



IN CAMERA COUNCIL REPORT

Report Date: January 18, 2023
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Meeting Date: January 31, 2023

TO: Vancouver City Council
FROM: General Manager of Finance, Risk and Supply Chain Management/Chief Financial Officer, Chief Human Resources Officer and Chief Procurement Officer
SUBJECT: Living Wage Employer Certification

In Camera Rationale

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the Vancouver Charter:

(c) labour relations or other employee relations; and
(k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

Recommendation

THAT Council direct City staff to establish a revised approach to support the Living Wage program, implementing a 5-year moving average living wage to be used as the standard to pay fair wages to direct employees and contracted service providers.

Purpose and Executive Summary

As part of the objectives of the Healthy City Strategy action plan, the City of Vancouver (including the Vancouver Board of Parks and Recreation) became a certified Living Wage Employer in 2017 with the goal to demonstrate leadership in promoting a market shift towards wages that recognize the cost of living in the region and implement policies that would help families make ends meet. The Vancouver Public Library (VPL) and the Vancouver Police Department (VPD) obtained their certification as well that same year as separate legal employers.

To be certified as a Living Wage Employer, the City must implement measures to ensure that direct employees and individuals employed by service providers, including subcontractors, working on City contracts are compensated at or above the living wage rate. The living wage rate is calculated and published annually based on a methodology developed by the Canadian Centre for Policy Alternatives (CCPA). The City is required to apply for re-certification every year confirming that it meets the program certification requirements.

On November 17, 2022 the living wage rate for the Metro Vancouver region increased 17.35% to \$24.08 per hour. At the present time, approximately 240 direct employees are not paid at or above this

new living wage and 9 contracts for third party services are not in compliance. A total additional ongoing annual cost of \$1.8 million dollars is estimated for the City and its other certified agencies to bring the direct employee and contracted services wages back in alignment to the living wage standard in order to meet the Living Wage Employer re-certification requirements.

The living wage calculated by the CCPA annually and has increased and decreased from year-to-year. It is very difficult for larger employers, particularly those with union contracts that are negotiated on a multi-year basis, to address and implement significant living wage increases on an annual basis. The Living Wage organization advocates to governments to implement policies to reduce the cost of living, which has resulted in reductions in the living wage in recent years. In speaking with LWFBC, they indicated they expect their calculation to result in a decrease in future years based on planned actions by senior government in the area of housing, childcare and transportation. Reducing staff wages when the rate is decreased is not feasible and the City has chosen in the past to continue to pay above the living wage rate in those years. Because of this disconnect between the organization's need to publish an annual rate and the implementation challenges in a large organization of these annual wage changes, it is recommended that a revised approach be established to calculate the living wage for the City of Vancouver using a 5-year moving average that reduces large year-over-year variances and makes the program implementation easier to manage and sustain over time. This change will likely mean the City will not be able to receive certification under the Living Wage program, however, it would confirm the City's continued support of the program.

Council Authority/Previous Decisions

Healthy City Strategy: In July 2015, Council adopted the Healthy City Strategy Action Plan. The Action Plan includes the following Living Wage related actions: 4.(a) Educate the Leadership Table and City of Vancouver staff on the Living Wage Employer certification process; and 4.(b) Assess the steps which need to be taken to implement a Living Wage policy at the City of Vancouver.

Make the City of Vancouver a Living Wage Employer: In July 2015, Council approved a Motion to make the City of Vancouver a Living Wage Employer. "THEREFORE BE IT RESOLVED THAT Vancouver City Council affirms its commitment to have the City of Vancouver be certified as a Living Wage employer by the *Living Wage for Families Campaign* and direct staff to report back on the steps necessary to achieve that goal."

Innovation Fund Recommendations to Support Healthy City Strategy Action Plan (2015-2018 Implementation): In June 2016, Council approved funding from the Social Innovation Fund to implement Healthy City Action Plan initiatives in partnership with external stakeholders including a \$60,000 allocation to implement a Living Wage plan at the City of Vancouver, and share knowledge with other major employers through the Healthy City Leadership Table to encourage them to consider Living Wage implementation.

City Manager's Comments

The City Manager concurs with the foregoing recommendation..

