

# The Unintended Consequences of Outsourcing Cleaning Work

Robert Dryden and Jim Stanford





**CCPA**

CANADIAN CENTRE  
for POLICY ALTERNATIVES  
CENTRE CANADIEN  
de POLITIQUES ALTERNATIVES

**ISBN 978-1-77125-006-1**

This report is available free of charge at [www.policyalternatives.ca](http://www.policyalternatives.ca). Printed copies may be ordered through the CCPA National Office for a \$10 fee.

**PLEASE MAKE A DONATION...**

**Help us to continue to offer our publications free online.**

With your support we can continue to produce high quality research—and make sure it gets into the hands of citizens, journalists, policy makers and progressive organizations. Visit [www.policyalternatives.ca](http://www.policyalternatives.ca) or call 613-563-1341 for more information.

*The opinions and recommendations in this report, and any errors, are those of the authors, and do not necessarily reflect the views of the publishers or funders of this report.*

CAW 507  
OTTAWA

#### **ABOUT THE AUTHORS**

*Rob Dryden*, M.A., is an economic and social policy researcher living in Toronto.

*Jim Stanford*, Ph.D., is an economist with the Canadian Auto Workers, and a Research Associate with the Canadian Centre for Policy Alternatives.

#### **ACKNOWLEDGEMENTS**

The authors thank (without implicating) Maya Bhuller, John Cartwright, Toby Sanger, and Preethy Sivakumar for their generous input and feedback.

5	<b>Summary</b>
8	<b>Introduction</b>
12	<b>Section 1: Cleaning and Cleaners</b>
	Job Description
	Statistical Portrait
18	<b>Section 2: Quality and Public Health Dimensions of Cleaning Work</b>
25	<b>Section 3: The Economic and Social Benefits of Living Wages</b>
31	<b>Section 4: Comprehensive Cost-Benefit Analysis of the Impacts of Outsourcing</b>
36	<b>References</b>
39	<b>Notes</b>



# Summary

THE CITY OF Toronto is currently debating whether or not to privatize as many as 1000 municipal cleaning staff. While many view cleaners as having a menial job, which “anyone could do,” this stereotype is a poor misconception: municipal cleaning staff receive specialized training, equipment, and supervision to ensure that important public spaces such as daycare centres, health facilities, police stations, and other facilities remain safe, healthy, and clean. They face important and largely unrecognized risks in the course of their work. Supporters of outsourcing argue that the private sector is capable of providing adequate services at lower cost. In other jurisdictions where cleaners have been privatized, however, research has documented public health, safety, and quality of work concerns in the wake of the transfer of delivery to private sector providers. As a result of an unduly narrow focus on apparent short-term cost savings, policy-makers may be led to make undesirable and unintended trade-offs that impose significant, often unmeasured costs on public service consumers, on governments at all levels, on local communities, and (of course) on the cleaners themselves and their families.

This paper provides a more rounded portrait of the job description, working conditions, and compensation of cleaners in Toronto, on the basis of census data, existing academic literature, and other sources. It finds that the pay of cleaners is low; in private-sector settings, pay is inadequate to lift cleaners with dependents above the poverty line, and falls well below the levels estimated by researchers to constitute a “living wage”: that is, an

income which allows for the full participation of workers and their families in economic, social, and community life. In addition, a wage gap exists between male and female cleaners. Shifting work from the public sector to the private sector will therefore impose dramatic costs on cleaners, especially women, new Canadians, and racialized workers — whose labour market options are more limited to start with. Census data indicates that women cleaners experience a large gender gap in their pay, and this gap is especially acute in private sector positions; the outsourcing of cleaning work will thus impose a double burden on women cleaners, since they will experience both a substantial reduction in overall pay, and an increase in the gender pay gap which suppresses their earnings. Demographic data indicates that many cleaners are in the latter stages of their work lives; three-quarters of cleaners in Toronto are over 40 years of age, and almost 30% are over 55 years. These older workers will experience tremendous difficulty finding alternative employment opportunities if their jobs are outsourced to private contractors, exacerbating the economic and social costs to themselves, their families, and their communities.

