

**Living Wage and The City of Calgary
Frequently Asked Questions**

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1. What is a Municipal Living Wage Policy?

A municipal Living Wage policy can ensure that workers employed by the City or contracted using municipal funds will be paid a Living Wage. These policies typically take the form of formal, legally enforceable policies that guarantee a minimum hourly wage for employees at a rate that exceeds the legislated minimum wage. Cities who introduce Living Wage policies support the idea that governments should not employ workers at poverty-level wages or sub-contract with employers who pay poverty-level wages. Living Wage policies (ordinances) have been implemented in over 130 US cities, and several Canadian cities are currently exploring the implementation of similar policies.

A municipal Living Wage policy can be as broad or narrow as the City determines appropriate. Municipal Living Wage policies can apply to City employees, to businesses contracting with the City, to organizations receiving economic development subsidies or charitable funding from the City, and to civic partners with the City. Any number of exemptions to the policies can apply, and typical exemptions are for workers under a specified age, for contracts under a specified amount, or for businesses or non-profit organizations with revenue less than a specified amount.

2. What is a Living Wage in Calgary?

A Living Wage is the amount of income an individual or family needs to meet basic needs, to maintain a safe, decent standard of living in their community and to save for future needs and goals. The amount of a Living Wage varies depending on the method used to measure the local cost of living in a particular community. Calgary's Living Wage Action Team has determined that an individual working full time (35 hours per week, 52 weeks a year) needs to make a minimum of \$12 per hour to earn a Living Wage (or \$13.25 an hour in lieu of benefits). This figure is based on the Statistics Canada 2001 before-tax Low Income Cut-Off (LICO) amount for an individual with no dependants, adjusted for Calgary's inflation.

We also encourage full-time hours and year-round (as opposed to seasonal) work whenever possible, to ensure that workers earn sufficient and stable incomes, as well as other progressive employment practices such as flexible hours and assistance with child care and transportation.

3. Only \$12 an hour? Isn't The City of Calgary already paying a Living Wage?

Although The City of Calgary pays most of its employees a Living Wage, there are still some City employees,¹ employees of civic partners and employees of City sub-contractors² who earn less than a Living Wage.

4. What are the advantages to paying a Living Wage?

Employers benefit by attracting and retaining more qualified employees, reducing employee theft, absenteeism and turn-over, reducing recruitment and training costs and increasing employee productivity and customer satisfaction. Demonstrating a commitment to corporate social responsibility and Triple Bottom Line principles improves the good will of the business. Forging new partnerships with other Living Wage employers who prioritize purchasing and/or supplying Living Wage goods and services can open up new markets.

Employees benefit by experiencing a reduced likelihood that they will need to work two or three jobs to make ends meet, improving the standard of living for themselves and their families, gaining economic security, enjoying the opportunity for increased community participation, experiencing a decrease in social isolation, enjoying an improvement in health and well being and having more disposable income to invest in the local economy and their future.

The Community benefits through a reduction in poverty and its associated costs to the social system, health care system, education system and justice system, decreased demand on social services, increased community participation, increased spending in the local economy and an increased tax base.

5. What is the Sustainable Environmental and Ethical Procurement Policy (SEEPP)?

The SEEPP is a City of Calgary policy that builds on the work of the City's Green Procurement Policy. The SEEPP states that it aligns with the Triple Bottom Line Policy and some of the targets developed through imagineCalgary. The goal of the SEEPP is, "to ensure that the goods and services purchased by the City are produced according to recognized ethical and environmental standards." One of the purposes of the policy is to "support the purchase of goods and services that will enhance and protect the environment, protect the welfare of workers and represent best value for the corporation."

Accompanying the SEEPP is a Supplier Code of Conduct (SCC), which the City will apply "as one of the criteria used in its selection of business partners and suppliers for products and services." The SCC requires that City suppliers and their sub-contractors "meet legislated minimum wage rates" and "make every effort to ensure that workers receive wages that exceed legislated minimums that meet basic needs by local standards."

6. Why should The City of Calgary adopt Living Wage for its own employees and include Living Wage as a mandatory requirement in the SEEPP Supplier Code of Conduct?

Private relationships have public implications: Tax dollars should not be used to subsidize employers who pay wages that leave workers and their families in poverty because the costs of poverty are passed on to the City and the community in other ways, including homelessness, crime prevention, fee assistance subsidies, income support programs, funding for social service agencies, and increased costs to health care and education.

Work should be compensated with adequate pay and benefits; people who work for a living should not live in poverty.