Context and Background

As part of the Healthy City Strategy action plan, in July 2015, Council approved a motion affirming its commitment to have the City of Vancouver become a Living Wage Employer and directed staff to pursue the certification. This with the goal to demonstrate leadership in promoting a market shift towards wages that recognize the cost of living in the region and implement policies that would help families make ends meet.

During CUPE's 2015 National Convention, delegates passed a resolution urging the union to push for living wages as the minimum wage across Canada. The resolution called on members to support living wage campaigns, and to work towards bargaining a living wage for all members.

Effective May 1, 2017, the City of Vancouver became the largest City in Canada to be certified as a Living Wage Employer. VPL and VPD obtained their certification as well that same year as separate legal employers.

There are over 370 certified Living Wage Employers across BC, including public organizations such as the Vancouver School Board (VSB) and other cities in BC including Burnaby, Langley, New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Quesnel and Victoria.

Other large cities in Canada such as the City of Toronto are not certified as Living Wage Employers, but have a fair wage policy, which establish rates of pay for different classifications of work tied to union wage rates. The Fair Wage and Labour Trades Office, which is an internal department of their organization, establishes the fair wage annually. Contractors doing work for the City of Toronto are expected to pay their employees and subcontractors a fair wage.

At the time of the initial certification, the City of Vancouver confirmed that all direct employees were compensated at or above the living wage and identified approximately 120 contracts for third party services potentially meeting the in-scope criteria for the program (see Appendix A for in-scope requirements). All but four of these contracts provided compensation above the living wage threshold, therefore it was decided the City would include living wage provisions for the four impacted contracts and the remainder would be amended at the time of contract renewal or as new service contracts were established as an outcome of the ongoing City's competitive procurement processes. The four impacted contracts were related to security, janitorial and graffiti removal services. The additional annual costs estimated then were at \$590,000 to bring these four contracts to pay its employees and subcontractors providing services to the City at or above the living wage rate. The anticipated financial impact for VPD and VPL to achieve the Living Wage Employer certification was estimated then at a further \$453,000 per year.

Since 2017 the City has re-certified every year. In 2019, the living wage rate for the Metro Vancouver region decreased by 6.7% due to the BC Government investment that year in childcare programs. The certification body asked the living wage employers not to decrease their wages and continue considering paying at the 2018 level. The City agreed and has been paying at or above \$20.91 per hour since then. In 2020 due to the uncertainty and emergency government response initiatives related to the COVID 19 pandemic the living wage rate remained the same that year. In 2021 the living wage rate for the Metro Vancouver region was calculated at \$20.52 per hour and the City of Vancouver maintained the \$20.91 rate.

On November 17, 2022, the living wage rate increased 17.35% for the Metro Vancouver region to \$24.08 per hour. This represents the highest increase since the living wage was first calculated in 2008 and significantly higher than the rate of inflation mainly driven by the costs of food and housing.

This significant increase represents annual costs to the City to bring the direct employee and contracted services wages back in alignment to the required level in order for the City to meet the program requirements to re-certify. Moreover, it represents a challenge for large employers to address significant variances, both wage increases and decreases, particularly those with union contracts that are negotiated on a multi-year basis.

Discussion

At the present time, in comparison to the newly published living wage rate, approximately 240 City and other agency direct employees are not paid at or above the current living wage. Additionally, 9

contracts for third party services are not compliant out of approximately 290 contracts in-scope to the Living Wage program. These contracts are related to the supply of security, janitorial, graffiti removal and traffic control services.

LWFBC expects certified employers to be in full compliance with the requirements of the program as the organization encourages employers to pay a living wage and advocates for government policies that would help families make ends meet. The Living wage is an advocacy tool for action by senior government to implement policies to address cost of living. In speaking with LWFBC, they indicated they expect their calculation to result in a decrease in future years based on planned actions by senior government in the area of housing, childcare and transportation.

For large public sector, organizations like the City of Vancouver, annual living wage increases and decreases represent an implementation challenge, especially when the variances are significant year-over-year as the majority of direct employee wages are established during bargaining cycles of the collective agreements.

