

A Fair Wage Policy for Sudbury?

Key arguments for Greater
Sudbury City Council

What I have to discuss

- Study by Tracy Dawson
- Supported by Building Trades Council
- Reproduces study by Ken Hartviksen
Building a Balanced Economy: The City of Thunder Bay Fair Wage Proposal (2003)

Question: What is a fair wage policy?

- Require all contractors to pay or provide wages, benefits and hours to their employees in accordance with the “Fair Wage Policy for ICI contracts” and the Fair Wage Schedule of The Corporation of the City of Thunder Bay

- Appendix C : Thunder Bay policy

Federal definition

- Fair Wages means such wages as are generally accepted as current for competent workmen in the district in which the work is being performed

- Appendix A

How it works

1. City sets a wage and benefits standard for contractors
2. Every contractor that meets the standards is eligible
3. Contractors must make sure that sub-contractors meet the standard

Why is Council interested?

- Fairness
- Safety
- Quality
- **Economic development**

Fairness

- Toronto Policy (appendix B) :
 - *“To create a level playing field in competitions for City work”*
 - *“To enhance the reputation of the City for ethical and fair business dealings”*

Fair wage policies

- let non-union labour enjoy some of the benefits won by union labour
- Make non-unionized firms compete on quality
- Let local contractors compete using local labour (major point in a town with strong unions)

Be fair to yourself

- If other communities have the policy and you don't
- You lose.



Safety

- Low cost outside contractor's are not always fly-by-night operations
- But
- Unionized construction sites have much better safety records
- Union and established contractors have to pay for safety costs that non-union contractors may avoid

- Toronto sees Fair Wage Policies as a way to
 - “to protect the public”

Will it increase costs to the City?

- Bilingsoy found it does not.

Why does it not add to cost

- Wages are roughly 30% of cost –
 $20\% \times 30\% = 6\%$
- Part of low wage-cost appears as padding.
- Part of low wage-costs is used for transportation and accommodation-
(wasted)

What impresses me

- Simple economic case:
- Workers who live in Sudbury spend in Sudbury
- Imagine that the effect of a Sudbury Fair wage Policy is to keep just 10 full time construction jobs in Sudbury.

Rough calculation:

➤ $10 \times \$60,000 \times 3.3 = \$2 \text{ million in contracts}$

➤ $\text{Workers x wage inclusive} \times 1/\text{share} = \text{spending}$

Potential saving if outside contractor cuts wages and benefits by 30 %:

\$90,000 (9%)

- This is the “bad” case. Research says it does not happen.
- Gives us a chance to discuss impacts in more detail

10 families

- Ten homes
- \$1,000 yr in taxes each?
- \$10,000 total property taxes per year
- You recover $1/9$ from the local workers in taxes
- What about school board revenues?

But

- Construction Industry Multiplier : Section C.2.2
 - For every job in construction industry in Sudbury we get between one and two more jobs – ie a multiplier of between 2 and 3

- Other gains: **Capacity building**
- Local contractors may bring in money from outside.
- What if contractors get one in four jobs outside with local workers?
- The apparent \$90,000 cost is only about \$60,000

Bad case :

➤ Create 20 – 40 jobs at a net steady cost of \$80,000

\$2000 per job – \$4000 per job