

Date: 2023-09-15

Subject: **Fair Wage Policy**

Contact: Claudia Santeramo, Manager of Procurement Performance,
Purchasing

Report Number: CAO's Office-2023-802

Recommendations:

1. That the report from Claudia Santeramo, Manager of Procurement Performance, Purchasing to the Committee of Council Meeting of October 11, 2023, re: **Fair Wage Policy**, be received;
2. That the Fair Wage Policy, as set out in Appendix A, be approved; and
3. That staff be authorized to implement and administer the policy.

Overview:

- **Council directed staff to conduct an environmental scan and study the advantages and disadvantages of a Fair Wage Policy and Community Benefits Policy and report back with Brampton-focused recommendations.**
- **Through a competitive procurement process, staff engaged Prism Economics & Analysis Inc. to conduct a feasibility study for the implementation of a Fair Wage Policy and Community Benefits Policy for Brampton and draft a Sustainable Procurement Strategy based on the Sustainable Procurement Framework endorsed by Council.**
- **On August 10, 2022, Council directed staff to develop a Fair Wage Policy for construction work tendered by the City.**
- **Staff engaged Prism Economics & Analysis Inc. to conduct stakeholder engagement and develop the policy.**

- **This report seeks Council approval of the Fair Wage Policy as set out in Appendix A to apply to construction contracts with a value of \$500,000 and greater.**

Background:

On October 16, 2019, Council directed staff to conduct an environmental scan and study the advantages and disadvantages of a Fair Wage Policy and a Community Benefits framework to include training and apprenticeship opportunities within RFPs for infrastructure projects with Brampton-focused recommendations.

On May 13, 2020, Council endorsed the Sustainable Procurement Framework and directed staff to draft a Sustainable Procurement Strategy based on the framework for Council consideration. Council also directed staff to proceed with a feasibility assessment of implementing a Brampton-focused Fair Wage Policy and Community Benefits Policy in procurement at the City; and that external expertise be engaged to conduct an analysis and develop options for Council consideration.

As a result of a competitive procurement process, Prism Economics & Analysis Inc. (“Prism”) was retained to conduct a feasibility assessment for a Fair Wage Policy and Community Benefits Policy in Brampton. Prism was engaged to conduct stakeholder interviews, complete a high-level analysis, and develop options for consideration on the adoption of a Fair Wage Policy and Community Benefits Policy. Stakeholder consultations included union organizations, employer associations, community organizations, municipalities and agencies with a fair wage and/or community benefits policy, and senior City staff.

On January 17, 2022, a Council Workshop was conducted to share the findings from the stakeholder consultations and the environmental scan with an outline of options, along with advantages and disadvantages.

On August 10, 2022, Council endorsed the Sustainable Procurement Strategy and directed staff to develop a Fair Wage Policy for construction work tendered by the City. The Fair Wage Policy aligns with and implements the City’s Sustainable Procurement Strategy. Prism was engaged to obtain feedback from the internal working committee and external stakeholders to assist in the development of the policy. The working committee consisted of staff members from Capital Works, Roads, Maintenance, Operations & Fleet, Human Resources, Building Design & Construction, Legal, and HR Integration &

Innovation. External stakeholders included union organizations and employer associations.

Current Situation:

The goal of a Fair Wage Policy is to ensure that: (1) construction vendors pay wages and benefits that are at least on par with prevailing norms in the industry, (2) that they comply with statutory requirements for benefits, the proper classification of workers as employees and obligations under the *Occupational Health and Safety Act* and *Workplace Safety and Insurance Act*, and (3) that they are encouraged to invest in apprenticeship and training. In this way, the Fair Wage Policy will create a level playing field that encourages the City's construction contractors to compete on the basis of productivity, quality and efficiency rather than by securing a competitive advantage at the expense of their workforce.

The term "Fair Wage Policy" is uniquely Canadian. Most jurisdictions follow the U.S. practice of describing these policies as Prevailing Wage policies. The American terminology is a better description of the policy's purpose. The 'prevailing wage' is the wage that is paid by the majority of contractors to workers in a specific trade or occupation who are working in the same sector on projects of approximately comparable scale.

