



STAFF REPORT INFORMATION ONLY

GTA FAIR WAGE RATES AND OTHER ORDERS OF GOVERNMENT

Date:	March 23, 2007
To:	Government Management Committee
From:	Manager, Fair Wage Office
Wards:	All
Reference Number:	

SUMMARY

This report is in response to a request of the Government Management Committee at its February 15, 2007 meeting. The request is for the Manager, Fair Wage Office to provide a further report on the Fair Wage rates that:

- would be arrived at by averaging all cities in the GTA with a population of over 100,000
- equal the rates set by the Federal and Provincial Governments plus a ten percent premium to the overall average.

As well as a breakdown of the percentage of construction work done by Federal and Provincial Governments that is union versus non-union.

FINANCIAL IMPACT

There are no financial implications resulting from this report.

DECISION HISTORY

At its January 25, 2007 meeting, the Government Management Committee deferred consideration of Staff Report GG1.3 amending the Fair Wage Schedules to the next meeting of the Committee scheduled for February 15, 2007, and requested a further report including a comparison of the City of Toronto's Fair Wage Policy to other GTA municipalities and other levels of government.

At the February 15, 2007 meeting, the Government Management Committee referred the report back to the Manager, Fair Wage Office, with a request that the Manager, Fair Wage Office, report to the Committee on:

1. The Fair Wage rates that would be arrived at by averaging all cities in the GTA with a Population of over 100,000 along with the rates set by the Federal and Provincial Governments, plus a ten percent premium added to the overall average, such report to include information on the percentage of construction work done by the Federal and Provincial Governments that is union versus non-union; and
2. the Following Motions by Councillor Saundercook:
 - (a) That the City of Toronto contracts that include federal and/or municipal funding be required to follow the Fair Wage policy of that jurisdiction. In instances of multi- jurisdictional funding, the Federal Wage Schedule would be used; and
 - (b) That the Fair Wage Schedule Rates be frozen to 2006 levels in an attempt to address the imbalance between the City of Toronto Fair Wage Policy and Federal and Provincial Schedules.

ISSUE BACKGROUND

The Staff Report to the January 25th, 2007, Government Management Committee (GG 1.3) meeting sets out the background information of amending the City's Fair Wage Schedules:

<http://www.toronto.ca/legdocs/mmis/2007/gg/bgrd/backgroundfile-1425.pdf>

The Staff Report to the February 15th, 2007, Government Management Committee (GG2.1) meeting on the Fair Wage Policy Comparison in GTA Municipalities and Other Levels of Government:

<http://www.toronto.ca/legdocs/mmis/2007/gg/bgrd/loackgrandfile-1483.pdf>

The matter was deferred to the next meeting of the Committee on April 12, 2007 with a request for additional information.

COMMENTS

As previously reported, the City of Toronto Fair Wage Policy is designed to ensure that businesses awarded contracts with the City pay their workers the stipulated rate of wages as approved from time to time, by City Council. Fair wage rates and schedules are established through discussion with employee and employer groups and associations. The most recent industry consultation was held on October 24, 2006, in order to update the 2003/04 Fair Wage Schedules as required every three years (Municipal Code, Chapter 67, Schedule A). The Fair Wage Policy provides clear guidance in establishing fair wage schedules where by certain construction related wage rates and fringe benefits are based on the lowest rate established by collective bargaining, while the wage rates for other

classifications are based on market and industrial surveys with the prevailing wage for non-union workers in the geographic area.

Several municipalities in Ontario have adopted Fair Wage Policies applicable to municipal construction. In addition to Toronto's long standing policy, other municipalities that operate fair wage policy applicable to construction include:

- Brampton
- Clarington
- Hamilton
- Kawatha Lakes
- Kitchener
- London
- Oshawa
- Peterborough
- Thunder Bay
- Whitby
- Vaughan

GTA municipalities such as; Brampton, Whitby and Vaughan apply the provincial fair wage rates to its construction contracts, while Oshawa and Toronto have their own standards policy.

This follow-up report reviews the City's Fair Wage rates as it compares to Federal and Provincial fair wage schedules applicable to GTA cities with a population of over 100,000. The comparison includes a ten percent premium added to the overall average. Average wage rate of six common construction occupations on Federal, Provincial and Municipal projects with similar trade descriptions across all three public sector jurisdictions were selected. They include the Bricklayers/Stonemasons, Carpenters, Electricians, Jackhammer Labourers, Heavy Equipment Operators and Resilient Floor Workers.

