

1.0 Executive Summary

The purpose of this project was to conduct research on the living wage in Canada, which could then be used as a resource by the Peterborough Social Planning Council. The objectives of this project were to review locally administered wage policies and identify their implications for Peterborough.

Living wages are currently a hot topic of discussion in the field of social and economic policy. (See **Appendix B** for current initiatives.) Living wages, which have an anti-poverty objective, are policies that usually apply to employees working for companies that have city contracts. The living wage is meant to be high enough to support employees and their families, so the rate is calculated to ensure that the family has enough money to live above poverty.

Below the main findings of the literature review, case studies, and implications for Peterborough are described.

Literature Review: Main findings

Below, the main findings from the literature review are listed. Please see **Section 2.0** for the full version of the literature review and the annotated bibliography.

What is a Living Wage?

Living wage ordinances are municipal laws that require businesses who have contracts with the city or receive subsidies to pay their employees a “living wage” a wage that is high enough to support a family.

In other cases, living wage policies may only affect businesses in “living wage zones” where there is high tourist traffic, and these businesses must have a high annual income and a certain number of employees if they are to be affected. In other jurisdictions, the laws are not mandated but businesses who implement living wages offered tax cuts and subsidies for those as incentives.

The amount of the wage is often determined according to the cost of living in the area and can also be compared with local measures of poverty or a poverty

threshold such as the Low Income Cut-Off.

Living wages are different from fair wages, which are based on union rates of pay and are intended to decrease competition between union and non-union workers.

Living wages are different from minimum wages because living wages have smaller coverage but a higher wage rate.

Living wages are a hot topic in Canada today, partly because of their potential to help fight poverty and partly because so many find this concept problematic.

Opportunities presented by a Living Wage:

Many people argue that the current provincial minimum wage is inadequate.

Many full-time, low-wage workers struggle to support their families and still live in poverty.

Poverty can have a negative affect on the entire community. Poverty decreases the health of community members, increases taxes, and can deter new businesses from moving into the community.

Living wages can provide numerous economic benefits for employers who enact living wage policies. These include increased productivity from better qualified employees who require less supervision, have higher morale, and decrease rates of absenteeism and turnover.

Some argue that living wages are unlikely to increase unemployment or inflation.

Barriers to a Living Wage

There are likely costs to living wages which cities must incur. These costs may be associated with imposing sanctions against covered businesses, establishing grievance procedures for eligible employees, monitoring compliance, and introducing reporting requirements.

Living Wages only affect a small percentage of the population, as they only cover contractors and subcontractors within a city, or approximately 1% of all workers in a given city.

Some economists believe that living wage ordinances can increase unemployment and the number of entry level jobs, thereby increasing poverty.

The living wage is one of many tools available to help fight poverty. Critics argue

alternative forms of policies could be more effective.

Case Studies: Main Findings

Three Canadian jurisdictions that have implemented policies similar to living wages were reviewed and implications were drawn for Peterborough. The team then selected these jurisdictions for the case studies. These three selected jurisdictions are Toronto, Ontario's Fair Wage Policy, British Columbia's now rescinded Skills Development Fair Act, and Peterborough, Ontario's Fair Minimum Wage By-Law.

The following is a summary of the findings of the three case studies. For the full case study reports, please see **Section 3.0**.

Toronto, ON

Toronto's Fair Wage Policy was developed in 1893. The purpose of Toronto's Fair Wage Policy is to produce stable labour relations, to provide a standardized wage to both organized and unorganized labour, to create equality among competition for City work, and to improve ethical business dealings of the City. The Fair Wage Policy covers all employees that are hired by contractors, sub-contractors, suppliers, and tenants of City property operating businesses. The policy does not cover or apply to small businesses, such as owner-operators, partnerships, or principles of companies, although the worker/owner must take on the work themselves. The fair wage requires compliance with acceptable working hours and conditions of work.

Kamloops, BC

The Skills Development and Fair Wage Act was a blanket policy that applied to the province of British Columbia. The act was mandated across the province in 1993 and rescinded in 2001. The City of Kamloops chose to discontinue the use of a Fair Wage Act when the provincial act was rescinded in 2001 (Anonymous D, 2004). Kamloops was chosen as an example of one community in B.C. that was affected by the provincially mandated Fair Wage Act. It is comparable to Peterborough in many respects including population size, tourism, industry, the presence of a post secondary institution and comparable natural surroundings (Venture Kamloops, 2004).

The political climate in B.C. differs from Ontario and understanding the development of the Fair Wage policy, the benefits, the opposition and the reasons the city decided to adopt the provincial rescinding of the policy will be useful in providing an example of how a living wage could be implemented in Peterborough.

