Agenda – Executive Policy Committee – July 9, 2024

REPORTS

Item No. 6 Analysis of Costs Associated with the Adoption of a 'Living Wage'

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That this report be received as information.

DECISION MAKING HISTORY:

COUNCIL DECISION:

On March 21, 2024, Council concurred in the recommendation of the Executive Policy Committee.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 12, 2024, the Executive Policy Committee submitted the following to Council:

1. That the Council Motions of January 25, 2024, and February 22, 2024 be received as information.

2. That the Public Service be directed to review the proposed Living Wage Canada living wage standard and report back within 120 days on the following:

    A. The number of City of Winnipeg employees who would be affected by the living wage and the costs associated to raise their current wages to the new standard;

    B. An estimate of cascading costs associated with higher wages required for other City of Winnipeg job classifications that are currently at or just above the living wage standard; and

    C. Which aspects of the current City of Winnipeg employee health and pension benefits packages would meet goals of the Living Wage Canada formula currently used to estimate Manitoba's annual living wage and quantify the cumulative value of these benefits.

    D. An estimate on potential financial impacts this policy would have on existing service contracts with third-parties, and how this policy could affect costs on renewals.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

The following persons submitted communications on the matter:

- David Grant
- Kate Kehler, Executive Director, Social Planning Council of Winnipeg
- Channah Greenfield, Chair Make Poverty History Manitoba, City Working Group
- Niall Harney, Canadian Centre for Policy Alternatives

DECISION MAKING HISTORY (continued):

COUNCIL DECISION:

On February 22, 2024, Council referred back Item 6 of the Report of the Executive Policy Committee dated February 13, 2024, which recommended as follows:

1. That the Council Motion of January 25, 2024, be received as information.

Further, on February 22, 2024, Council referred the following amending motion to the Executive Policy Committee for consideration:

Moved by Councillor Allard,
Seconded by Councillor Gilroy,

BE IT RESOLVED THAT Item 6 of the Report of the Executive Policy Committee dated February 13, 2024, be amended as follows:

- Delete Recommendation 1 in its entirety and replace with the following:

    "1. That the Public Service be directed to review the Canadian Living Wage Framework and report back to Council annually with an updated living wage figure beginning in September 2024.

    2. That the Winnipeg Public Service be directed to take the necessary steps to implement: a living wage requirement for: A. City of Winnipeg employees effective January 1, 2025. B. Contractors and subcontractors providing city services in all new and renewed contracts effective January 1, 2025. C. Organizations receiving City funding effective January 1, 2025.

    3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing."

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 13, 2024, the Executive Policy Committee recommended to Council:

1. That the Council Motion of January 25, 2024, be received as information.

DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

The following persons submitted communications on the matter:

- David Grant.
- Gord Delbridge, CUPE Local 500

COUNCIL DECISION:

On January 25, 2024, Council referred the motion to the Executive Policy Committee.

On December 14, 2023, the following Notice of Motion was filed with the Clerk, in accordance with section 17(1) of the Procedure By-law No. 50/2007:

Moved by Councillor Gilroy,
Seconded by Councillor Allard,

WHEREAS policy 3.13 of the economic prosperity section of the OurWinnipeg 2045 development plan states the following policy goal with respect to poverty reduction: "Develop criteria to achieve a living wage minimum standard for employees of the City, for those awarded contracts and subcontracts to provide City services, and for organizations who receive City funding, to enable economic self-sufficiency, and community participation.";

AND WHEREAS the Public Service has indicated that through the OurWinnipeg public engagement process there was overwhelming public support for the concept of a living wage;

AND WHEREAS a living wage is the hourly wage a worker needs to earn to cover their basic expenses and participate in their community, and generally exceeds the legal minimum wage;

AND WHEREAS Living Wage Canada, a federally incorporated non-profit organization, has established a national methodology for calculating a community's living wage;

AND WHEREAS becoming a Living Wage Employer requires ensuring both direct employees and contracted/subcontracted employees earn a living wage.