The City of Calgary has committed to doing business using a Triple Bottom Line approach. Ensuring that workers employed using municipal funds are paid adequate wages is one way to honour the City's commitment to the social and economic components of the Triple Bottom Line.

Living Wage lowers turnover and increases productivity. Without it, there is a loss of return on the taxpayers' dollars.³

¹ Throughout 2006, a number of jobs were posted on The City of Calgary's website with hourly wages of less than \$10.00 and no benefits.

² In 2006, sub-contracted workers cleaning City Hall were paid \$8.00 an hour for four-hour shifts (for men engaged in "heavy" cleaning) and \$7.00 an hour for five-hour shifts (for women engaged in "light" cleaning).

³ Jen Kern, 2000.

By paying a Living Wage, the City can contribute to the reduction of the financial and social costs of poverty through improved health, reduced costs associated with provision of income and social supports (e.g. food bank usage), increased high school completion rates, reduced demand on the criminal justice system, and reduced costs for early childhood and special education services.⁴

The City of Calgary has an opportunity to be a leader amongst Canadian municipalities and to make Calgary the best place in the nation to live and work. The SEEPP states, "The policy positions The City of Calgary to be a leader and an example for other governments or agencies to follow... The City is committed to meeting the same standards expected of suppliers."

Community support for Living Wage can be found in recent stakeholder consultations conducted by imagineCalgary, Sustainable Calgary's Citizens Agenda and Calgary Economic Development's Shared Prosperity focus groups. The inclusion of Living Wage in City policy is directly supported by the Principles and Fairness Filter in the City's Fair Calgary Policy.

Poverty, resulting in part from low wages, is a contributing factor to crime, homelessness and other social ills that tax Calgarians and our social assistance systems and tarnish the reputation of The City of Calgary. In 2006, Calgary's Citizen Satisfaction Survey indicated that social issues like homelessness, affordable housing, unemployment and welfare were listed in the top six issues of concern to Calgarians. The Survey further reflects that 51% of Calgarians believe that their quality of life has worsened over the past year, despite overall increases in economic prosperity.

7. Why is a Living Wage provision not currently included in the SEEPP?

During the development of the SEEPP and Supplier Code of Conduct, The City of Calgary conducted external stakeholder consultations, where the issue of Living Wage was broadly supported. However, stakeholders were told that City Administration felt that the inclusion of a Living Wage provision at this point might delay the adoption of the SEEPP because the City has not yet developed a similar provision for its own internal human resources. The SEEPP states, "The City is committed to meeting the same standards expected of suppliers," and it was therefore felt that the City should implement a Living Wage policy internally prior to requiring the same from its suppliers.

8. How could the SEEPP ensure that suppliers and their sub-contractors pay workers a Living Wage?

Living Wage could be included in the SEEPP by adding the following provision to the Supplier Code of Conduct:

3.15 (f) For local Calgary-based services, City of Calgary suppliers and their sub-contractors will pay a Living Wage to all local workers supplying these services.

9. Would a Living Wage requirement in the SEEPP place local Calgary suppliers and sub-contractors at an unfair disadvantage?

No. The Living Wage requirement would apply to all suppliers and their contractors employing local Calgary workers.

10. Does the SEEPP apply to workers directly employed by The City of Calgary or to civic partners (i.e. the Zoo and Science Centre)?

No. The SEEPP only applies to The City's procurement of goods and services through sub-contractors and their suppliers. However, some civic partners purchase products and services through the City (to take advantage of volume discounts made possible through the City's greater purchasing power), and the procurement of these products and services would be covered under the SEEPP. Civic partners also may choose to follow the City's lead and adopt similar policies for themselves.

Ensuring that workers directly employed by the City are paid a Living Wage is a Human Resources issue, and requires a Council or Committee recommendation to Administration to explore the feasibility of adopting an internal Living Wage policy.

⁴ See The External Costs of Poverty – June 2004 at http://www.calgaryunitedway.org/poverty_reports.htm

11. How does Living Wage fit with The City's commitment to imagineCalgary?

The City of Calgary has signed on as an imagineCalgary partner and agreed to work towards the social, economic and environmental sustainability of Calgary. One of the imagineCalgary Economic System 100-year goals is, "All Calgarians have sufficient income and other resources to meet their current and future needs and to provide for healthy lives." Two of the imagineCalgary strategies to achieve the 30-year targets for this goal are, "Urge all public sector institutions and non-profit sector employers, including all subcontractors, to adopt livable wage policies," and "Develop education programs to inform business and consumers of the benefits associated with employers adopting livable wage policies and/or provide incentives encouraging them to do so."