The Skills Development Fair Wage Act in British Columbia was enacted in 1993 by the NDP provincial government and rescinded in 2001 by the Liberal provincial government. The Skills Development Fair Wage Act paid employees working on government tendered projects a prevailing wage. The Skills Development Fair Wage Act applied to all ministry, Crown Corporation, and provincially-funded agency construction projects that had a pre-tender estimate of \$25,000 or more. The Act required that all trades people working under such contracts to have certain trade qualifications and receive minimum financial compensation. The construction contracts made with B.C. obliged contractors to pay fair wages, benefits, and observe provincial hours of work and overtime standards. Fair wage schedules were set by adopting 90% of provincial construction wage rates.

Peterborough, ON

Peterborough currently has a By-Law that enacts a Fair Minimum Wage. This By-Law is to ensure that all workers are paid the same amount. The policy benefits unionized, non-unionized, and non-skilled workers through the payment of higher wages. This policy helps to remove competition between unionized and non-unionized workers. The Fair Minimum Wage By-Law applies to all construction and demolition contracts and it must be respected by contractors and sub-contractors. The wage rates are determined between the City of Peterborough and Local 504, of the Canadian Union of Public Employees (CUPE). Any non-skilled workers employed by a Peterborough contractor or sub-contractor must be paid no less than the “temporary labour rate” plus benefits, set out by the City of Peterborough and Local 504 CUPE.

Implications for Peterborough

These policies have numerous important implications for Peterborough, which were

discussed with a focus group that discussed barriers and opportunities for living wages in Peterborough. The implications of the case study findings have to do with the following topics:

Barriers:

Union support and opposition: Unions can either support or oppose living wages. While they may support fair wages, they may fear that living wages could decrease union relevance and cause union membership to decline.

Opposition from business: Local businesses may fear rising costs from living wages.

Enforcement: Effective enforcement programs are important but costly. The Peterborough government would need a quick return on the investment of these costs.

Opportunities

Industrial structure: Fair wages currently dominate the secondary industries. There is an opportunity for living wages to expand in the tertiary sector, the largest sector in Canada, which is less unionized and less affected by fair wage policies.

Low income cut-offs: LICOs can be a method used for calculating living wage levels. For Peterborough, this wage may be about \$15.26 if the wage were based on a family of four.

Political Climate: The political climate can influence what wage policies are enacted. Recent changes in local and provincial government make living wages a timely issue.

Local government support: It is important to gain the support of local governments. It is possible to do this by emphasizing the return on investment, in the forms of a prestigious city image, a healthier workforce and a stronger local economy.

Employer incentives: Local businesses may be more interested in living wages if they know they will see a quick return on their investment. This return can be achieved through more-productive staff and a stronger local economy. Other incentives such as tax cuts and training subsidies may be offered.

Fair wage v/s living wage complexity: Living wages may be attractive because they may be simpler to administer than fair wages.

Range of available instruments: Contracts with general suppliers and renters of city property and other tools may be used to enact living wages. The more instruments used, the better the coverage will be.

Recommended next steps: Next steps may include developing a model of how a living wage could work and providing a greater statistical profile of Peterborough's workforce.

Please see **Section 4.0** for the full discussion of Implications for Peterborough.

Conclusion

Living wage policies are municipal laws that require businesses who have contracts or receive subsidies from the city to make their employees a “living wage” a rate that is pre-determined and is based on a local cost of living. The purpose of the living wage is to help lift working families above the poverty line.

This research project profiled three Canadian cities with ordinances similar to living wages. Three case studies were conducted; two were in Ontario (Toronto and Peterborough) and one in British Columbia (Kamloops). Toronto's, Fair Wage Policy, British Columbia's Fair Wage Skills Development Act (where the City of Kamloops was profiled as an example of the provincially mandated policy) and Peterborough, Ontario's Fair Minimum Wage By-Law (See **Section 3.0** for the complete case studies). From the three case studies, implications for Peterborough were drawn under the following subject areas: Industrial structure, low income cut-offs, union support and opposition, enforcement, political climate, local government support, opposition from business, employer incentives, fair wage v/s living wage complexity, range of available instruments, and recommended next steps (see **Section 4.0** for the complete discussion of implications). The focus group that was held in March, 2004, discussed barriers and opportunities to living wages in Peterborough. These implications are also discussed in **Section 4.0**. The focus group identified some possible next steps for living wage research, which included developing a local model for a living wage policy. Please see **Section 4.0** for the full discussion of these results and **Section 5.0** for the full conclusion.