

## LIVING WAGE AND SUSTAINABLE PROCUREMENT UPDATES

### Recommendation

That Executive Committee recommend to City Council:

1. That the revised Council Policy C612B - Living Wage for City of Edmonton Employees, as set out in Attachment 1 of the June 19, 2024, Financial and Corporate Services report FCS02346, be approved.
2. That the revised Council Policy C556C - Sustainable Procurement, as set out in Attachment 3 of the June 19, 2024, Financial and Corporate Services report FCS02346, be approved.
3. That Attachment 5 of the June 19, 2024, Financial and Corporate Services report FCS02346 remain private pursuant to sections 24 (advice from officials) and 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

<b>Requested Action</b>	Council decision required		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• Council Policy C612A: Living Wage for City of Edmonton Employees and Employees of Contracted Services</li> <li>• Council Policy C556B: Sustainable Procurement</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• May 3, 2024, Financial and Corporate Services report FCS02345, Annual Delegation of Authority</li> <li>• January 18, 2021, Financial and Corporate Services report FCS00089, Social Procurement (A. Paquette)</li> <li>• December 10, 2019, Financial and Corporate Services report CR_6485, Social Procurement Policy</li> </ul>		

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- November 5, 2019, Financial and Corporate Services report CR\_7643, Updated Living Wage Policy
- April 25, 2019, Financial and Corporate Services report CR\_6488, Living Wage Policy Considerations of Expanding to Include Employees of Contracted Services
- November 27, 2018, Employee Services report CR\_6487, Living Wage Policy
- April 11, 2012, Corporate Services report 2012COP005, Policy C556 Sustainable Purchasing Annual Update
- February 24, 2011, Corporate Services report 2011COP002, Policy C556 Sustainable Purchasing Annual Update
- February 3, 2010, Corporate Services report 2009COP031, Procurement Policies - Sustainable, Environmental and Ethical Procurement

### Executive Summary

- The City of Edmonton is committed to improving equity and eliminating poverty. Living wage is one tool in this effort, and the City will continue to use it as part of a broader approach to making Edmonton a more inclusive, safe and welcoming city.
- Administration is recommending updates to two policies—the Living Wage Policy and the Sustainable Procurement Policy—that would integrate living wage into the City’s sustainable procurement process.
- The sustainable procurement process helps to select contractors that can deliver the best overall value for Edmontonians, not just in terms of price and quality, but also in terms of environmental and social considerations.
- Currently, living wage is not included in the City’s sustainable procurement process and is instead a requirement for all employees of contracted services. This blanket approach to living wage with contractors has created unintended challenges for both the City, its contractors and potential contractors.
- This policy update will allow us to look at each procurement on a case-by-case basis and evaluate potential contractors on a range of social and other sustainable benefits, of which living wage is one consideration, with the goal of delivering the best possible value for Edmontonians.
- If the recommendations are approved, the Living Wage Administrative Procedure along with the Supplier Code of Conduct will be updated to reflect the changes in the policy.

### Report

The City of Edmonton is committed to working to improve equity and eliminate poverty. Administration is active in several initiatives towards this goal, including leveraging the City’s purchasing power to create positive economic, environmental and social impacts through the City’s Sustainable Procurement Policy and the Living Wage Policy.

Administration continues to evaluate the outcomes of its policies and make any necessary adjustments to focus City resources on the areas of greatest impact.

The City’s Living Wage Policy was updated in November 2019 (Financial and Corporate Services report CR\_7643, Updated Living Wage Policy) to include employees of contracted services, in

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addition to City employees. A living wage is defined<sup>1</sup> as the hourly wage a worker needs to earn to cover their basic expenses and have a modest standard of living, once government transfers have been added and taxes have been subtracted.

The living wage clause is included in standard contracts where contractors are performing operational duties on City worksites and workspaces, as well as those providing professional services.

The approach of adding the living wage clause to contracts has presented several challenges and unintended consequences, including:

- financial impact of increased contract costs without the assurance that living wage policy outcomes are met;
- contracts include provisions allowing the City to audit a contractor or subcontractor's wages; however, auditing is time consuming and costly
- different requirements for organizations receiving grants from the City compared to the contracting of services, as those receiving grants are not required to pay a living wage, leading to unequal treatment;
- additional barriers for some small local businesses, start-ups, diverse, Indigenous or other organizations to bid on contracts; and
- the unintended equity impact between workers performing the same work at different facilities. An organization who has staff performing work at a city facility, would be required to potentially pay a higher wage than staff doing the same work for the same organization in non-City owned facilities.

