

Living Wage Strategy Update: January 2007



A) The Challenge Being Addressed:

The Living Wage initiative seeks to increase economic security for low-income individuals and families by increasing employment income. The fundamental principle underlying this initiative is the belief that Calgarians who work for a living should not live in poverty. In the second six months of 2006, despite a strong economy and tight labour market, close to 50,000 (8.8%) of employed Calgarians over the age of 15 earned \$10 an hour or less, and 30% earned less than \$15 an hour. Just under half of these low wage workers were over the age of 25 and women were disproportionately represented across all age categories. According to national research, approximately 30% of low wage earners live in low-income households. In addition, studies have shown that as many as 50% of adults living in Calgary shelters are in the paid workforce.

The challenge, therefore, is to address the issue of low wages by creating support for Living Wage and ensuring that working Calgarians are paid adequate wages and enjoy access to benefits (e.g. health care, dental care) and other employment supports (e.g. flexible hours, childcare), thereby increasing their economic security, improving their quality of life and reducing their likelihood of living in poverty. By focusing on the relationship between low wages and poverty, this initiative aims to address both the challenges facing the “working poor” and the barriers to workforce participation experienced by those who are not currently members of the workforce.

B) The Strategy Employed:

The Living Wage Action Team has developed an action plan to work collaboratively with employers across four broad sectors: public (municipal government), private, non-profit and quasi-governmental (health, education and post-secondary institutions). VCC believes that if employers were better informed about the link between poverty and issues that impact their business or organization, they would begin to see themselves as part of the solution and contribute by: raising wages to a living wage level, offering health benefits, assisting employees with transportation and child care, providing opportunities for skills training, upgrading and career advancement, and offering flexible work hours and permanent employment opportunities rather than seasonal or contract positions. The strategy is to initiate and contribute to an ongoing dialogue about the benefits (to employers, workers and their families, and the community) of progressive employment practices, including the development of living wage policies.

Living Wage Defined: The amount of income workers require to meet their basic needs, to maintain a safe, decent standard of living in their communities and to save for future needs and goals.

Living Wage Dollar Amount: In October 2006, the Living Wage Action Team settled upon a Living Wage methodology of Statistics Canada’s Low Income Cut-Off line for an individual in Calgary, indexed to the Calgary inflation rate. This decision came only after extensive discussion about a number of proposed methodologies. Many stakeholders did not feel that this methodology would result in a sufficient amount,

given the current cost of living in Calgary. Therefore, we will continue to communicate that we see this amount as the *starting point* for a Living Wage. In 2006, Calgary's inflation rate was 5.7%, the highest in Canada. VCC is now working with an economist at The City of Calgary to determine the most appropriate calculation because it is felt that this overall inflation rate does not accurately reflect the inflation rate for low wage workers, which is higher because low wage workers spend most of their income on basic necessities such as housing and food, which have increased faster than luxury items such as flat-screen TVs. It has been recommended that, rather than use the 2006 inflation rate, VCC go back to when Calgary's inflation began rapidly increasing in 2001 and index the 2001 LICO to inflation year by year. For now VCC will continue to use \$10 an hour in 2005 dollars, as the Living Wage amount.

We also decided it was important to encourage the provision of a health benefits plan, as this has a huge impact on low wage workers and their families. Therefore, we are encouraging employers to provide a health benefits plan or add an additional \$1.25 to the hourly wage for a full-time employee in lieu of benefits. This additional amount would enable a worker to purchase a standard family benefits package through private insurance.

C) The Role Played by the Collaboration:

The Living Wage Action Team is a multi-sectoral collaboration with approximately 30 representatives from business, labour, government, non-profit organizations, education and health sectors, faith communities and people living in poverty. Over the past year we have established five Living Wage sub-committees to work in more depth on specific issues. This collaboration has resulted in building many solid partnerships, and in laying the foundation for a significant community movement around Living Wage.