AND WHEREAS on October 29, 2020, Council directed the Public Service to take the necessary steps to implement a living wage of fifteen ($15) dollars per hour, beginning January 1, 2023.

DECISION MAKING HISTORY (continued):

COUNCIL DECISION (continued):

AND WHEREAS on October 1, 2023, the Manitoba legal minimum wage became $15.30 per hour, exceeding the City of Winnipeg's adopted living wage;

AND WHEREAS the Canadian Centre For Policy Alternatives (CCPA-Manitoba) has calculated the 2023 living wage for a two-parent, two-child family in Winnipeg as $19.21/hr;

THEREFORE BE IT RESOLVED THAT:

1. That the Public Service be directed to review the Canadian Living Wage Framework and report back to Council annually with an updated living wage figure beginning in September 2024.

2. That the Winnipeg Public Service be directed to take the necessary steps to implement: a living wage requirement for:

    A. City of Winnipeg employees effective January 1, 2025.

    B. Contractors and subcontractors providing city services in all new and renewed contracts effective January 1, 2025.

    C. Organizations receiving City funding effective January 1, 2025.

3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Analysis of Costs Associated with the Adoption of a 'Living Wage'

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Beach	A. Cusson	T. Graham	M. Jack

EXECUTIVE SUMMARY

A discussion about the implementation of a Living Wage for City employees, based on Canadian Centre for Policy Alternatives (CCPA) Manitoba's and Living Wage Canada's calculation for 2023, has been ongoing at Executive Policy Committee and Council since March of 2024. Council asked for an analysis of the costs which might arise if the published Living Wage rate for Winnipeg were to be implemented.

Based on the questions asked of the Public Service, the following summary information is provided:

1) The number of City employees who would be affected by the implementation of a Living Wage of $19.21/hour is estimated to be 516 (based on annual average 'headcount').

2) The cost of implementing a Living Wage of $19.21/hour (simply ensuring that no hourly pay rate is below $19.21/hour) is estimated to be $894,000.

3) The *additional* 'cascading costs' related to implementing a Living Wage of $19.21/hour is estimated to be $859,000.

4) The City's employee benefits that would most likely meet the goals of the Living Wage framework are Ambulance/Hospital, Vision, Dental and paid sick leave. The cumulative (total) value of these benefits is $2.18/hour (based on a 35-hour work week at $19.21/hour).

5) An estimate of the potential financial impacts a Living Wage policy would have on existing third-party service-based contracts (that involve just people and not material or equipment) is a 30 percent to 40 percent increase in the costs to the City for these types of Contracts. In 2023, The City of Winnipeg had approximately $4 million in these types of service-based contracts.

RECOMMENDATIONS

1. That this report be received as information.

REASON FOR THE REPORT

On March 21, 2024, Council directed that the Public Service report back within 120 days on the following questions related to the Living Wage Canada Living Wage standard:

A. The number of City of Winnipeg employees who would be affected by the Living Wage and the costs associated to raise their current wages to the new standard;
B. An estimate of cascading costs associated with higher wages required for other City of Winnipeg job classifications that are currently at or just above the Living Wage standard; and
C. Which aspects of the current City of Winnipeg employee health and pension benefits packages would meet goals of the Living Wage Canada formula currently used to estimate Manitoba's annual Living Wage and quantify the cumulative value of these benefits.
D. An estimate on potential financial impacts this policy would have on existing service contracts with third-parties, and how this policy could affect costs on renewals.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no implications to receiving this report as information.

HISTORY/DISCUSSION

A discussion about the implementation of a Living Wage for City employees, based on the Living Wage Canada and CCPA Manitoba criteria, has been ongoing at Executive Policy Committee and Council since March of 2024. Council asked for an analysis of the costs which might arise if the published Living Wage rate for Winnipeg (as noted in CCPA Manitoba's 'Manitoba's Living Wage Update 2023' report) were to be implemented.