However, it is not just cleaners and their families who would bear the costs of this shift in sourcing. This paper also reviews and catalogues several of the broader likely impacts of outsourcing on the quality and safety of cleaning services (and hence on the Torontonians who use public services and facilities), on the well-being of communities (considering the broader social costs of the elimination of 1000 or more living-wage jobs in Toronto), and ultimately on the fiscal performance of all levels of government. The fiscal “blowback” to governments resulting from the outsourcing of cleaning work would take numerous forms, including costs of contract tendering, monitoring, and compliance; the profit margin collected by cleaning contractors, over and above the low wages that they build into their bids; costs associated with the expected deterioration in quality and health performance; direct fiscal costs associated with the elimination of good jobs in our community; and fiscal costs arising from the resulting deterioration of economic and social well-being. One specific example of this latter, broader impact is provided in the paper, based on further analysis of census data. The incidence of social assistance recipients among private-sector cleaners is 4 times higher than among those working in the public sector. Shifting work from the public sector to private contractors will certainly impose higher social assistance costs on government — a share of which is still borne directly by the City of Toronto itself. This is just one of many dimensions along which the up-front cost savings seemingly attainable by imposing poverty-

level wages on cleaners, must be weighed carefully against the myriad of other monetary and non-monetary consequences of outsourcing, before this course of action is endorsed.

Because of these diverse, hard-to-measure, and often unintended consequences (both monetary and non-monetary) of the elimination of living-wage cleaning work in municipal services, it is essential that the City of Toronto conduct a more fulsome analysis of the ultimate effects of the proposed outsourcing. An integrated, comprehensive social cost-benefit analysis should be conducted to catalogue and estimate the various impacts of outsourcing, instead of assuming simplistically that shifting this work to the lowest-cost private bidder (on the backs of dramatically reduced incomes for the people actually doing the work) will truly and ultimately enhance the public interest. To this end, the final section of the paper proposes an analytical framework which catalogues the various forms of intended and unintended effects of the outsourcing of cleaning services. This framework could be helpful in guiding the more holistic cost-benefit analysis which we feel should be conducted on the proposal.

# Introduction

AS A RESULT of the current fervor for cutting government spending, all levels of government programs and service delivery are under review: federal, provincial, and municipal. Under Mayor Rob Ford the city of Toronto has ordered a review of all city services, and Mayor Ford himself campaigned on a promise to “stop the gravy train”. While governments must obviously maintain a sustainable fiscal policy, it is also imperative that they are careful to examine the long-term consequences of their policy decisions — both intended, and unintended.

The City of Toronto is currently attempting to reduce its expenditures. Proposed measures to cut many of the city’s in-house cleaners in favour of contracting out to private firms are among the administration’s current budget-cutting proposals. This paper argues that such a shift in sourcing cleaning work would impose other consequences, both fiscal and social, which significantly reduce (and potentially completely offset) the seeming up-front cost savings from outsourcing. These consequences and externalities would include increased risks to public health and safety, an increased strain on the social safety net (including increased costs for social assistance and other services provided and paid for by the city itself), and a further degradation of the social conditions and cohesion of Toronto (with resulting costs imposed on all levels of government, again including the city itself). These offsetting factors impose higher operating costs (not to mention social costs) on the city of Toronto and other levels of government, offsetting some or all of the fiscal savings extracted by cutting the wages of cleaners.



Cleaners are a particularly vulnerable group that is currently being targeted for privatization by city officials bent on reducing civic expenditure. There are many stereotypes about cleaners, and the work that they do, that contribute to this vulnerability. The standard notion is that cleaning work is unskilled, menial, and that “anyone can do it.” This stereotype not only undervalues the important and often dangerous work that cleaners do, as well as the often-challenging economic and social circumstances in which cleaners and their families live. The duties associated with this occupation extend far beyond the regular light office cleaning that many in the public are familiar with; in fact, in-house cleaners in public service occupations hold important positions in services such as police departments and facilities; parks and recreation services; clinics and other health care facilities; transit facilities; and others. Upon closer examination, it turns out that the work of cleaners is not so trivial, and the traditional arguments in favour of privatizing cleaning staff in the interests of apparent fiscal savings turn out to be considerably more complicated.

The argument in favour of privatizing cleaning services assumes that private contractors are more efficient and less costly, driven by the competitive bidding process. This competition drives contractors to complete the job in the quickest and least costly way possible. This begs the question as to precisely how private contractors reduce the apparent costs of their operations, as reflected in their bids. Are those savings really the result of private-sector “efficiency”? Do they result simply from a transfer of costs, as opposed to a reduction in costs (by reducing wages, benefits, and compensation, thus shifting a fiscal burden from the City to cleaners and their families)? Do the savings reflect deterioration in the quality of service provision, due to poorer standards regarding training, safety, equipment, or supplies? No presumption can be made that simply because a private contractor submits that they can perform the service for cheaper, that the service is in fact being provided more *efficiently*. In fact, due to operational problems such as extremely high staff turnover and a general failure to provide adequate training and supervisory systems, it is more likely the case that private cleaning services are in fact less efficient in a pure economic sense. Instead of arising from an inherent operational efficiency, the reduction in apparent price associated with outsourcing more likely reflects a fiscal *transfer* (from the service consumer, in this case the City of Toronto), to other stakeholders — such as cleaners who experience reduced compensation and working conditions, or citizens who experience reduced service. Indeed, along several dimensions, it is clear that outsourced cleaning services actually add new costs

