



City of Hamilton Report for Consideration

To: Chair and Members
Audit, Finance and Administration Committee

Date: April 10, 2025

Report No: **FCS24008(a)**

Subject/Title: Proposed Amendments to Fair Wage Policy and Fair Wage Schedule (**Outstanding Business List Item**)

Ward(s) Affected: City Wide

Recommendations

1. That the Fair Wage Policy and Fair Wage Schedule, attached as Appendix “A” and Appendix “B” to Report FCS24008(a) **BE APPROVED**; and
2. That Outstanding Business Item 23-H **BE CONSIDERED COMPLETE** and removed from the Audit, Finance and Administration Committee Outstanding Business List.

Key Facts

- On May 2, 2024, Report FCS24008/HUR24002 Proposed Amendments to Fair Wage Policy and Fair Wage Schedule was presented to the Audit, Finance and Administration Committee. This Report was deferred to allow stakeholders the opportunity to review the proposed amendments and provide comment.
- The Fair Wage Ad Hoc Committee (the “Ad Hoc Committee”) met to further discuss the proposed amendments on November 4 and December 9, 2024.
- The proposed amendments to the Fair Wage Policy and Fair Wage Schedule are attached in Appendices “A” and “B”. These proposed amendments are the result of a co-ordinated effort with the Ad Hoc Committee and includes revisions requested by the Ad Hoc Committee as well as housekeeping revisions to enhance and add clarity to the Policy.

Financial Considerations

The increase in the Total Hourly Compensation Rates set out in the proposed Fair Wage Schedule will have some financial impact on tender prices that the City receives on Construction Contracts over \$500,000. However, the effect of the proposed increased rates set out in Appendix “B” to this Report and the magnitude of the financial impact is difficult to assess for several reasons, including:

- The current Fair Wage Schedule is dated and not representative of current provincially negotiated trade union agreements hourly rates;
- The labour market for trades is very competitive, with many of the trade associations having negotiated significant increases in hourly rates over the past few years. Therefore, recent Contractor bid prices would reflect labour costs reflecting hourly rates far greater than the Fair Wage Policy rates, and future Contractor bid prices would not increase by the same percentage change in the Fair Wage Policy rates;
- It is unknown to the City what hourly rate Contractors are compensating their Employees in comparison to the recommended Total Hourly Compensation Rates set out in Appendix “B”. While some Contractors are signatory to provincially negotiated trade union agreements whereby, they are obligated to pay their Employees at those negotiated trade union agreements rates, other Contractors are not and are under no obligation to pay set rates other than what is stipulated in the current Fair Wage Schedule for applicable City contracts.

With the onset of COVID-19 pandemic, the labour market for trades has been very competitive and many of the trade associations have negotiated significant cost increases in hourly rates. Since 2016, some trade associations within Ontario may have negotiated their collective agreements 3 times, with the most significant increase in rates coming into effect in 2022, 2023 and 2024. However, while labour rates have increased, the applicable Total Hourly Compensation Rates set out in the current Fair Wage Schedule have remained static, creating a 10-year gap in rates.

The average in wage rates from the current Fair Wage Schedule (2016 rates) to the proposed Fair Wage Schedule (2023 rates) is on average 24.59% higher, reflecting both the length of time since the last amendment and the competitiveness of the trades labour market. Although this percentage increase is high, staff do not expect the impact of the proposed Total Hourly Compensation Rates to be as significant as a 24.59% increase since many Contractors and Sub-Contractors may be paying their Employees at or around the 2023 rates in order to retain talent. Additionally, staff expect that any increase in labour rates to Employees would already be reflected in any bid submission the City would have received from a Contractor for construction work, thereby decreasing the impact of any cost increase expected.

Staff completed a sensitivity analysis with respect to the range in costs expected as a result of proposed Total Hourly Compensation Rates set out in Appendix B. Using contract award data from 2023, staff expect that the potential increase in costs could be between \$1.35 million and \$4 million, representing a five percent and a fifteen percent increase respectively.¹ However, as previously stated, due to the difficulty in substantiating labour rates paid to Employees, this sensitivity information is speculative.

¹ Calculations based on 2023 data of construction contracts having an award amount over \$500,000, assumptions that half the Contractors and Sub-Contractors have obligations under provincially negotiated trade union agreements and that labour represents approximately half of the cost of a construction contract.

Background

The Fair Wage Policy has deep roots within the City of Hamilton, with the first reference being a Board of Control Report from November 1967 which makes mention of inserting a Fair Wage clause into City contracts to stipulate the wages for bricklayers, masons, and foremen. The City's first formal Fair Wage Policy was adopted in September 1993 and since then, has undergone numerous updates and improvements. However, the purpose of the City's Fair Wage Policy has not changed and is essentially based on two principles:

- To ensure that Contractors and Sub-Contractors pay their employees reasonable wages and benefits for work performed on City of Hamilton construction contracts; and
- To create a level playing field in procurement competitions so that no Contractor or Sub-Contractor secures an unfair competitive advantage over other construction employers by paying wages that are below prevailing norms.