Table 1. GTA Cities with a population over 100,000 applying Fair Wage Schedules

	BRICKLAYERS STONEMASONS	CARPENTERS	ELECTRICIANS	JACKHAMMER LABOURS	HEAVY EQUIPMENT OPERATORS	RESILIENT FLOOR WORKERS	AVERAGE
City of Toronto 2003-2004 F.W. Schedules	\$40.54	\$39.86	\$41.64	\$36.02	\$40.10	\$37.04	\$39.20
Government of Canada 2005 F.W. Schedules	\$33.15	\$35.95	\$33.14	\$23.50	\$29.56	\$28.52	\$30.63
Province of Ontario 1995 F.W. Schedules	\$29.55	\$27.52	\$28.99	\$25.82	\$27.34	\$26.70	\$27.65
City of Oshawa 2006	\$37.35	\$31.96	\$36.74	\$31.19	\$34.90	\$32.76	\$34.15
City of Brampton 1995 Provincial F.W. Schedules	\$29.55	\$27.52	\$28.99	\$25.82	\$27.34	\$26.70	\$27.65
City of Vaughan 1995 Provincial F.W. Schedules	\$29.55	\$27.52	\$28.99	\$25.82	\$27.34	\$26.70	\$27.65
Town of Whitby 1995 Provincial F.W. Schedules	\$29.55	\$27.52	\$28.99	\$25.82	\$27.34	\$26.70	27.65

These rates are the minimum applicable rates, however in reality companies are more often paying a higher prevailing rate

Table 2. Averaging all GTA Cities applying Fair Wage Schedules plus a ten per cent premium added to the overall average

GTA CITIES POPULATION OVER 100,000	AVERAGE OF SIX COMMON TRADES
City of Toronto 2003-2004 Fair Wage Schedule	\$39.20
Government of Canada 2005 Fair Wage Schedule	\$30.63
Province of Ontario 1995 Fair Wage Schedule	\$27.65
City of Oshawa 2006 Fair Wage Rate	\$34.15
City of Brampton 1995 Provincial Schedule	\$27.65
City of Vaughan 1995 Provincial Fair Wage Schedule	\$27.65
Town of Whitby 2005 Federal Fair Wage Schedule	\$27.65
<u>TOTAL AVERAGE</u>	<u>\$30.65</u>
<u>Ten Percent Premium</u>	<u>\$33.71</u>

Federal Fair Wage Schedules:

- The current schedules under the Federal Fair Wage and Hours of Work Act were issued on January 17, 2005. It is not known at this time when the schedules will be updated.

- The schedule is based on an overall industry survey conducted in the spring of 2004 (for example, the federal schedule stipulates an hourly wage of \$33.14 for electricians and \$33.95 for carpenters in the Toronto Zone). These are precisely the hourly wage rates most frequently paid in 2004 survey.
- Federal Fair Wage Schedules are based on different regional zones that are based on prevailing construction wage rates for those regions.
- At this time, the federal rates are three years out of date in terms of market conditions. Given the strong construction labour market that has prevailed in the last three years, this gap is particularly significant.

Provincial Fair Wage Schedules:

- The Provincial Fair Wage Schedule has not been updated since April 1, 1995 and therefore reflect the union base hourly rates in place in 1995.
- Provincial schedules do not reflect provisions for non-statutory benefits.
- Prior to 1995, Provincial Fair Wage Schedules were established intermittently, on a regional basis for each construction trade.

Comparison of City of Toronto Fair Wage Schedules and the Federal and Provincial Fair Wage Schedules:

- The most significant difference between the City's fair wage schedules and that of the Federal/Provincial schedules is the application of fringe benefits.
- The City of Toronto Fair Wage Schedules include fringe benefits amounting as company pension plan, extended health care benefits, dental prescription plan and apprenticeship training.
- The Federal and Provincial Fair Wage Schedules only include legislated 4% vacation pay. The construction industry applies a standard 10% vacation and holiday pay as part of the overall wage.

The method of calculating Toronto's fair wage rates is clearly defined in the Fair Wage Policy. Certain designated construction related rates are based on the lowest rate established by collective bargaining. To alter this method is a significant departure from the manner in which the City of Toronto Fair Wage schedules are established and would be strongly opposed by the GTA construction industry given that the Federal or Provincial schedules have not been updated, and do not include the same fringe benefits that prevail in the construction labour market. The most recent consultation session with the construction industry (both employees & unions) was in October 2006 (250 invitees, 57 in attendance) with general support for the City's proposed 2006/2007 schedules.