In conducting its analysis, Labour Relations consulted with affected Departments, and with Local 500 of the Canadian Union of Public Employees (CUPE) as the bargaining agent for the vast majority of workers potentially affected by the implementation of a Living Wage. It should be noted here that any modification to the CUPE salary schedules related to the implementation of a Living Wage would require CUPE's agreement.

Proponents of the Living Wage have recently indicated that the value of City benefits could be used to reduce or 'discount' the $19.21/hour in the CCPA Manitoba's 'Manitoba's Living Wage Update 2023' report. CUPE corresponded with Labour Relations setting this proposition out, in effect lowering the target wage level. In recognition of this we have undertaken additional analysis showing the 'Cascading Costs' of an adjusted (reduced) Living Wage, that takes into account the value of certain City benefits.

The following are more detailed discussions related to Council's March 21, 2024 questions, as well as a discussion on the 'Cascading Costs' of an adjusted (reduced) Living Wage which takes into account the value of certain City benefits.

Number of City Employees Who Would be Affected

An average annual headcount is used because the City's workforce level fluctuates over the course of a year for various reasons including the seasonal nature of some jobs. Based on an annual average 'headcount', the number of employees who would be affected by the implementation of a Living Wage of $19.21/hour is estimated to be **516**.

Details of this calculation can be seen in Appendix 1: Number of Employees Affected.

The Cost of a 'Simple' Implementation of a Living Wage for City Employees

If the City decided that no hourly wage rate for a City employee should be below $19.21/hour, **the cost of implementation is estimated to be $894,000.** It should be noted that this cost would recur in each subsequent year with any applicable increases (such as general wage increases resulting from collective bargaining).

A listing of classifications currently at or below $19.21/hour can be viewed at Appendix 5: Info Table - Classifications with Wage Rates Below $19.21/hour

It should be noted that the process of simply eliminating any existing hourly wage below $19.21/hour would have impacts on the long standing negotiated Salary Schedule in the CUPE Collective Agreement. These impacts include the elimination of pay steps (increments) within affected classifications, compression with hourly wages in related classifications paid 'above' the adjusted rates, and interference with negotiated 'lines of progression' for certain types of jobs. Labour Relations is assuming the structure of the Salary Schedules is largely both intentional and purposeful, and ignoring these impacts is not recommended.

The 'Cascading Costs'

Labour Relations consulted with affected Departments to get their views on what impacts to the CUPE Salary schedules might occur if a Living Wage 'floor' was to be implemented. The Departments were canvassed for feedback on what pay steps and/or whole classifications could potentially be eliminated, which needed to be retained, how negotiated 'lines of progression' (e.g. Recreation Technician series) could be preserved, how the usual promotional 'job ladders' employees follow could be preserved, and how much or little compression between a Living Wage classification and classifications 'above' it would be tolerable.

Based on this feedback, Labour Relations **estimated the 'cascading costs' to be $859,000**.

Details of this costing can be seen in Appendix 2: Cascading Effects Summary Sheet ($19.21/hour). The Appendix shows the classifications that are directly affected by the $19.21/hour Living Wage, adjustments to the CUPE salary schedule that Departments indicated they felt were necessary to maintain the integrity of the salary structures, and the budgetary impact associated with each adjustment.

For classifications where no budget impact is shown, the cost associated with the movement to $19.21 per hour, or a 'cascading cost', is covered by the current budgeted amount for the

classification. This does not mean there is no attendant cost, but rather it means that the cost is provided for in the budgeted amount for the classification.

Consideration of the Value of the City's Employee Benefits

The CCPA Manitoba rubric for determining a Living Wage includes an assumption that a portion of the $19.21/hour would be spent by the household to purchase private health insurance and as a 'set-aside' into a contingency fund to provide some cushion for unexpected expenses like a serious illness.