The City's Living Wage Policy is a type of "price floor" policy, which functions similar to a minimum wage. Price floors are essentially government-imposed lower limits on the price that can be charged for something—in this case, the wages paid to workers who fall under the policy.

When applied on wages, price floor policies, from an economic standpoint, can have unintended consequences in reaching poverty reduction goals<sup>2</sup>. Administration understands why policies like these are important to the social sector and is committed to reducing the number of Edmontonians living in poverty. With this change, the City is not abandoning the living wage but rather incorporating it in the City's sustainable procurement framework where we are better able to assess the requirements, manage the unintended consequences and measure the social outcomes.

### Sustainable Procurement Policy Opportunity

The City's sustainable procurement program creates positive social and economic impacts through its purchases while maintaining open, fair and transparent procurement processes.

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<sup>1</sup> <https://edmontonsocialplanning.ca/2023/11/08/edmonton-living-wage-2023/>

<sup>2</sup> [1] Brouillette, Dany, Calista Cheung, Daniel Gao, and Olivier Gervais. 2017. "The Impacts of Minimum Wage Increases on the Canadian Economy." Bank of Canada, Staff Analytical Note, 2017-26; [2] Marchand, Joseph. 2017. "Thinking About Minimum Wage Increases in Alberta: Theoretically, Empirically, and Regionally." C.D. Howe Institute, Commentary, No. 491; [3] Lammam, Charles, Hugh MacIntyre, and Brennan Sarge. 2018. "Increasing the Minimum Wage in Alberta: A Flawed Anti-Poverty Policy." Fraser Institute, Fraser Research Bulletin; [4] Eisen, Ben and Milagros Palacios. 2021. "Who Earns the Minimum Wage in Canada?" Fraser Institute; [5] Government of Alberta. 2020. "Report of the Minimum Wage Expert Panel."

## **LIVING WAGE AND SUSTAINABLE PROCUREMENT UPDATES**

Since the update to the Living Wage Policy in 2019, the City has continued to develop and expand its Sustainable Procurement Policy. This policy includes social value considerations for purchasing opportunities. Social value considerations are designed to address social and economic outcomes related to employment, training and skills development, social value supply chain and community development. These considerations — along with the ethical, environmental and Indigenous considerations also contemplated in sustainable procurement — allow the City to be intentional about the value it creates through its purchases and apply its purchasing power to contractors who will help create positive impacts.

Currently, many standard City contracts include living wage requirements in accordance with the Living Wage Policy. A more equitable approach for bidders would be to include living wage as one of several social value evaluation criteria or potentially as a mandatory requirement of the contract allowing a customized approach to determining social value while taking into account the contract requirements, market situation and industry standards. If living wage compliance is one component of the overall scoring matrix, other criteria such as cost, experience and quality, would also factor into the award decision. In this scenario, contractors that commit to paying a living wage would be given a higher score, and they could potentially be successful if they score well in other other evaluation areas as well. This approach would provide bidding organizations the opportunity to seek social value solutions that make sense for their business and their industry.

The recommended revised Living Wage policy is included as Attachment 1. The redline version showing changes to Council Policy C612A: Living Wage for City of Edmonton Employees and Employees of Contracted Services is included as Attachment 2. The recommended updated Sustainable Procurement Policy is included as Attachment 3, with its corresponding redline version as Attachment 4. Sustainable procurement criteria will be updated to include Living Wage based on the Edmonton Social Planning Council definition.

### **Budget/Financial Implications**

The Sustainable Procurement Policy takes into account the financial aspects of procurement alongside non-monetary social value considerations, Indigenous procurement, ethical standards and environmental sustainability impacts through contracts. Social value considerations may include training and skills development, social value supply chain and community development, in addition to living wage. Restricting vendor eligibility based on wages alone could dissuade some vendors that may score highly on other social procurement goals from bidding on City contracts. Including the living wage as part of the criteria in appropriate procurement evaluations allows for effective use of taxpayer dollars by balancing the social value considerations with overall contract spend. It allows the City to apply a holistic and nuanced approach to each procurement, with a goal of delivering best overall value for Edmontonians with each purchasing decision.