There are some positions that by bringing them to a living wage standard could potentially create a conflict on the organizational structure and the relationship with other roles as the difference in compensation of staff from their supervisors would be negligible. This would have to be reviewed on a case-by-case basis with and work with each business unit individually on adjusting the organizational structure and compensation relationships among roles.

In the case of third party services the renewal of contracts typically have a 3-5 year term, therefore making it challenging as well to re-negotiate contracts mid-term to address large year-over-year wage variances.

Increasing wages annually present financial and implementation challenges but managing reduction of wages is very difficult to implement as well. A moving average would avoid this type of increase/decrease dynamic (please see Appendix B).

There is urgency for the organization to determine the next steps regarding the Living Wage Employer re-certification in relation to the recent increase as the City is currently in or will be commencing collective bargaining with its unions and finalizing the negotiation of recently awarded contracts by Council for security services and traffic control which are directly impacted by the new living wage increase rate increase. Council direction is required regarding the City remaining or not as a certified Living Wage Employer or decide on changes to the program in order to complete the union and vendor agreements.

In developing the recommendation, staff evaluated other options, which Council may wish to consider (please see Appendix C).

Financial Implications

The living wage increase will represent additional total ongoing annual costs estimated at \$1.8 Million dollars to bring the direct employee and contracted services wages back in alignment to the living wage standard in order for the City and its other agencies to comply with the requirements and be able to apply for the Living Wage Employer re-certification.

Direct Employees

Specifically for the City, excluding other certified agencies, staff have analysed the compensation provided to direct employees of the City of Vancouver. The majority of City employees are presently compensated at or above the living wage rate of \$24.08 per hour with the exception of approximately 180 auxiliary employees in three different pay rates in the CUPE15 collective agreement.

Most impacted are auxiliary staff who work an average of 400 hours per year and are employed in the Board of Parks and Recreation business unit in positions such as cashier, food server, rink attendant and in Arts, Culture and Community Services (ACCS) in roles such as civic theatre attendants.

For some positions, adjustment to the living wage standard would salary compression between the incumbents and their supervisor (meaning very little salary differential between roles). These scenarios would have to be reviewed on a case-by-case and adjustments made to reflect the organizational structure and compensation relationship, with potentially significant knock-on impacts to the overall compensation structure for the organization.

The additional annual costs for the City to bring these auxiliary positions to living wage rate compliance would be approximately \$98,000.

Contracted service providers

There is approximately 290 active contracts that are in-scope of the City’s living wage policy and that include legal clauses that require vendors to pay their employees and subcontractors at or above a living wage for the Metro Vancouver region and obligated to adjust compensation within 6 months the annual rate is published. The majority of these contracts are for services where the industry does pay well above a living wage for example construction, technology services, management consulting, etc.

There is 9 contracts which are currently under negotiation or will expire in 2023 for the provision of security, janitorial, graffiti management and traffic control services where the compensation currently paid to some of their employees or subcontractors will not be at or above the living wage.

Estimated ongoing annual costs for the City (excluding other City agencies) required to bring these contracts in compliance with the 2022 living wage rate is approximately \$1.5 million dollars.

Other City Agencies

In relation to the VPD and VPL, staff from these organizations have also conducted impact assessments. For VPD it is confirmed that the living wage increase does not have a financial impact, as direct employees are all receiving a wage greater than the living wage as well as the service providers they contract. In the case of VPL approximately 60 direct employees in the collective agreement for CUPE 391 require adjustments for the pay grade to be compliant with the living wage increase. Additional annual costs of approximately \$60,000 will be required to bring direct employees of the organization into living wage compliance and an estimated \$200,000 dollars related to their security services contract.. VPD and VPL staff will be seeking direction from their respective boards in regards to their Living Wage Employer re-certification, as they are legally separate employers. The VPL and VPD boards will consider the Council decision in their deliberations, in order to avoid unnecessary conflict with City practices.

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APPENDIX A CITY OF VANCOUVER – LIVING WAGE PROGRAM

The living wage calculation is based on the hourly rate each parent working full time in a two-parent with two children family unit would need to be paid in order to cover the basic needs of food, clothing, shelter, child care, transportation and small savings to cover for illnesses or emergencies. It includes direct salary and non-statutory employer paid benefits.