The following are the key activities of the Living Wage initiative in 2006:

- Throughout 2006, VCC developed and distributed the following Living Wage communications materials: Living Wage Fact Sheet, Living Wage and The City FAQ, Benefits Fact Sheet, Cost of Living in Calgary Fact Sheet
- Throughout 2006, the Living Wage Action Team conducted "bridging sessions" to build positive working relationships between VCC's partners from different sectors conducted from the perspective of the labour sector, private sector and non-profit sector
- In May, VCC's monthly Calgary Street Talk column focused on Living Wage
- In June, a Living Wage representative discussed Living Wage in an article on the labour shortage in Fast Forward Weekly newspaper
- A research report was written on lessons learned from Living Wage initiatives in the non-profit sector, leading to the formation of an HR Sector Working Group convened by United Way, with representatives from VCC, Family and Community Support Services and the Calgary Chamber of Voluntary Organizations
- In March, Living Wage representatives gave a series of crackle barrel presentations about Living Wage to 30 participants at the CCEDNet conference
- In March, Living Wage representatives presented to 55 participants at the Public Interest Alberta / Campaign 2000 Living Wage network meeting in Edmonton
- Throughout 2006, VCC participated in Public Interest Alberta's provincial Living Wage Task Force
- From November 2005 through June 2006, VCC participated in imagineCalgary's Economic Systems Working Group, which generated strategies related to a "liveable wage" that were included in the final report
- VCC publicly recognized our first private sector Living Wage employer, who raised employee wages following a conversation with VCC about possible solutions to his human resource concerns (see 'The Impact Achieved or Anticipated' below for more details)
- In September, VCC purchased and distributed Statistics Canada updated low hourly wage data
- In August, VCC received a three-year funding commitment from The Calgary Foundation for research and communications to engage the private sector in the Living Wage initiative

- In August, VCC was asked to provide information about Living Wage for possible inclusion in The City's Curbside Recycling tendering process; we are currently following up regarding whether this information was ultimately included
- In August and October, a number of VCC representatives participated in two external stakeholder consultations on the inclusion of Living Wage in The City of Calgary's Sustainable Ethical and Environmental Procurement Policy (SEEP) Supplier Code of Conduct
- In October and November, VCC representatives met with four Aldermen to request their support for the inclusion of Living Wage in the SEEP and the establishment of an internal Living Wage policy for municipal employees
- In November, VCC's monthly Calgary Street Talk column published the Conservative leadership candidates' responses to a question about low wages
- In December, VCC's monthly Calgary Street Talk column focuses on the connection between child hunger and low wages

D) The Impact Achieved or Anticipated:

Broadly, the Living Wage Action Team anticipates the following impacts:

- Employees will 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.
- Employers will 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.
- The Community will benefit 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.

Municipal Government initiative:

In January 2007, the VCC Director and a number of partners presented at the municipal Standing Policy Committee (SPC) on Finance and Corporate Services in support of The City of Calgary's proposed Sustainable Environmental and Ethical Procurement Policy (SEEP) and Supplier Code of Conduct. The policies were approved "in principal" for pilot implementation and an amended motion directed Administration to report back to the SPC prior to the 2008 Business Plan and Budget Adjustment process (November 2007) with respect to cost evaluations/risk analyses and the implication from a Triple Bottom Line (economic, social and environmental) context of including Living Wage in the SEEP / Supplier Code of Conduct. These recommendations were approved by City Council in January.

VCC anticipates that The City of Calgary's Sustainable Ethical and Environmental Procurement Policy will eventually include a Living Wage provision to ensure that all Calgary workers employed by suppliers and sub-contractors of The City are paid a Living Wage. It is anticipated that this policy may be adopted by City partners such as the Calgary Zoo and Calgary Science Centre.

VCC also hopes that The City of Calgary will implement an internal Living Wage policy to ensure that municipal employees are paid a Living Wage.