Under the current approach, many City standard contracts have living wage clauses. Aside from auditing, the City is unable to confirm if contractors are paying staff a living wage. Administration has identified 12 contracts that are up for renewal this year where contractors have identified challenges with paying wages in accordance with Policy C612A. The majority of these contractors have indicated either that they would renew their contracts with the City only if the City covered

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the increased costs to pay a living wage or that they are unwilling to bid even for a higher price due to potential staff pay inequity within their organization.

Funding living wages in the 12 identified contracts would incur costs of approximately \$6.25 million in 2024. There are currently no funds available to offset these increased costs.

### Legal Implications

The Alberta *Employment Standards Code* and the *Employment Standards Regulation* are the legislation responsible for setting the parameters for minimum wage in the province. The Living Wage Policy sets a higher standard for wages for both the City and its contractors than the minimum wage rules set out by the legislation. Revising the policy so that the living wage obligation only applies to City employees would result in City contractors assuming and maintaining responsibility for determining the appropriate wages to pay their own employees, except in those cases in which they have committed to pay a living wage under a City contract. The change would only apply to new contracts, unless older contracts are amended.

Additional legal implications are outlined in private Attachment 5.

### Community Insight

The City conducted extensive public engagement to support the development of the four-year budget. This engagement applied a GBA+ approach to ensure the City captured input from residents experiencing unique barriers and challenges, and those whose voices are heard less often. Administration conducted targeted outreach and engagement with 2SLGBTQ+ community members, non-English speakers, youth, seniors, racialized community members, women, people with disabilities, Edmontonians experiencing or at risk of homelessness, and people experiencing mental health and addiction challenges.

Participants shared their concerns about escalating costs of living and asked the City to consider the financial burden of property tax increases. They also recognized that supports are needed for those most vulnerable, including affordable housing, and addiction and mental health supports. The City continues to work to find a balance between keeping taxes manageable and continuing to deliver the services Edmontonians rely on every day, including the most vulnerable Edmontonians.

Administration has received feedback from suppliers since contracted services were added to the Living Wage Policy. Initial engagement conducted in 2019 with custodial services suppliers on the living wage concept resulted in support for the living wage requirement; however, they indicated that additional labour costs would be passed onto the City of Edmonton. This position has not changed, as suppliers state they do not have the ability to pay a living wage increase to staff without the financial support from the City. They are in support of removing the living wage requirement for contractors from the City's policy.

One contractor has indicated that they would likely need to end their City contract if C612A continues to apply, even if the City covers the increased costs, due to pay equity concerns between employees with identical roles in City facilities versus others. In this case, the City would either need to bring this service in house or find another service provider, which may be difficult as the wage is above market rate for the industry.

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### GBA+

The Living Wage Policy and the Sustainable Procurement Policy are two tools in the City's much broader approach to making Edmonton more inclusive, safe and welcoming. The intent is not to remove living wage from the City's contracts, but instead to integrate it with its overall sustainable procurement evaluation. Policy C556B is focused on four purchase outcomes to support community social value: employment, skills and training, social value supply chain and community development. Policy C556B also uses a variety of social benefit criteria that include many GBA+ considerations. Suppliers are asked if their ownership falls within one or more of 10 categories, including social enterprise, social purpose organization, Indigenous-owned business, women-owned business, business owned by members of a visible minority, business owned by persons with disabilities, veteran-owned business, business owned by 2SLGBTQIA+, youth-owned business, immigrant or refugee-owned business.

### Risk Assessment

Risk Category	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
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#### If recommendation is not approved

Economic	Service providers no longer willing to provide service if they need to absorb the cost of the existing Living Wage policy	5 - Almost Certain	3 - Major	15 - High	Would need to re-procure to contract new service providers, which may result in higher cost for the City	Potential to bring some services internal
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### Attachments

1. Living Wage for City of Edmonton Employees Policy
2. Red Line Living Wage for City of Edmonton Employees Policy
3. Sustainable Procurement Policy
4. Red Line Sustainable Procurement Policy
5. PRIVATE - Additional Legal Implications