The Living Wage for Families BC, in collaboration with the Canadian Centre for Policy Alternatives, is the certification body that calculates and publishes on an annual basis the living wage for 22 communities across British Columbia. As part of the program requirements, certified employers have 6 months from the time the annual living wage is published to comply paying direct employees and contracted services at or above the living wage rate for their region and submit an application for re-certification confirming the employer meets the program requirements.

To be recognized as a Living Wage Employer, organizations must implement measures and invest to ensure that direct employees and individuals employed by contracted service providers, including subcontractors, are compensated at or above the living wage rate.

97% of Living Wage Employers in BC have reported a benefit from joining the program. They have found that paying a living wage reduces staff turnover, recruitment and training costs and has increased morale, productivity and brand awareness.

Due to the large number of contracts and externally contracted staff, the Living Wage for Families BC recognizes that it is not feasible to apply the Living Wage clause to every City contractor (approximately 4,000). Living Wage Employers typically apply some defensible criteria to determine which contracts fall within the scope of their program.

Vendors who provide services that meet the following living wage criteria need to ensure that employees (including employees of subcontractors) who perform these services are paid a living wage:

- Estimated annual value of the contract is greater than \$250,000
- Services are to be performed on properties owned by, or leased to the City including all streets, sidewalks, and other public rights of way.
- Services are provided on a regular, ongoing basis
- Work must last longer than one continuous hour per occasion;
- Contractor is expected to perform the services for greater than 120 hours per year of the contract.

The Living Wage for Families BC acknowledges a number of criteria on which specific employees or contractors are appropriately exempted from consideration in the certification process, including:

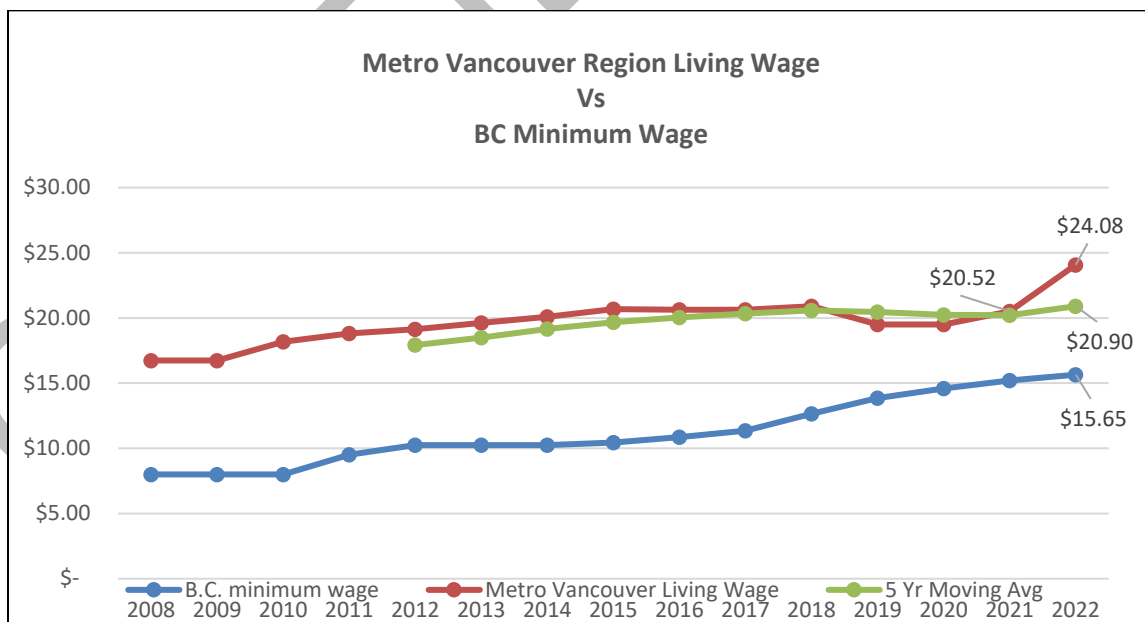
- students, interns and practicum placements for summer projects, etc. (as long as no more than 10% of total staff);
- workers providing fewer than 120 hours of service per year;
- ad hoc contract work (for example emergency or non-recurring repairs or maintenance where no standing contracts are in place);
- volunteers;
- employees of organizations (for profit or not-for-profit) that lease property from the City;
- social enterprise (as long as no more than 10% of employer's total procurement);
- multiple small contracts. For larger employers, where a contract makes up no more than half of a percentage of its annual purchasing budget.

