions, where participants were asked to comment on perceived strengths and challenges of each proposed policy option.

Option 1 – do nothing or defer implementing any Living Wage policy. Option 1 was the least frequently selected preferred policy option across all stakeholder groups at 9%. By contrast, it was the most commonly selected policy option for business stakeholders at 33%. Generally speaking, across stakeholder groups, this policy option was thought to be problematic because it maintains the status quo. Further, many stakeholders interpreted this policy option to be less desirable because of the need to maintain the forward-moving momentum with respect to progress with the Living Wage Impact Assessment. For the stakeholder groups favouring this policy option, the rationale was that it would give the Region additional time to assess the financial impact. Further, a small number of stakeholders thought that Option 1 should be broken down into two separate policy options; one that refers to ceasing the Living Wage Impact Assessment altogether and another for deferral of a policy to a later date.

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. Option 2 was the third most

frequently selected preferred policy option across stakeholder groups at 18%, and the most commonly selected policy option among Regional contractors at 29%. The strengths of this option as expressed generally across all stakeholder groups were that it demonstrates leadership and that it would allow the Region to serve as a positive example with respect to employment practices in the community. Many stakeholders were also of the opinion that this option would be straightforward to implement and that the educational component would be beneficial. On the other hand, there were widely held concerns that this option would have no real meaning as all non-student Regional employees are already paid above a Living Wage level.

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. housekeeping, cafeteria, grounds keeping) who agree to pay a Living Wage for 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. This option was the second most frequently selected policy option across all stakeholder groups at 28%. It was also selected as the preferred option for 24% of both the Regional contractor and business stakeholder groups. The most commonly cited concern expressed with respect to this option was that it has no real meaning because paying a Living Wage would not be mandatory nor would the bidding process be changed. There was also concern with respect to issues related to monitoring and enforcement that could ensue as a result of giving “preference” in the bidding process. In terms of strengths presented by this option, there was widespread consensus that giving “preference” to contractors paying a Living Wage would move toward some level of change and could benefit more people with the potential to improve working environments (e.g. an increase in how workers are valued). Several stakeholders were also of the opinion that this option would allow for the “phasing in” of expectations over time, and enable opportunities for reflection and re-evaluation.

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. housekeeping, cafeteria, ground keeping) pay a Living Wage for 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. Option 4 was the most frequently selected preferred policy option across all stakeholder groups at 34%. There was widespread belief by stakeholders that this was a fairer option that would be less open to abuse, and would provide a “level playing field” for companies bidding on contracts. It was commonly expressed that this option would lead to benefits for the community as a whole. This option was selected as the preferred policy option by smaller numbers of Regional contractors and business stakeholders at 18% and 19% respectively. The concerns expressed by these stakeholder groups related to the financial impacts on small businesses and potential for employee job loss. Further, some stakeholders expressed concerns with respect to the complexities and financial implications of a monitoring and enforcement process that would accompany the implementation of this option. Specifically, Regional contractors expressed concern regarding the privacy of employers, as well as the verification and appeals process.

A Social Return on Investment (SROI) analysis was completed by SIm pact Strategy Group in order to provide further understanding with respect to the broader impact (multiplier effect) of Option 4. The findings from the SROI analysis demonstrate that every one dollar invested in Option 4 by the Regional Municipality of Waterloo (as an employer), has the potential to create one dollar and twenty-four cents in measurable social value. This social value is created through a combination of an increase in each individual’s income and the multiplier effect. It also takes into account that social value is created through cost allocation when need for subsidies and public support programs can be reallocated. When the value of additional provincial and federal taxes and subsidies is considered, the SROI associated with Option 4 is increased to one dollar and eighty cents per dollar

invested in the region. The SROI also points to the non-measurable indicators such as decreased stress, improved health and increased time for meaningful participation in the community as being important considerations when determining the social value of Option 4.

Setting and maintaining a Living Wage rate: Some stakeholders expressed considerable concern with respect to establishing and maintaining a wage rate. As identified in previous reports, Living Wage rates can be established using a number of methodologies including the Low Income Cut-off (LICO) and Market Basket Measure (MBM). The rate can be indexed annually to inflation or can be updated at defined intervals. A small number of stakeholders suggested that an additional community consultation take place in order to specifically address the issue of setting and maintaining a Living Wage rate.

In summary, the results emerging from the Phase 3 Public Consultation Process suggest no clear sense of direction from stakeholders with respect to the general implementation of a proposed Living Wage policy. Similar potential challenges and opportunities that could accompany a Living Wage policy were expressed across the majority of stakeholder groups, however emphasis with respect to the need for further education and investigation into financial impact were prominent themes for the business and Regional contractor stakeholder groups in particular. With respect to specific policy option preference, there was also a high level of response variability by stakeholders engaged through the Public Consultation Process. When accounting for all stakeholder groups combined, Policy Option 4 was most highly preferred at 34%. However policy option preferences for Regional contractors and business stakeholder groups deviated significantly from the average. Business stakeholders most frequently selected Policy Option 1 at 33% and Regional contractors favoured Policy Option 2 at 29%. Eleven percent of participants chose not to select a preferred Living Wage policy option. The SROI analysis provides additional insight into the social value of a Living Wage policy.