12. Would a Living Wage policy result in increased costs to the City and local businesses?

More than 130 cities in the US already have municipal Living Wage initiatives, and evaluation of these initiatives has shown that contract costs for the City have increased by less than 0.1% and sub-contractors bidding on contracts have absorbed most of the additional labour costs without demanding increased funds from the City.⁵ Three years following the Los Angeles Living Wage ordinance, 56% of contracts did not change because competitive bidding prompted employers to absorb the cost of higher wages. An Economic Policy Institute evaluation of Baltimore's Living Wage ordinance found no significant cost increase to the city. The 1.2% cost increase for the contracts examined was less than the rate of inflation for the same period.

An evaluation of Baltimore's ordinance by the Preamble Center also found that the ordinance did not reduce the competitiveness of the contract process. The small decrease in the number of bids per contract was not high enough to lower competitiveness or raise contract costs.

Even if the costs to contractors do increase, it is still profitable for these firms to do business with the City. Studies show that most firms will choose to sacrifice some of their profit margins, which are estimated to range from 10-20% of production, since wage increases from the ordinance only amount to an estimated 1-2% of production costs.

Research has shown that for most employers, wage and benefit increases resulting from Living Wage will be less than 1% of the total amount spent on producing services or goods.⁶ Additionally, given Calgary's booming economy, the current labour shortage, and the high costs associated with employee turn over, recruitment and training, the benefits afforded to employers paying a Living Wage may actually out-weigh the costs. Employers interviewed for an evaluation of Baltimore's Living Wage ordinance reported that increased wage costs were absorbed by improvements in efficiency; by raising wages, they decreased employee turnover rates, which decreased recruitment and training costs.⁷

Others have argued that Living Wage may increase inflation; however, given the small scale of Living Wage initiatives, and the relatively low number of workers actually affected (most Living Wage ordinances apply to less than 1% of the city's total workforce), large scale inflation is highly unlikely.

13. Could a Living Wage policy end up hurting workers through a loss of jobs?

Some argue that increasing wages will only hurt the people we are trying to help because employers will be forced to lay workers off to cover the increased labour costs. For example, in implementing the Living Wage initiative in Los Angeles, employers cut about 1% of jobs affected by the Living Wage policy.⁸ An evaluation of Baltimore's Living Wage ordinance found no job loss as a result of the ordinance and the workers interviewed reported no changes in the number of hours they worked.⁹ Other evaluations have found the job-loss factor associated with living wages to be minimal – in the 1-2% range.¹⁰ The small negative impact resulting from a modest reduction in the number of employees is offset by the benefits to the workers earning a Living Wage. A study of the effect of Living Wage ordinances in Boston, New Haven and Hartford found that poverty declined significantly among workers covered by the policy.¹¹

⁵ Elmore, A.J. "Living Wage Laws and Communities: Smarter Economic Development, Lower Costs".

⁶ Y & S Consulting (2003), *Understanding Living Wage*.

⁷ Economic Policy Institute.

⁸ Fairris, David, et. al. (2005) *Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses*.

⁹ Economic Policy Institute.

¹⁰ HR Magazine, July 2000.

¹¹ Brenner, M.D. and Luce, S. (2005) *Living Wage Laws in Practice: The Boston, New Haven and Hartford Experiences*.

14. Could a Living Wage policy deter local business investment?

Rather than deterring new investment or causing existing businesses to relocate, many economic development authorities believe that the real deterrent to urban investment is not high costs but high levels of poverty.¹² By addressing the issue of poverty through initiatives like Living Wage, Cities may increase new business investment. Moreover, evaluation of Living Wage initiatives in the US has shown that business subsidy programs continue to attract new employers to Living Wage communities.¹³

15. Where can I look for more information?

Business for Social Responsibility:

<http://www.bsr.org/CSRResources/IssueBriefDetail.cfm?DocumentID=50678>

Let Justice Roll:

<http://www.letjusticeroll.org/business-support-minimum-wage.html>

Living Wage Resource Centre:

<http://livingwagecampaign.org/>

Responsible Wealth:

http://www.responsiblewealth.org/living_wage/

Vibrant Communities:

<http://tamarackcommunity.ca/g2s323.html>

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¹² Kraut et al., (2000), "Choosing the High Road: Businesses That Pay a Living Wage and Prosper", p. 12.

¹³ Elmore, A.J. "Living Wage Laws and Communities: Smarter Economic Development, Lower Costs."