It is not yet known how many municipal or contracted workers would be affected by these policies because wage information is not currently documented.

Private Sector initiative:

In May, VCC met with Brian Murphy of Cottage Care Canada, a general cleaning service. Brian contacted VCC in search of more information regarding government benefits for his employees after hearing about Vibrant Communities Edmonton's Make Tax Time Pay initiative. Brian expressed interest in Living Wage, and following a discussion about his human resource concerns and some possible solutions, he implemented a bonus structure where CottageCare's approximately 16 full and part-time employees are paid an additional \$4 per hour on top of their base wage rate of \$10, if they report to work each day they are scheduled within the two-week pay period. If one day is missed, the bonus is not applicable for that pay period.

Before implementing this bonus system CottageCare's employee turnover was about 33%. This has not changed and Brian feels it is the "norm" for this type of business. However, he believes the new bonus system has brought him more employees to address the growing demand for services.

Brian reports that the bonus structure has resulted in a net loss to his bottom line despite passing some of the costs on to his customers by increasing the cleaning rates. As a result of the new bonus structure, CottageCare's labour costs increased from 60% to 70% of his operating expenses – decreasing his profit margin proportionately. Brian believes this will be mitigated once he is able to increase his work force and the overall volume of work and revenues.

Brian is currently contemplating a benefits program and has access to group plans through his professional associations and franchise; however, he believes that his employees will likely opt for a wage top-up in lieu of benefits.

The current perceived barriers to work for employees are access to vehicles and childcare considerations. He believes that the cost of providing transportation would be too onerous to the company; however, he would like to provide current and potential employees with information on how to access social supports and grants for childcare.

VCC presented a certificate and letter of recognition as a thank you to Cottage Care, and profiled CottageCare in our August Street Talk column and summer newsletter. VCC has offered to assist Brian by providing information on benefits and childcare options. Brian has agreed to participate in follow-up evaluation about the impact of these changes.

VCC has formed a private sector working committee to lead the work of engaging the private sector in the Living Wage initiative, beginning with the development of "case for support" research, engagement strategy and communications plan. This work is now supported over the next three years by a Community Grant from The Calgary Foundation.

Non-profit Sector initiative:

Prompted by research conducted by VCC and the Calgary Health Region into living wage initiatives in the non-profit sector, VCC staff and volunteers have participated in a series of discussions with United Way of Calgary and Area, the Calgary Chamber of Voluntary Organizations (CCVO) and Family and Community Support Services. At the end of 2006, the CCVO produced a research report on HR issues for Alberta's non-profit organizations. The group is now planning its next steps to engage other funders and social service agencies in a dialogue about human resource issues, including Living Wage.

Quasi-governmental initiative:

In April 2006, a senior representative from the Calgary Health Region gave a presentation to VCC's Living Wage Action Team on their progress towards the development of a Living Wage policy. VCC offered its ongoing support to the Calgary Health Region.

E) Lessons Learned:

We learned that it is not always possible to be seen to be working closely with the municipal government in the development of a policy, due to concerns that those opposing the policy might view this relationship as resulting in unfair influence. Therefore, we must be satisfied with working behind the scenes and not publicizing the collaborative nature of the relationship. It remains to be seen how this issue will affect our ability to accurately evaluate the process.

We also learned that it is difficult for the municipal government to require something of its suppliers and sub-contractors that it does not currently require in its own internal policies. Therefore, it is more likely that a Living Wage provision will be included in the procurement policy if the municipal government first implements an internal Living Wage policy.

We will continue to struggle to engage representatives from the private sector unless we develop a clear plan on how to do so, and adjust our expectations as to the way in which they participate. For example, most business people are unable or unwilling to attend two-hour monthly meetings during regular business hours, but could be involved for brief early morning or evening meetings with clear actionable agenda items, or to provide periodic feedback and assistance via email, phone and individual meetings.