An employee of the City receives an array of benefits that are fully employer paid, as well as the option to purchase additional benefit coverage at their own expense, and a few benefits where cost is shared between the City and the employee.

We identified benefits provided to City employees at no direct cost to them that have an analog within the CCPA Manitoba rubric, and then determined the cumulative total value of these benefits. **The total value of these select benefits is estimated to be $2.18/hour** (based on a 35-hour work week and a wage of $19.21/hour).

Details of this costing are can be seen in Appendix 3: Value of City Benefits Summary Sheet. The Appendix shows the City benefit and cost to the City. Included in the Appendix are two groupings of benefits, those that are City paid and which have a reasonable comparator within the Living Wage framework, and a list of additional benefits that do not have a clear comparator within the Living Wage framework or which have shared cost between the City and employee.

With respect to the City's paid sick leave, there are two approaches that could be used to determine the 'value' of this benefit. The first is to recognize the annual basic (entry level) entitlement of sick leave of 15 days. This results in an hourly equivalent benefit of $1.15/hour (based on a 35-hour week). A second method of estimating the value of this benefit could be to look at the most recent 'actual usage' experience, which for 2023 was an average of 77.01 hours for members of the CUPE bargaining unit, amounting to an hourly equivalent benefit of approximately $0.79/hour. Labour Relations has chosen to use the 'full value' of the sick leave benefit, namely $1.15/hour.

Employees of the City are enrolled in one of two Pension Plans (subject to Plan eligibility rules) namely the Civic Employees' Pension Plan and the Police Pension Plan. Employees potentially affected by the implementation of a Living Wage would be enrolled in the Civic Employees' Pension Plan. As there is no direct comparator within the CCPA Manitoba Living Wage rubric for a Pension Plan, we have not attempted to quantify a value for the employee pension.

Financial Impact on Service Contracts With Third-Parties

An estimate of potential financial impacts is very difficult to make as many of the City's contracts are not just labour cost, but also incorporate material and equipment costs. The City is not privy to what percentage 'split' is used between labour and material/equipment for these contracts. The City doesn't have jurisdiction, nor control over the contractor's work force. They independently negotiate, either directly or through a union, the wages that are paid to their employees. For private/non-unionized contractors, this information is generally confidential and not easily obtained or voluntarily shared. For unionized publicly available information (collective agreements), it is unknown at what step on scale an employee may be at and the volume/work involved would be very time consuming to determine this if the information can even be obtained.

As benefits are part of the calculation for a Living Wage, it makes it more difficult as the value of the benefit plans available to employees of each contractor would have to be assessed.

Taking these factors into consideration, a very rough estimate of strictly service-based contracts that just employ people such as Security Guards and Cleaning Staff, there could be a 30 percent to 40 percent increase in the costs to the City for these types of Contracts. In 2023, The City of Winnipeg had approximately $4 million in these types of service-based contracts, so the range of increased (additional) cost could be up to $1.6 million. In order to come up with a more fulsome estimate, additional time and resources would be required.

Consultation With CUPE

Labour Relations consulted with CUPE, the bargaining agent for the vast majority of workers potentially affected by the implementation of a Living Wage. We provided them with the information in Appendix 2 to this report, and asked the Union for its feedback on our assumptions concerning adjustments to the Salary Schedule and the 'cascading costs'. CUPE's input was sought to help validate our work with Departments on amendments to the Salary Schedules. Further, as the Salary Schedules are part of the Collective Agreement they cannot be unilaterally changed by the City without CUPE's agreement.