Percentage of Provincial and Federal Construction Work (Union vs. Non-Union):

In terms of information on the percentage of construction work done by the Federal and Provincial Governments that is union versus non-union, unfortunately there is no data on the union and non-union share of public sector contract work at any level of government.

In most cases, especially in building construction, governments do not act as their own project managers, but rather hire a general contractor.

In addition, the Federal government has no statistics on the level of unionization among the various trades that are involved in Federal Fair Wage contract work. However, based on Federal officials experience, they have indicated that the “degree of unionisation is quite high” by citing examples such as the Lester B. Pearson, International Airport construction project.

Given the construction sectors in the urban GTA are highly unionized, it would appear that Federal, Provincial or Municipal construction more often pay at the union rate. This is driven by strong demand for workers and the desire of contractors to minimize turnover. Tight construction labour markets for skilled craft trades will see an overall increase starting May 1, 2007 with annual increases between 2-3% until 2010. The Toronto Construction Association sees these increases as standards across construction labour trade sectors. The proposed City of Toronto Fair Wage schedule, if approved by City Council will remain at 2006/2007 levels.

Federal Fair Wage Schedule and Multi Jurisdiction Funding:

Provincial Fair Wage Policy applies to contractors and subcontractors who are hired to fulfill obligations of the contracts awarded by various ministries. This applies when the government contracts directly for the work and not when it provides funding for projects to another body or organization.

Human Resources and Social Development Canada (HRSDC) – Labour Program is responsible for the administration of the Federal Fair Wages and Hours of Labour Act, and Fair Wages and Hours of Labour Regulations. This legislation applies to contracts with the Government of Canada for construction, remodelling and repair or demolition. The Federal Act also includes a section that deals with “Agreements for work Involving aid”. This section of the Act states:

Section 5.(1)Whenever the grant or payment of any public money of Canada is authorized or made by way of contribution, subsidy, loan, advance or guarantee, for or in aid of the construction, remodelling, repair or demolition of any work, otherwise than for the Government of Canada, the party intended to receive the grant or payment, whether the government of the province or any municipality or other body or any person or agency whatever, shall, unless the grant or payment is by statutory authority or by agreement with the Government of Canada except for the operation of this section, be required to enter into an agreement with the Government of Canada in which there shall be set the terms and conditions on which the grant or payment is to be made.

(2) In every agreement referred to in subsection (1), there shall be inserted stipulations, in such form and terms as the Governor in Council may approve, designed to secure, in so far as may be practicable (emphasis added), the

observance, in the execution of the work contemplated, of the conditions set out in paragraph 3(1)(a) and (b).

(3) This Section does not apply to the purchase of materials, supplies or equipment, for use in the work contemplated, under any contract of sale and purchase.

Where the City enters into contracts with the Federal Government (i.e. those that are funded by Federal dollars), neither the Federal Officials at HRSDC, nor City Staff could point to any example where the Federal Government has required that the City follow the Federal Fair Wage. Rather, the City of Toronto fair wage schedules have been applied.

Further HRSDC Officials are unaware of any example in other municipalities where the Federal Government has imposed the Federal Fair Wage when contributing Federal Funds to municipal projects. HRSDC Officials also advised that in some cases, Federal Funds are contributed to a municipality for a specific purpose (e.g. purchase of land and arts funding) and as a result, HRSDC Labour Program would not consider this to be subject to the Federal fair wage and Hours of Labour Act, leaving the municipality to manage their day to day affairs applying their own policies and procedures.

Freezing fair wage schedules at the current 2003/04 levels in order to address the imbalance between the City of Toronto fair wage policy and federal and provincial schedules does not address the reality of the construction labour markets. Provincial schedules are set at 1995 levels and federal government applies their schedules based on 2004 wage rates. Both levels of government do not apply fringe benefits as part of the overall wage rate. Both levels of government have no immediate proposals to update their schedules even though public sector construction is linked to all sectors of the construction industry. Further as stated above, given the highly unionized environment in the GTA Community, it is unlikely that attempting to utilize the Federal or Provincial Fair Wage Schedules will provide for any reduction in costs.

The proposed schedules are consistent with the City's Fair Wage Policy requirements, past practice as directed by City Council, for approval every three years.

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