and risks that must be considered in an integrated cost-benefit analysis, before concluding that outsourcing is indeed an “efficient” and cost-effective option. This report, based on a survey of literature and consultations with cleaning industry participants in Toronto, will catalogue and analyze some of those indirect and unintended costs of outsourcing, in order to provide a more comprehensive depiction of the choices at stake.

Most people who work as private sector cleaners belong to the “working poor,” earning far less than a living wage that would allow them and their families to fully participate in economic and community life. A recent report from the Metcalf Foundation has documented the alarming rise in the incidence of working poverty in Toronto, along with its concentration in particular neighbourhoods of the city.<sup>1</sup> Cleaners in the public sector, in contrast, are guaranteed reasonable wages, benefits, steady hours, reliable equipment, and some degree of job security. The elimination of many hundreds of living-wage public-sector cleaning jobs will have unforeseen and detrimental impacts on communities as a whole. Poverty and crime share a high correlation, especially within the youth population. Similarly, positive childhood development and poverty share an inverse relationship.<sup>2</sup> Given the demographic characteristics and skill-set of the cleaners in question, if laid off by the City of Toronto it is doubtful they would ever have the opportunity to work in another job with comparable pay and benefits.<sup>3</sup> The resulting loss of income, benefits, and stability for hundreds of families will have both immediate and long-term impacts on households and communities — and impose real costs (including fiscal costs) on other citizens and governments.

One detailed study of the broader socio-economic impacts of privatization was conducted to review the decision of the government of British Columbia to privatize public healthcare cleaners in the province in 2003. The decision produced higher turnover in staff, a lower quality of service, and most worrying, an increase in the rate of nosocomial infections (or “superbugs”) in health care facilities and hospitals. Although the impacts were most visible in the healthcare sector, all departments in which in-house cleaners were privatized showed adverse outcomes, many of which often went officially unreported.<sup>4</sup>

Another dimension of the adverse effect of privatization are the unaccounted costs within a contractor’s bid, such as the negative impacts on the occupational health and safety (OHS) of workers. Numerous studies have confirmed that the prevalence of workplace accidents and work-related illnesses increase as the level of labour volatility and casualized employment

increases under private contractors, and as unionization declines.<sup>5</sup> The effects of these outcomes impose increased stress on the healthcare system, and higher burdens on social security and employment insurance, as workers are injured or harmed in the workplace, or experience regular incidents of non-employment. These adverse fiscal effects, borne by various levels of government, should be considered in any analysis of the cost “savings” a government may have hoped to secure by privatizing. This requires a holistic cost-benefit analysis of the various socio-economic dimensions of cleaning work, not just the simplistic selection of a low-cost bid.

Once the costs and benefits are examined more carefully and comprehensively, it becomes clear that the ultimate cost savings from privatizing cleaning work will be much smaller than suggested merely by the cost of received bids — if in fact there are truly any bottom-line savings at all. Indeed, after taking into account all of the indirect and spillover effects of outsourcing, including on public health, occupational health and safety, social assistance and EI expenses, and the impact on general community wellbeing, it is not far-fetched to imagine that outsourcing could produce no saving or even net expenses, especially in the medium- to long-term.

This paper will review the broader fiscal, economic, and social implications of cleaning work and its delivery — whether in-house or outsourced. Section I provides a brief introduction and statistical portrait of cleaning work and cleaning workers in Toronto. The subsequent three sections each address major areas of concern regarding the implications of outsourcing. Section II considers the superior quality, value, and security of in-house cleaning compared with the private alternative. In Section III the importance of a living wage to a community and a family will be considered, including the implications of deteriorating community health to governments and budgets. Finally, in Section IV the various long-term impacts of outsourcing on public finances at all levels of government will be considered in an integrated discussion, that proposes an analytical framework that could guide the more comprehensive cost-benefit analysis of sourcing decisions that we suggest is appropriate.