F) Next Steps:

Initially an overwhelming number of outcome indicators were articulated in the Living Wage Action Plan, many of which were not easily measurable and more progressive or process indicators than substantial outcome indicators. In early December, VCC met with the Canadian Outcomes Research Institute and narrowed in on the following questions for evaluation purposes:

- How many employers and employer associations has VCC engaged?
- How many employers have made changes to their HR practices?
- How many workers have been impacted as a result of these changes?
- What has been the impact on employers and employees?

A number of potential partners and tools have now been identified to assist with establishing baseline data and ongoing measuring of progress, including: in-depth case studies of one or two businesses such as CottageCare; research partnerships with the University of Calgary; focus groups and surveys with employers through industry associations, Business Revitalization Zones, the Calgary Chamber of Commerce, Daylight Cleaning Systems and Calgary Economic Development; literature evidence of employer and employee impacts; adoption or adaptation of the General Progress Indicators (Atlantic) and Vital Signs; focus groups and surveys with employees.

Municipal Government initiative:

VCC was successful in supporting the inclusion of a Living Wage component in The City of Calgary's SEEPP Supplier Code of Conduct when this issue was presented to the Standing Policy Committee on Finance and Corporate Services in early January 2007. We have met with a few Aldermen to discuss both this issue as well as the possibility of proposing that City Council request a study into adopting an internal Living Wage policy for municipal employees. These discussions will continue throughout 2007. VCC and its partners will engage in strategic letter writing to City Council prior to November 2007 with relevant data on similar Living Wage campaigns in other jurisdictions across North America. A case will also be made and conveyed to the municipal politicians that there is a cost associated with *not* paying a Living Wage.

Private Sector initiative:

The Private Sector Ad Hoc Committee in concert with VCC staff will continue to recruit private sector representatives to participate in an advisory capacity and act as peer champions to prospective business partners. Initially, outreach to the business community will be conducted primarily through: (a) new



member networking opportunities at the Calgary Chamber of Commerce; (b) communication vehicles provided through the Kensington Business Revitalization Zone (BRZ); and (c) networking opportunities through the Calgary Social Purchasing Portal.

VCC has met with a social marketing company and with VCC's communications volunteers to research the creation of a communications plan and branding strategy for this initiative. The next step is to craft a one-page action plan that includes a vision statement and anticipated outcomes that will be distributed during meetings with prospective private sector partners. Using the business vehicles noted above, VCC will conduct one-on-one interviews with these businesses and gather data regarding current business practices, challenges and priorities. This information will be used to craft the messaging and on-going communications/branding strategy. Once this initial research has been completed and compiled, an RFP will be generated to engage a social marketing professional who can develop the branding and communications plan.

At the same time, an environmental mapping exercise of low wage employers and employees will be conducted and a business case for a Living Wage will be generated. Reports and collateral material citing "best practices" and showcasing progressive employers will eventually be printed, disseminated and used to engage new private sector participants.

VCC has now become a member of the Calgary Chamber of Commerce and is hoping that these networking opportunities will help VCC build positive relationships and perhaps future partnerships with the Chamber and its member businesses.

Non-profit Sector initiative:

VCC will continue to work with United Way of Calgary and Area, the Calgary Chamber of Voluntary Organizations and Family and Community Support Services in support of progressive HR practices in this sector. As the group engages funders and agencies in discussion about human resource issues, VCC will endeavor to include Living Wage considerations in this dialogue. Further, VCC will convene a meeting between United Way and affiliated partners to discuss how this group could undertake a study that would show us the number of non-profit service sector workers who are working below a Living Wage. This information will be used for educational purposes and may give rise to initiatives that address what we believe is a problem within this sector.

Quasi-governmental initiative:

Interest in adopting Living Wage practices has been expressed by some of Calgary's post-secondary education institutions. It is hoped that VCC can allocate resources to working with the colleges and university to develop Living Wage initiatives in the coming year.