APPENDIX B LIVING WAGE RATES- METRO VANCOUVER REGION VS BC MINIMUM WAGE

YEAR	BC Minimum Wage	Metro Vancouver Region Living Wage	YoY %Change
2008	\$8.00	\$16.74	
2009	\$8.00	\$16.74	0.00%
2010	\$8.00	\$18.17	8.54%
2011	\$9.50	\$18.81	3.52%
2012	\$10.25	\$19.14	1.75%
2013	\$10.25	\$19.62	2.51%
2014	\$10.25	\$20.10	2.45%
2015	\$10.45	\$20.68	2.89%
2016	\$10.85	\$20.64	-0.19%
2017	\$11.35	\$20.62	-0.10%
2018	\$12.65	\$20.91	1.41%
2019	\$13.85	\$19.50	-6.74%
2020	\$14.60	\$19.50	0.00%
2021	\$15.20	\$20.52	5.23%
2022	\$15.65	\$24.08	17.35%

3 Year – Moving Average – 21.37

5 Year – Moving Average - \$20.90



APPENDIX C OPTIONS ANALYSIS

Option 1

Council to direct City staff to comply with the “Living Wage Employer” certification requirements and submit an annual re-certification application to Living Wage for Families BC (LWFBC) by the deadline required by the certification body.

Other cities certified as Living Wage Employers such as the City of Victoria, Port Coquitlam and Pitt Meadows have confirmed that they are working towards adjusting their budgets to find a way to close the financial gap due to the living wage increase this year to meet the program requirements and are planning to apply for re-certification. In the case of Victoria the living wage changed from \$20.46 to \$24.29 per hour (an increase of 18.72%) making it the region with the largest increase and living wage in the province. It is important to point out that smaller cities will have a smaller financial and program implementation impact in comparison to larger employers like the City of Vancouver.

Pros

- The City to be recognized through the re-certification as a leader supporting working families at a time when the cost of living are notably high.
- Other City agencies and employers in the public sector would consider continuing supporting the Living Wage Employer certification program
- No changes will be required to the City’s living wage program

Cons

- Significant annual financial implications that will require re-allocation of funds from other programs
- The City will be faced with similar decisions in the case large wage variances occur again in the future
- Collective agreement paygrade relationship misalignments will have to be adjusted and negotiated individually outside of the regular collective agreement bargaining cycle

Option 2

Council to direct City staff to establish a revised approach to support the Living Wage program, implementing a 5-year moving average living wage to be used as the standard to pay fair wages to direct employees and contracted service providers. (Recommended)

Pros

- Continue to reflect Council’s commitment to the Living Wage goals while providing a more gradual multi-year implementation approach that is more aligned with the complexity of implementation in large organizations.
- Alignment with other large cities like Toronto that have alternative approaches to calculate a fair wage as part of their policies

Cons

- Modifications to the City’s living wage program will require external and internal engagement effort similar to the initial implementation in order to work with media, vendors, unions, other partners and business units to be able to communicate and implement the changes.
- Service contracts within the program scope will require amendments to change living wage policy clauses. This will require legal, business unit and supply chain resources to implement
- The City will not meet the requirements of the Living Wage Employer program and will likely not receive the LWFBC re-certification

The City could share its experience, methodology and lessons learned from its internal program with LWFBC for consideration to change the Living Wage Employer certification requirements with the possibility in the future of obtaining certification again from the independent advocacy body.

Option 3

Council to direct City staff to withdraw all together from the Living Wage Employer certification program and do not implement any other alternative initiative to pay direct employees, and contracted service providers a fair wage.

Similar to the previous option the City will require significant internal and external communication efforts and will have to work on challenges, which will require internal resources to implement the program changes

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