## Section 1

# Cleaning and Cleaners

---

### Job Description

Many of us have preconceived notions of what cleaners do. The stereotype of cleaning as a menial job that “anyone could do” is likely derived from negative portrayals in popular culture, and from the brief interactions we have with cleaning staff throughout the course of our day. Many may identify cleaning simply with the visible light-duty tasks of emptying garbage cans, or mopping or vacuuming floors and hallways. But this work, important and strenuous as it is, represents just a small fraction of what most cleaners do, and as such does not provide a fair characterization of the industry and the occupation. The City of Toronto already employs private contractors for much of the cleaning work performed in city-owned office buildings. The current debate, in contrast, is focused on proposals to outsource other cleaners hired by the city and city-run agencies. These cleaners work in daycares, transit, police stations, healthcare centers, and other municipal facilities. Their work is more complex, dangerous, and important to public health than the stereotype suggests.

For instance, a typical cleaner employed within the police department would be classified as a *Heavy Duty Cleaner* and as such be responsible for a laundry list of often hazardous tasks requiring specialized training, sup-

plies, and equipment. These tasks can include cleaning holding cells, where it is not uncommon to encounter feces, semen or blood on the walls and ground. Cleaners may need to use HAZMAT suits when cleaning and disinfecting these cells. Other health risks include exposure to Hepatitis A, B, or C, HIV, bed bugs, or scabies. Additionally, *Heavy Duty Cleaners* are required to complete thorough training dealing with WHMIS; electrical, asbestos, and mould issues; and violence in the workplace. All training and tools are provided by the City to ensure that these cleaners can effectively and safely carry out their work. This allows the service-providers in the facilities they clean (such as police officers) to focus on their own important tasks, without worry of contamination or infection. In the case of the police department where public safety is of the utmost importance, cleaning work is an essential input. Security concerns are also relevant, since cleaners may have access to sensitive information; here too, the stability and reliability of the workforce (allowing more thorough security clearances and practices) becomes an intangible but important asset.

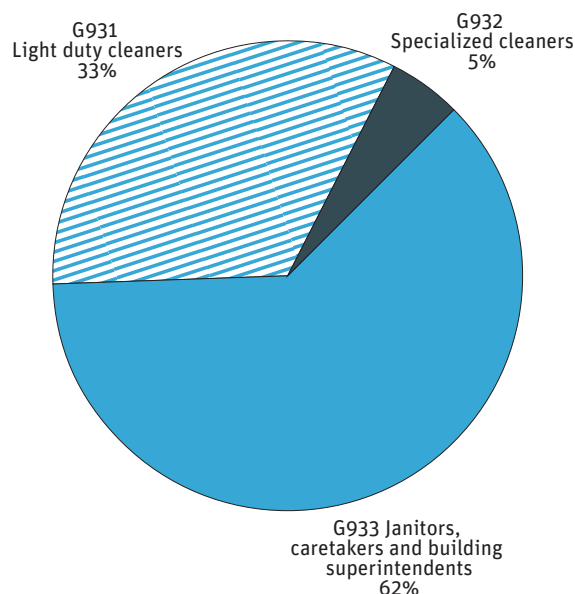
Healthcare is another area in which cleaners' work is vital to broader public health. Consider, for example, the increase in nosocomial, drug-resistant infections and the costs that they entail. These superbugs are transmitted very easily in a hospital or clinic setting, and it is therefore of the utmost importance to maintain a clean and sterile environment. Many healthcare patients have weakened immune systems; they face particular risks from improper cleaning of washrooms, equipment, floors, bedding, doorknobs, and other implements, and inadequate cleaning has been documented as a central contributing factor to this problem. It is therefore imperative to public health that cleaners in health care and similar facilities be provided with the best in training and equipment, so as to mitigate the frequency and severity of outbreaks.

---

## Statistical Portrait

According to the 2006 Census there are approximately 27,000 cleaners employed and living in the Toronto CMA. Statistics Canada divides the cleaning industry into three separate job profiles: *Light Duty Cleaners*, *Specialized Cleaners*, and *Janitors, Caretakers and Superintendents*.<sup>6</sup> Statistics Canada defines a *Light Duty Cleaner* as an individual charged with cleaning lobbies, hallways, offices and rooms of various buildings such as hospitals, schools, hotels, private residences, etc. These cleaners do not perform routine main-