The Fair Wage Policy will apply to construction contracts with a value of \$500,000 or more in four construction sectors:

- 1) non-residential buildings (also known as the Industrial-Commercial-Institutional or ICI sector),
- 2) roads,
- 3) sewers and water mains, and
- 4) heavy construction.

The Policy will apply equally to the general contractor and all sub-contractors working on a City construction project. It is recommended that compliance with the Fair Wage Policy be enforced through a complaint-based model, with investigations being conducted on the receipt of a complaint. Calculation of the fair wage schedules will be determined once the policy is approved by Council.

The construction contracts with a value of \$500,000 or more represent, on average, 90% of the value of awarded construction work (an average of 18 contracts per year). The \$500,000 threshold represents a sound balance between achieving a high level of coverage (90.7%) and the efficient use of administrative resources.

Based on consultations with City staff, it is believed that construction procurements are carried out by contractors who are paying at least the prevailing wage, if not higher.

Consequently, a Fair Wage Policy that is anchored in the prevailing wage should not have any significant implications for construction costs. Rather such a policy will protect the City from the reputational and ethical risk of awarding work to a contractor that exploits vulnerable workers, styles workers as sub-contractors or engages in other unfair practices. If the Fair Wage Schedule is above the prevailing wage, there will be a potential impact on the size of the bidding pool and on construction costs.

In a buoyant labour market, such as the one experienced recently, the risks of contractors paying sub-standard wages are diminished. This risk is much more strongly associated with weaker labour market conditions. However, the risks related to cutting corners on health and safety, abusing sub-contractor status and not investing in apprenticeship and training tend to be unaffected by the construction cycle.

A Statistics Canada study of the union wage premium estimated that, in construction, the union/non-union wage difference for work in comparable trades and comparable sectors is approximately 19%. A Fair Wage Policy that establishes a wage schedule that is 70-80% of the union wage rate would not, therefore, prejudice legitimate non-union contractors.

The Fair Wage Policy will create a level playing field that encourages the City's construction contractors to compete on the basis of productivity, quality, and efficiency rather than by securing a competitive advantage at the expense of their workforce.

Every three years there are administrative costs involved in updating a Fair Wage Schedule to be aligned with the Collective Agreements, however pending approval the Ontario Construction Secretariat (OCS) would provide Fair Wage Schedule calculation services at no cost as a service to municipalities that adopt such a policy. In addition, there are administrative requirements to enforce a Fair Wage Policy, notably investigating complaints and determining whether a contractor has been non-compliant. It is possible that not all of these costs will be recovered by levying fees on complainants or non-compliant contractors.

Following approval from Council of the Fair Wage Policy, it is expected that Schedules will be developed and the policy will take effect in Q2 2024.

Corporate Implications:

Financial Implications

There are no direct financial implications associated with this report. Anticipated administrative costs in developing a Fair Wage Schedule and enforcing a Fair Wage

Policy are expected to be limited to less than the costs associated with one full-time employee who will also administer other procurement policies and has been already incorporated in a previous budget submission and approved by Council.

Based on consultations with City staff, construction procurements are carried out by contractors who are already paying at least the prevailing wage, if not higher. Consequently, a Fair Wage Policy that is anchored in the prevailing wage should not have any significant implications for construction costs to the City.

Strategic Focus Area:

This report aligns and supports the strategic focus area “Government & Leadership”, demonstrating the value for money of City Programs and services through open, fair and transparent procurement processes.

Conclusion:

Procurement can be used to achieve strategic social, economic, and environmental goals through a sustainable procurement strategy. This report seeks Council approval of the Fair Wage Policy for the City of Brampton as set out in Appendix A.

Authored By:

Reviewed and Recommended By:

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Approved and Submitted By:

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Chief Administrative Officer

Attachments:

- Appendix A - Fair Wage Policy