



## Fair Wage Policy

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| <b>Date:</b> | September 8, 2014            |
| <b>To:</b>   | Toronto Public Library Board |
| <b>From:</b> | Acting City Librarian        |

### **SUMMARY**

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The purpose of this report is to respond to a Budget Committee request that staff report to the Toronto Public Library Board on the Fair Wage Policy at the Library, including: how many municipalities or library systems in Ontario utilize a fair wage policy; a comparison of the Fair Wage schedules for those municipalities; an estimate of the capital or operating budget savings, if any, that could be realized if the Library were to no longer ask bidders to rely on the Fair Wage Policy; whether the Library Board has the authority to adopt its own policy in regards to fair wage policies.

The report notes the history, purpose and intent of the City of Toronto Fair Wage Policy. The report presents an insight into the cost impact to the Library of adhering to the City of Toronto Fair Wage Policy.

Staff at City Legal confirmed that the Board has the power to establish its own policies and it can also choose to adhere to policies that are established by the City.

### **FINANCIAL IMPACT**

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There are no financial impacts resulting from this information report.

The Director, Finance & Treasurer has reviewed this report and agrees with the financial impact information.

### **DECISION HISTORY**

At its June 3, 2014 meeting, the Budget Committee adopted the following motion:

*"That the Budget Committee requests staff to report back on the Fair Wage Policy at the Toronto Public Library Board, including:*

- a. *how many municipalities or library systems in Ontario utilize a fair-wage policy;*
- b. *a comparison of the Fair Wage schedules for those municipalities;*

- c. *an estimate of the capital or operating budget savings, if any, that could be realized if the Library were to no longer ask bidders to rely on the Fair Wage Policy;*
- d. *whether the Library Board has the authority to adopt its own policy in regards to Fair Wage policies.”*

## ISSUE BACKGROUND

The Fair Wage Policy is part of the City of Toronto Municipal Code, Chapter 67, Fair Wage. City Council on July 16, 17, 18, 2013 amended the Municipal Code, Chapter 67, Fair Wage to increase the Schedule C General Classification rates schedule to reflect current, prevailing fair market wages for the jobs covered in this schedule.

The Fair Wage Policy that City Council adopted in October 1998, directed that the policy be applied to all City departments, agencies, boards and commissions. In accordance with this direction, the Toronto Public Library operates in compliance with the Fair Wage Policy. The Toronto Public Library identifies the Fair Wage Policy in all of its procurement calls. All tenders and requests for proposals state that “it is the proponent’s responsibility to become familiar with, and, where required, comply with the Library’s and City of Toronto’s policies such as: Fair Wage Policy,” and other policies. In making a submission to the procurement call, “the Proponent agrees to be bound by the policies listed”.

### **History and purpose of the Fair Wage policy**

Fair wage policies (often referred to as prevailing wage regulations in the USA) apply principally to workers on public works projects (e.g. construction), but also have been applied to other contracted services such as cleaning, maintenance and security services. Fair wage policies originated in the late 19<sup>th</sup> and early 20<sup>th</sup> century. The primary focus of fair wage policies has been that wages reflect prevailing norms; but policies have also addressed training, health and safety concerns and issues of sub-contracting work to independent operators to avoid statutory benefit obligations. The City of Toronto Fair Wage Policy has stated the following as to the history, purpose and intent of the Fair Wage Policy:

*The City of Toronto Fair Wage Policy has as a central principle the prohibition of the City doing business with contractors, sub-contractors and suppliers who discriminate against their workers. Originally implemented in 1893 to ensure that contractors for the City paid their workers the union rates or, for non-union workers, the prevailing wages and benefits in their field, the Fair Wage Policy has expanded over the years to other non-construction classifications such as clerical workers. The policy also requires compliance with acceptable number of working hours and conditions of work in order to protect the rights of workers.*

*The intent of the City of Toronto Fair Wage Policy is summarized as follows:*

1. *To produce stable labour relations with minimal disruption;*
2. *To compromise between the wage differential of organized and unorganized labour;*
3. *To create a level playing field in competitions for City work;*
4. *To protect the public; and*
5. *To enhance the reputation of the City for ethical and fair business dealings.*

A report to City Council in July 2013, *Quality Jobs, Living Wages and Fair Wages in Toronto*, (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.2>) responded to Council directions regarding the quality of jobs created through the City's contracting processes, particularly in custodial services contracts, and recommended a series of actions to ensure the quality of jobs created through the City's contracting processes. City Council adopted, with amendments, the recommendations, including the approval of the Fair Wage Schedules for 2013 - 2016.

City Council, at its August 2014 meeting, received an update on the Toronto Social Procurement Framework, which Council adopted in May 2013, to guide the development of an evidence-based social procurement policy, to advance economic, workforce and social development outcomes. The City of Toronto has a long history of using procurement to achieve strategic social development goals, examples include the Fair Wage Policy.