**FIGURE 1** Cleaners by Sub-Category



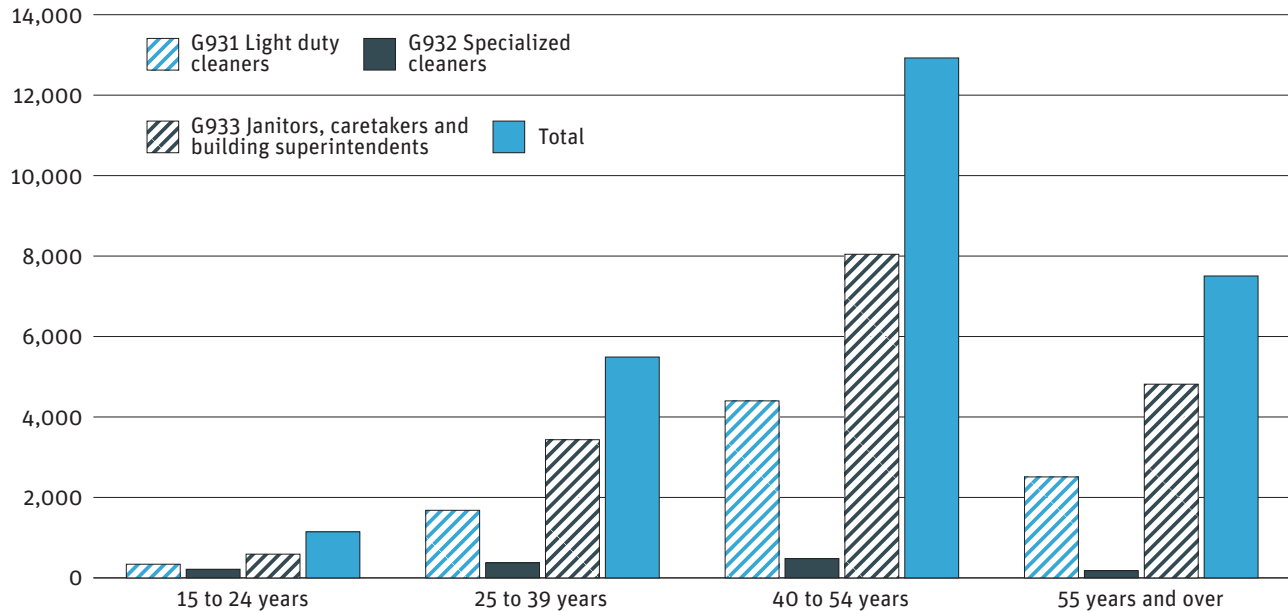
**Source** Toronto CMA. Author's calculations from unpublished census data, special run, Statistics Canada.

tenance or heavy industrial cleaning. A *Specialized Cleaner* is tasked with cleaning and refurbishing building exteriors, carpets, chimneys, ventilation systems and windows. They generally use specialized equipment and techniques. [The City of Toronto's job category titled *Heavy Duty Cleaner* is in essence a hybrid version of *Light Duty Cleaners* and *Specialized Cleaners* from the Statistics Canada classifications.] The third Statistics Canada category consists of *Janitors, Caretakers and Building Superintendents*, who are tasked with maintaining both interiors and exteriors of commercial, institutional and residential buildings.<sup>7</sup> Below is a brief overview of the demographic breakdown of cleaners, based on an analysis of the Statistics Canada census data.

The largest group of cleaners in the Toronto area, at 62.5% of the total cleaning workforce, is *Janitors, Caretakers and Building Superintendents*, followed by *Light Duty Cleaners* at 32.9%, with the *Specialized Cleaners* making up the remaining 4.6%.<sup>8</sup>

The cleaning industry employs individuals of all ages. The 40–54 year old grouping, however, makes up the largest proportion across the three occupational categories, accounting for almost half of all cleaners. The second largest grouping is those over 55 years of age, making up another 27.7% of