CUPE's Feedback From Consultation

In reply to the City's proposed 'cascading' effects and associated costs, CUPE corresponded with Labour Relations on May 21, 2024 outlining the Union's position. In its letter CUPE noted several things, including:

a) The value of the City's benefit programs should be factored into the determination of a 'Living Wage', and that they now considered the target wage to be $17.87/hour;
b) Based on this 'adjusted' Living Wage target, CUPE asserted that the number of classifications directly impacted was 'quite modest' compared to the list provided by the City at $19.21/hour;
c) Based on this 'adjusted' Living Wage target, CUPE asserted that the number of positions/steps on the Salary Schedule that would need to be adjusted due to compression issues ('cascading effects') was also 'quite modest';
d) CUPE estimates the cost of implementing a Living Wage to be $530,565 before benefits/burdens are applied; and
e) CUPE suggests that money set aside for Special Wage Adjustments could be "used to effectively cover most, if not all, of wage adjustments required to become a Living Wage employer".

CUPE did not give a direct reply to the adjusted salary schedule scenario the City provided based on $19.21/hour (Appendix 2 to this report). CUPE provided its costing estimate based on an adjusted 'wage floor' of $17.87/hour, and based upon its own view of what the 'cascading effects' and their attendant costs would be.

'Cascading Costs' Estimate for an 'Adjusted' Living Wage Target

In order to provide a more complete picture for Council, Labour Relations has undertaken further analysis based on CUPE's feedback, using an adjusted living wage target which factors in the value of certain City benefits. The **adjusted living wage rate we used was $17.03/hour** ($19.21/hour less the value of certain City benefits totaling $2.18/hour). Consultation was again

undertaken with affected Departments to determine any impacts on the structure of the CUPE salary schedules caused by a $17.03/hour wage rate 'floor' (which could in turn create 'cascading costs').

This analysis yielded a **'simple' implementation cost of approximately $233,000 and *additional* cascading costs of approximately $265,000**. Details of this costing can be seen in Appendix 4: Cascading Effects Summary Sheet ($17.03/hour).

Further Comments

CUPE has suggested that a large portion of the cost of implementing a Living Wage at $17.87/hour with 'cascading costs' could be underwritten by money set aside in a negotiated Special Wage Adjustment (SWA) fund in the last round of bargaining (the LOU). The LOU earmarked $1 million for special wage adjustments to be allocated to listed classifications, namely 311 Customer Service Representatives (CSRs), Instructor Guards, Recreation Technicians B/C and library workers, and any other classification mutually agreed to by the City and CUPE.

About 18 percent of the classifications contemplated by the LOU are also impacted by the potential implementation of a Living Wage, however it is suggested that about 42 percent of the SWA fund be diverted to cover the cost of implementation (as estimated by CUPE using their adjusted Living Wage rate calculations). If this was to be done, it would result in a disproportionate amount of the SWA fund being directed to certain classifications, consequently leaving many more classifications (82 percent) without sufficient funding to provide a meaningful SWA. Among the 82 percent of classifications that would likely be left with insufficient funds are 311 CSRs and aquatics staff (such as Instructor Guards at pools), which have been identified as priorities for SWA by the City.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 6, 2024

Project Name:
Analysis of Costs Associated With the Adoption of a 'Living Wage'

COMMENTS:

There are no financial implications associated with receiving this report as information.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Corporate Finance
- Total Compensation & Benefits Branch, Human Resources

OURWINNIPEG POLICY ALIGNMENT

Goal: Economic Prosperity

Policy 3.13 Poverty Reduction - Develop criteria to achieve a living wage minimum standard for employees of the City, for those awarded contracts and subcontracts to provide City services, and for organizations who receive City funding, to enable economic self-sufficiency, and community participation.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP), and it was determined that the CAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Goal 3 – Equity is Embedded in all City Employment and Income Opportunities

SUBMITTED BY

Department: HRS
Division: Labour Relations
Prepared by: Allan Beach, Senior Manager of Labour Relations and Negotiation Services
Date: June 6, 2024

Attachments: Appendix 1: Number of Employees Affected
Appendix 2: Cascading Effects Summary Sheet ($19.21/hour)
Appendix 3: Value of City Benefits Summary Sheet
Appendix 4: Cascading Effects Summary Sheet ($17.03/hour)
Appendix 5: Info Table - Classifications with Wage Rates Below $19.21/hour