



## Staff Report

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**Report To:** Dan Best, Chief Administrative Officer  
**From:** **Julia Roberts, Deputy Treasurer**  
**Date:** July 13 2020  
**Report:** FIN.20.14  
**Subject:** Financial Implications of Becoming a Certified Living Wage Employer

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### **Recommendations:**

**That** South Huron Council receives report from J. Roberts, Deputy Treasurer re: Financial Implications of Becoming a Certified Living Wage Employer.

### **Purpose:**

Provide Council with information on the range of financial implications which may result becoming a Certified Living Wage Employer.

### **Background and Analysis:**

On May 4<sup>th</sup>, 2020, Council received delegation on the Huron Perth Living Wage as presented from Susanna Reid, Director Social Research & Planning Council. On May 19<sup>th</sup>, 2020, Council directed staff to report on the financial implications for the Municipality becoming a Certified Living Wage Employer.

A living wage employer pays all direct and indirect employees the living wage rate for the region(s) in which they operate. The living wage is the hourly wage a worker needs to earn to cover their basic expenses within their community. The living wage rate for Huron and Perth is \$17.55. Other employers in our region that are already certified Living Wage Employers include the Municipality of North Perth and the County of Huron.

The main financial impact on the Municipality for becoming a Certified Living Wage Employer would be increased wage rates. The magnitude of the total

wage change depends on the level of certification obtained and the method of implementation. It ranges from \$0 for certification as a Living Wage Supporter to nearly \$599,000 for certification as a Living Wage Champion in 2021. There is also a negligible annual charge which is to be paid at the time of certification. The annual charge for the Municipality would be \$200 based on an organization size of 51-250 employees.

There are three levels of certification: Supporter, Leader, and Champion. To become a Supporter all direct full-time employees need to be paid a living wage and the organization needs to be committed to begin raising pay of all direct part-time employees to living wage rate. All direct full-time employees at the Municipality already receive an hourly wage well over the living wage rate for Perth and Huron, therefore no changes to pay rates would need to be made at this time in order to obtain this level of certification.

To become a Leader all direct full-time and part-time employees need to be paid a living wage and the organization needs to be committed to including a living wage clause in service contracts for externally contracted (third party) employees that provide service on a regular basis. Based on the current 2020 pay grid, the wage rate at Grade 0 Steps 1-5 and Grade 1 Step 1 are below the living wage. In 2019 there were approximately 50 part-time staff that were receiving wages at these Grades/Steps. In order to obtain certification as a Leader, the pay grid would need to be adjusted so that these Grades/Steps are paid a wage rate of at least \$17.55.

To become a Champion all direct full-time and part-time employees need to be paid a living wage and all externally contracted staff that provide service on a regular basis are to be paid a living wage or the Municipality needs to signal intent to re-contract at the living wage rate when the contract renews. While it is possible to obtain certification at the Supporter level to begin with, the expectation is that employers will put together an implementation plan indicating how they will reach the Champion level of recognition, preferably within 3-4 years.

<b>Range of 2021 Financial Impacts</b>		
<b>Certification Level</b>	<b>Method of Implementation</b>	<b>Estimated 2021 Financial Impact</b>
Supporter	No changes required to implement	\$200

Leader or Champion	<i>No equity</i> – only pay grid grade/steps whose wage is currently below living wage are adjusted and only up to the living wage	Approx. \$21,500
	<i>Partial equity</i> – increase the lowest Grade/Step up to a living wage and make slight adjustments to other lower level grades to maintain <b>some</b> internal equity in pay grid	Approx. \$31,000
	<i>Full equity</i> – increase the lowest Grade/Step up to a living wage and adjust the rest of the pay grid to maintain current equity structure between grades/steps	Approx. \$599,000

Assuming that the Leader level of certification would be pursued in 2021 and that the implementation approach would aim to have minimal changes in the pay grid equity/structure while minimizing overall wage expense increases, the certification as Leader would likely lead to approximately \$31,000 in additional wage expense. The Recreation and Fire departments would be the most heavily impacted, representing 76% and 19% of the increase respectively, with minimal impact on other departments.

Other financial implications, which are difficult to quantify, may include cost savings from reduced turnover and, in the future, any costs necessary to obtain Champion certification. Costs associated with becoming a Living Wage Champion would result from increased subcontractors costs due to the Municipality's requirement that they pay their employees a living wage while they are subcontracted to the Municipality. Subcontracted work at the Municipality which may currently meet the criteria for a living wage requirement includes janitorial work, IT support, lawn care, and snow plow/removal.

The financial implications of becoming a certified Living Wage Employer will change in future years. The South Huron pay grid may increase as a result of cost of living increases ("COLA") adopted by Council, which would decrease the additional expense associated with paying a living wage. However, the living wage may also increase in future years, potentially more

than the COLA, necessitating further increases/amendments to the pay grid. The living wage is calculated annually or bi-annually and employers have six months from the time they are notified of the new rate to make the wage adjustments. Depending on the timing of the notification, this could impact the Municipality's adherence to the budget within a budget year. For example, the living wage could be increased in February with the rate changes requiring implementation by July yet the budget was set in the prior year using the living wage known at that time. The rate went from \$17.44 in 2018 to \$17.55 in 2019, an increase of only 11 cents (0.63%). Prior to 2018 the rate hadn't been updated since 2015 at which time it was \$16.47, therefore the rate increased by 97 cents, or 5.89%, over that three year period.

### **Operational Considerations:**

No alternatives are presented related to the proposed recommendation.

### **South Huron's Strategic Plan:**

Section 6.2.2 of the Municipality of South Huron 2015-2019 Strategic Plan identifies key priorities and strategic directions. The following elements are supported by the actions outlined in this report:

- √ Improved Recreation and Community Wellbeing
- √ Increased Communications and Municipal Leadership
- √ Dedicated Economic Development Effort

### **Financial Impact:**

There are no financial implications for the Corporation resulting from the proposed recommendation.

### **Legal Impact:**

There are no legal implications for the Corporation resulting from the proposed recommendation.

### **Staffing Impact:**

There are no financial implications for the Corporation resulting from the proposed recommendation.

### **Communication Actions:**

There are no communication actions for the Corporation resulting from the proposed recommendation.

**Policies/Legislation:**

Ontario Living Wage Network  
Social Research & Planning Council – A Living Wage 2019 Report

**Consultation:**

Sandy Becker, Director of Financial Services  
Dan Best, Chief Administrative Officer

**Related Documents:**

Respectfully submitted,

**Julia Roberts, Deputy Treasurer**

**Report Approval Details**

Document Title:	FIN.20.14 Financial Implications of Becoming a Certified Living Wage Employer.docx
Attachments:	<ul style="list-style-type: none"><li>- Living Wage Financial Implications - Positions Earning Less than Living Wage.pdf</li><li>- Living Wage Financial Implications - 2021 Grid Comparison.pdf</li><li>- Living Wage Financial Implications - Additional Wage Expense by Department.pdf</li></ul>
Final Approval Date:	Jul 9, 2020

This report and all of its attachments were approved and signed as outlined below:

**Sandy Becker - Jul 2, 2020 - 12:10 PM**

**Rebekah Msuya-Collison - Jul 9, 2020 - 12:02 PM**

**Dan Best - Jul 9, 2020 - 12:31 PM**