This Report outlines the recommendations stemming from those meetings and the proposed changes to both the Fair Wage Policy and Fair Wage Schedule.

Analysis

The recommendations within this Report are in accordance with By-Law 20-205, as amended, the City's Procurement Policy.

On May 2, 2024, Report FCS24008/HUR24002 was presented to the Audit, Finance and Administration Committee and was deferred to allow stakeholders the opportunity to review the proposed amendments to Fair Wage Policy and Fair Wage Schedule and provide comment.

The proposed amendments to the Fair Wage Policy and Fair Wage Schedule as attached in Appendices "A", "B" and "C" are the result of a co-ordinated effort with the Ad Hoc Committee (including revisions requested by the Ad Hoc Committee from meetings held prior to May 2, 2024, and November 4 and December 9, 2024) as well as housekeeping revisions to enhance and add clarity to the Policy.

The Fair Wage Policy is applicable to all Construction Contracts over \$500,000 at time of award and requires Contractors and Sub-Contractors to pay their Employees (whether the vendor utilizes a unionized or a non-unionized work force), at a minimum the Total Hourly Compensation Rates as stated in the Fair Wage Schedule and as set out in Appendix "B" to this Report.

The Total Hourly Compensation Rates are calculated using:

- "Wages" which are base hourly rates set out in the respective collective agreement (a collective agreement between a contractor who is in a contractual relationship with a union that is recognized by the Ontario Labour Relations Board as the bargaining agent for the relevant workers); and
- "Benefits" which is a 24% increase over the Wage rate. Benefits include any non-statutory payment to an employee or non-statutory premiums or contributions paid to provide benefits to an employee such as a pension plan, Registered

Retirement Savings Plan (RRSP), medical plan bonus, retention pay and vacation.

Appendix “A” to this Report includes the proposed Fair Wage Policy. Appendix “B” to this Report includes the proposed Fair Wage Schedule that includes the trade classifications and the applicable Total Hourly Compensation Rates. Appendix “C” to this Report includes the proposed Fair Wage Policy – With Changes utilizing bold and italics to identify the changes, additions, and deletions to the policy.

The following is a summary of the significant changes that are being proposed:

Fair Wage Policy – Overall

The proposed Fair Wage Policy and Fair Wage Schedule amendments include several housekeeping issues throughout the documents which have not been specifically addressed in this Report. These amendments include editing for better clarity and understanding. In addition to this, the formatting of the Fair Wage Policy has been changed using a templated chart form similar to other City policies.

Fair Wage Policy - Section 2. Purpose of the Fair Wage Policy

Section 2 “Purpose of the Fair Wage Policy” is a new section added to the Policy. This section provides the reader with two principles for which the foundation of the Fair Wage Policy is built upon, that being to:

- Ensure that Contractors and Sub-Contractors pay their Employees reasonable Wages and Benefits for work performed on City of Hamilton Construction Contracts; and
- Create a level playing field in procurement competitions so that no Contractor or Sub-Contractor secures an unfair competitive advantage over other construction employers by paying wages that are below prevailing norms.

Fair Wage Policy - Section 4. Definitions

Section 4 was amended to include three new definitions (“Apprentice”, “Landscaping Work” and “Substantial Performance”) as well as to revise two current definitions (“Benefits” and “Construction Contract”). These changes were made to provide clarity and additional information to the reader for interpretation of the Fair Wage Policy.

Fair Wage Policy Section 5. Responsibilities

Section 5.4.6 was amended to allow for the City to “set-off” any amounts owing by the Contractor for not providing a statement of compliance in accordance with the Fair Wage Policy. This amendment allows the City the ability to withhold money from either the current Construction Contract or any other contract between the City and the Contractor, until the Contractor's sworn statement of compliance is received and deemed to be satisfactory by the City.

Fair Wage Policy Section 8. Inspections and Audits

Section 8.1 was amended to include additional wording that clearly outlines the time limitations for the City’s ability to inspect and audit the records of the Contractor or Sub-Contractor.

Fair Wage Policy Section 9. Assurance Reports

Section 9.2 was amended to include additional wording that clearly outlines the time requirements to submit assurance reports to the City by a Contractor or Sub-Contractor.

Fair Wage Policy Section 10. Consequences of Non-Compliance

Similar to section 5.4.6, section 10.1.1 (c) was amended to allow the City to “set-off” any amounts owing by the Contractor for the cost of an inspection or audit.

Section 10.1.2 is a new section added to the Fair Wage Policy. The inclusion of this section specifically states and makes it clear to the reader that where a Sub-Contractor has been found to be non-compliant with the Fair Wage Policy or Fair Wage Schedule, the Contractor shall also be deemed to be non-compliant.

Fair Wage Policy Section 11. Complaints

Section 11.3.1 was amended to include additional wording to further clarify that the City will do its best efforts to not disclose the identity of an Initiator of a complaint.

Section 11.4 is a new section added to the Fair Wage Policy. The inclusion of this section set out details regarding complaints initiated by an Employee of the Contractor or Sub-Contractor and sets out a stepped approach to the costs associated with the inspection or audit.