4. Recommendation

It is the recommendation of staff that the Region proceed with implementation planning for Option 3. Again, Option 3 provides that the Region implement a Living Wage policy that (i) requires a Living Wage for all non-student Regional employees, (ii) gives preference to bidders on specific Regional contracted services (e.g. housekeeping, cafeteria, grounds keeping) who agree to pay a Living Wage for 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. It should be noted that the Region generally acquires its housekeeping, cafeteria and grounds keeping services through Requests for Proposals. The Region could give preference to bidders that agree to pay their employees a Living Wage at Regional facilities by adding Living Wage to the evaluation criteria for proposals. In this case, a bidder could be given a certain amount of points on their evaluation if the bidder agrees to pay a Living Wage. In a tender situation, the Region could create a policy where it accepts a bid that agrees to pay a Living Wage if the bid is the lowest bid or is within a set percentage of the lowest bid. Details of this would be formulated as part of the implementation process should staff be directed to proceed.

Staff recommends Option 3 for the following reasons:

- This option is voluntary and would not prohibit contractors who do not pay a Living Wage from bidding on Regional contracts.
- This option could have a measurable impact through increased wages for some employees of contractors providing services to the Region.
- It was the second most commonly selected policy option among all stakeholder groups
- It would be precedent setting, and may encourage other employers to implement a Living Wage policy.

Should Regional Council direct staff to move forward with a Living Wage, planning could begin in

2010. Staff would identify roles and responsibilities of affected Regional staff, make the necessary revisions to the Regional Purchasing By-law, related policies and/or establish a new By-law or Living Wage policy and develop a monitoring and evaluation plan. This detailed implementation plan will be brought back to Council for approval.

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:

As part of the 2009 Budget, Regional Council has approved a one time expenditure of up to \$53,000 for assessing the impact of a Living Wage Policy. The development of a Living Wage policy implementation plan will require staff time from Social Services, Legal and Finance.

As part of the implementation plan, the financial impact of Option 3 will be developed. It is expected that there would be a minor impact, the scope of which is being determined. Any financial impact would be considered as part of the Region's budget process for 2011.

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.

ATTACHMENTS

Appendix A

- Table 1: External Consultant Process: Area of Residence
- Table 2: External Consultant Process: Stakeholder Participation
- Table 3: Consultation Activities
- Table 4: General Themes Expressed by Consultation Activity
- Table 5: Policy Option Themes Expressed by Consultation Activity

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APPENDIX A

Table 1: External Consultant Process: Area of Residence

Area of residence	Participation
Kitchener	38%
Waterloo	27%
Cambridge	18%
Wilmot	5%
Woolwich	4%
North Dumfries	1%
Wellesley	1%
Other	6%

Table 2: External Consultant Process: Stakeholder Participation

Stakeholder Group	Description	Number of participants	Percentage of participants
People living in low income	People who self identified as living in low income	77	11%
Regional contractors	Representatives from companies who are currently or who have formerly provided contracted services to the Region	27	4%
Businesses owners	Occupational sector unknown	59	8%
Managers of businesses	Occupational sector unknown	166	23%
Social service providers	Representatives from social service agencies in Waterloo Region	203	29%
Community leaders in the education sector	Community members in the education sector	130	18%
Business Associations	Chamber of Commerce, Boards of Trade	34	5%
Other	Those who chose to identify as members of the general public	15	2%
TOTAL		711	100%

Table 3: Consultation Activities

Activity	Purpose	Timeframe (2009)
On-line and paper survey <ul style="list-style-type: none"> open-ended and ordinal-level questions 	To seek input on the four proposed policy options by various stakeholder groups and the general public	June 3 to June 30
Focus group discussions <ul style="list-style-type: none"> open-ended questions only 	To seek input on the four proposed policy options by identified stakeholder groups	May 21 to July 8
1:1 Interviews (telephone and face-to-face) <ul style="list-style-type: none"> open-ended questions only 	To seek input on the four proposed policy options by identified stakeholder groups	May 21 to July 8
Public Input Meeting	To enhance Phase 3 by seeking further public input on the four proposed policy options	September 16
SROI Analysis	To measure social value of Policy Option 4	October to November

Table 4: General Themes Expressed by Consultation Activity

General Theme	Survey	Focus Group or Interview	Public Input Meeting
Themes that support a Living Wage policy			
Demonstrates leadership	X	X	X
Economic benefits for the geographic region			X
Employee impact	X	X	X
Employer impact	X	X	X
Set minimum wage rates	X	X	
Need for government intervention	X		
Themes that do not support a Living Wage policy			
Costing impacts	X	X	X
Resulting in minimal impact		X	X
Using resources wisely		X	X
Widening income disparity	X	X	
Responsibility for setting wage rates			X
Timing	X	X	X
Other			
More education needed	X	X	
More assessment needed		X	X
Students		X	X

Table 5: Policy Option Themes Expressed by Consultation Activity

Theme - Policy options and components	Survey	Focus Group or Interview	Public Input Meeting
Option 1			
Status quo		X	
Important to maintain momentum		X	
More time for research		X	
Policy option separation by component		X	
Option 2			
Shows leadership		X	
Beneficial educational component		X	
No meaning		X	
Option 3			
No meaning		X	
Monitoring and enforcement		X	
Moves toward some level of change		X	
Allows for phased-in process	X	X	
Option 4			
A fairer option		X	X
Benefits to the community		X	
Impacts on business		X	
Monitoring and enforcement		X	
Other			
Setting and maintaining a wage rate		X	