## COMMENTS

### **Municipalities and library systems in Ontario that have a Fair Wage policy**

The following municipalities in Ontario were identified as having a fair wage policy. The public library systems in those municipalities were contacted and asked if they (1) had their own Fair Wage Policy, and (2) if not, whether they followed their municipality's Fair Wage Policy. A review of the fair wage policies for these municipalities found that all but one concerned Industrial, Commercial, Institutional (ICI) construction contracts. Other than the City of Toronto, none of the schedules included general classifications such as cleaners and security guards. The policies typically addressed employment conditions such as wages and benefits.

| Municipality | Library Policy | Library follows Municipal Policy | Industrial Commercial Institutional construction |
|--------------|----------------|----------------------------------|--|
| Clarington   | n/a            | n/a                              | Yes  |
| Hamilton     | No             | Yes                              | Yes  |
| Kitchener    | No             | No                               | No – Roads                                       |
| London       | No             | Yes                              | Yes  |
| Oshawa       | No             | No                               | Yes  |
| Pickering    | No             | Yes                              | Yes  |
| Sudbury      | No             | No                               | Yes  |
| Thunder Bay  | n/a            | n/a                              | Yes  |
| Toronto      | No             | Yes                              | Yes & service contracts                          |

As a point of clarification: the mandatory Labour Trades provisions for municipalities bound by province-wide collective agreements are different than the Fair Wage Policy established, monitored and enforced by the City of Toronto. Central to any understanding of municipal obligations to Labour Trades, is that the City has no discretion in setting wage rates or in using union labour for certain trades performing work for the City. This is by virtue of the province-wide collective agreements applicable to trades in the Industrial, Commercial and Institutional (ICI) and Residential sectors and other negotiated collective agreements in other sectors of the construction industry. As confirmed in the past by the Fair Wage Office, the Library Board is not bound by the Labour Trades provisions.

## **Estimate of the capital or operating budget savings if any, that could be realized if the Library were to no longer ask bidders to rely on the Fair Wage Policy**

The Library has operated in compliance with the City of Toronto Fair Wage Policy since amalgamation. As a result, the Library doesn't have information that would provide a comparison of costs for construction contracts with and without relying on the Fair Wage Policy. Any attempt to arrive at an estimate would be based on speculation. In the absence of comparative information specific to the Library construction contracts, staff conducted research on the topic of the impact of fair wage policies (sometimes referred to as prevailing wage regulations) on costs. Most fair wage policies apply only to construction and that is reflected in the focus of the reports found in the literature review. While most reports reflect a bias of the sponsoring organization, almost all reports attribute a cost impact to fair wage policies. The cost impacts typically range from 2 - 4% for new construction. Some reports consider the cost impacts to be low since labour costs are only one aspect of construction costs.

The Fair Wage Schedules for 2013 - 2016, approved by City Council, for the General Classification, which includes security guards and building cleaning and maintenance categories, requires hourly rates that are higher than the current (2014) minimum wage in Ontario. As an example, the hourly rate for a Cleaner (Light Duty) is \$12.43, plus vacation and holiday pay of 4% and fringe benefits of \$0.50. The hourly minimum wage in Ontario as of June 1, 2014 is \$11.00. While the differential could be seen as the cost impact of the Fair Wage Policy, it is not always a given that bidders for service contracts would pay minimum wage to employees. As well, other factors such as efficient work practices, equipment and overhead costs, profit margins, would impact the bid prices, not just wages.

## **Whether the Library Board has the authority to adopt its own policy in regards to Fair Wage policies**

Staff at City Legal confirmed that the Board has the power to establish its own policies. The authority that the City has over local boards is defined in the *City of Toronto Act, 2006* (COTA). In the Act, the Library Board is not included in the definition of "local boards (restricted definition)" and so its powers over the Library are limited. The Board's power to establish policy is described in the Ontario *Public Libraries Act*. s 20. While the Board has the legal authority to establish its own policies, it can also choose to adhere to policies that are established by the City.

## **CONTACT**

Ron Dyck; Director, Information Technology & Facilities Management; Tel: 416-393-7104;  
E-mail: [rdyck@torontopubliclibrary.ca](mailto:rdyck@torontopubliclibrary.ca)

Paul Trumphour; Acting Director, Planning, Policy & E-Service Delivery;  
Tel: 416-395-5602; E-mail: [ptrumphour@torontopubliclibrary.ca](mailto:ptrumphour@torontopubliclibrary.ca)

## **SIGNATURE**

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Anne Bailey  
Acting City Librarian

## **ATTACHMENTS**

Attachment 1: City of Toronto Fair Wage Policy and Link to Schedules

Attachment 2: Selected Bibliography