Fair Wage Policy Section 13. Apprentices

Section 13 is a new section of the Policy regarding Apprentices. It includes the requirement for Apprentices to be properly registered with an approved apprenticeship program in Ontario and sets out the applicable rates to be paid to Apprentices.

Fair Wage Policy Section 14. Fair Wage Schedule and Updates

Section 14.1 was amended to utilize a “two-year lag” rather than a three-year lag in hourly rates and requires that the Total Hourly Compensation Rates be held for the following two years rather than three years.

With this proposed change, the Total Hourly Compensation Rates would be calculated using Wages that were applicable in 2023 (two years prior to 2025). Committee and Council are advised that the Ad Hoc Committee has requested additional consideration of transition to a one-year lag in Wages in 2026, which is recommended and if approved, would represent 2026 Total Hourly Compensation Rates using Wages that were applicable in 2025. The Ad Hoc Committee will reconvene in Qtr 3 of 2025 to advance those discussions and report back with a recommendation or update.

Fair Wage Schedule

The Fair Wage Schedule includes multiple trade classification categories or types of “work” that may be carried out within a Construction Contract. For instance, Road Work, Tunnel Work, Elevator Constructors, Electrical Workers are all trade classifications set out in the Fair Wage Schedule. The proposed Fair Wage Schedule includes new trade classification categories that were added, including Carpenters, Boilermakers and Landscapers. There have also been some changes made to the proposed Fair Wage Schedule, including:

- Changes in the sections and description of “work” for trade classifications that were previously associated with the Hamilton and District Heavy Construction Association (HAND). Staff were advised that the HAND recently were accredited with the new Greater Hamilton and Niagara Construction Association’s collective agreement therefore changes were made to reflect that collective agreement;
- Apprentice rates have been added in any trade classification where possible; and
- The proposed Fair Wage Schedule utilizes trade union or association Wage rates applicable in 2023.

Alternatives

Option A – Eliminate the Fair Wage Policy and Fair Wage Schedule

Council could consider eliminating the Fair Wage Policy and Fair Wage Schedule and allow for a procurement process that relies entirely on competitive wages within the Construction Industry. In this regard, the Ontario Government provides for fair and consistent laws relevant to wages, benefits, and other working conditions within various industries, including the construction industry. However, eliminating the City Fair Wage Policy would remove the ability for the City to investigate any complaints and rely on the Ministry of Labour to perform any investigations brought forward. As well, without a Fair Wage Policy, the City could be seen as encouraging Contractors and Sub-Contractors to be extremely competitive with their bid for work, possibly at the expense of paying its Employees below the prevailing norm. For these reasons, this option is not recommended.

Option B– No Change to the Fair Wage Schedule

Council could consider not updating the Fair Wage Schedule and keep the current Total Hourly Compensation Rates set for the next two or three years. By doing so, the Fair Wage Schedule rates would become non-competitive, thereby potentially violating worker rights, as well as applicable labour and wage legislation. Having a fiscally responsible Fair Wage Schedule preserves the City’s objective and the Fair Wage Policy purpose to ensure proper compensation for Employees performing work within the construction industry on behalf of the City of Hamilton. Freezing wage rates beyond the two-year cycle could potentially compromise this objective. As such, this option is not recommended.

Relationship to Council Strategic Priorities

The recommendations with Report FCS24008(a) will support Council Priority 3. *Responsiveness & Transparency* and more specifically 3.2 “*Get more people involved in decision making and problem solving*”.

Many of the proposed amendments in this Report are the direct result of consultations and collaboration with the Ad Hoc Fair Wage Committee.

Previous Reports Submitted

FCS19035 HUR19008 [2019 Proposed Fair Wage Policy and Schedule](#) - June 6, 2019

Consultation

The Ad Hoc Committee met twice to discuss the proposed amendments prior to May 2, 2024, and then again on November 4 and December 9, 2024. Attendees to those meetings were representatives from the Hamilton-Brantford Building Trades Council (HBBT), the Labourer's International Union of North America Local 837 (LIUNA), the Merit OpenShop Contractors Association of Ontario, the Christian Labour Association of Canada (CLAC), the Electrical Construction Association of Hamilton, the Mechanical Contractors Association, the International Brotherhood of Electrical Workers (IBEW) Local 105, Millwrights Local 1916 and the Hamilton Halton Construction Association.

Further to the discussions with the Ad Hoc Committee, attached as Appendix "D" to this Report is Collective Bargaining and Prevailing Wages in the Industrial, Commercial and Institutional Sector of the Construction Industry, a letter sent to Mike Zegarac, General Manager, Corporate Services from the Hamilton-Brantford Building and Construction Trades Council, dated December 5, 2024.

Appendices and Schedules Attached

Appendix "A" to Report FCS24008(a) - Proposed Fair Wage Policy

Appendix "B" to Report FCS24008(a) - Proposed Fair Wage Schedule

Appendix "C" to Report FCS24008(a) - Proposed Fair Wage Policy – With Changes

Appendix "D" to Report FCS24008(a) - Letter received from the Hamilton-Brantford Building and Construction Trades Council, dated December 5, 2024

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Section

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