**FIGURE 2** Cleaners by Age



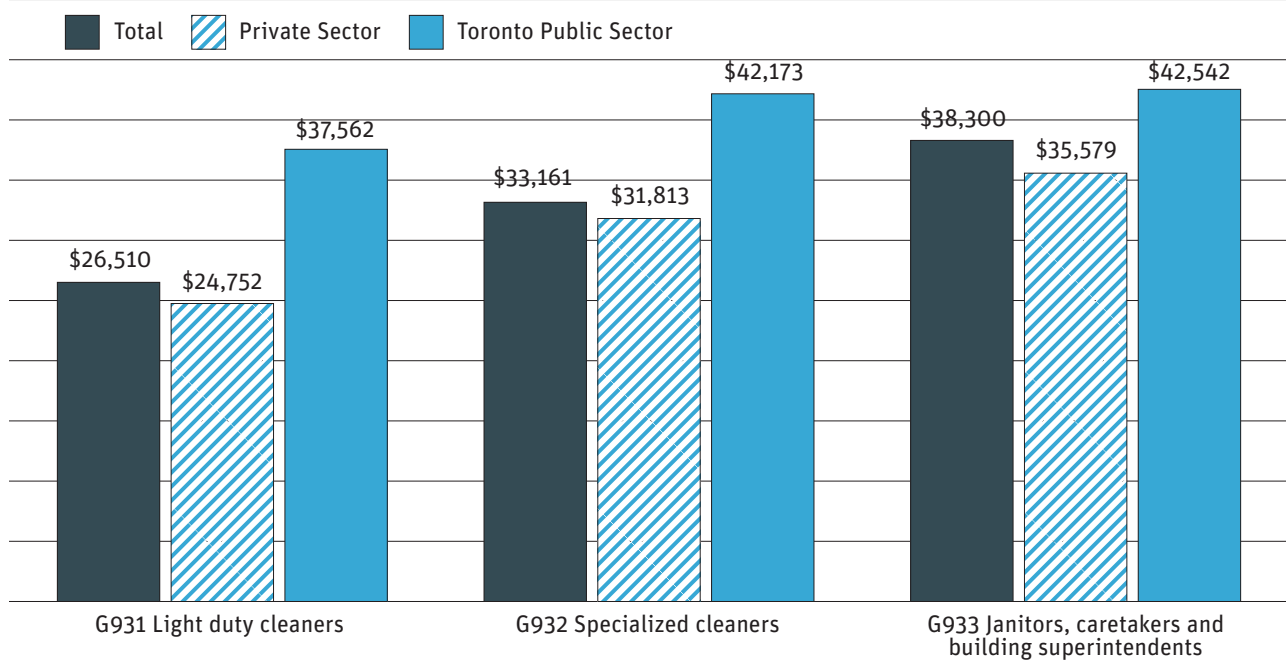
Source Toronto CMA. Author's calculations from unpublished census data, special run, Statistics Canada.

Toronto cleaners. The 25–39-year-old category accounts for just over 20% of Toronto cleaners.<sup>9</sup>

With over three-quarters of the industry's workforce over 40 years of age, it is safe to say that the cleaning industry will experience a demographic transition as older workers leave the labour market in coming years, necessitating increasing efforts to recruit and retain younger cleaners. This profile also indicates that, because of the older age of the majority of cleaners, re-training and options for alternative careers would be seriously restricted if they were to lose their current positions.

Considering only full-time full-year workers, the average annual income in 2006 for *Light Duty Cleaners* in Toronto was \$26,510, for *Specialized Cleaners* it was \$33,161, and for *Janitors, Caretakers and Building Superintendents* it was \$38,300.<sup>10</sup> Not surprisingly, average incomes for cleaners are lower in private-sector contractors than in public service positions. Among *Light Duty Cleaners*, private-sector cleaners earned 35% less than their public-sector counterparts, with smaller pay gaps experienced in the other occupational categories (25% among *Specialized Cleaners*, and 14% for *Janitors, Caretakers, and Building Superintendents*). This is consistent with other literature reporting that the impact of public service provision on income

**FIGURE 3** Average Income, Private Vs Public



Source Full-time full-year cleaners, Toronto CMA. Author's calculations from unpublished census data, special run, Statistics Canada.

equality is felt most powerfully among lower-wage positions;<sup>11</sup> ironically, this makes low-wage workers the most vulnerable to the negative income effects of outsourcing.

There is a significant gender gap in the compensation of cleaners in Toronto. Women in all three classifications of work earn significantly less than their male counterparts. Among *Light Duty Cleaners* and *Specialized Cleaners*, women earn an average of 20% less than men; among *Janitors, Caretakers and Building Superintendents* the gender gap grows to 27%. Women earn on average less than \$30,000 annually in every category, with female *Light Duty Cleaners* earning under \$25,000. The gender gap is largest, however, among private sector agencies, and reaches 32% for *Janitors, Caretakers and Building Superintendents*. A female *Light Duty Cleaner* in the private sector made on average just \$22,600 annually. In a city the size of Toronto, this income places an individual just slightly above the 2009 Statistics Canada Low Income Cut-off (LICO) for a single person of \$22,229.<sup>12</sup> For cleaners who must support children or other dependents, this income falls well below the LICO level. In other words, it is clear that shifting municipal cleaning work to the private sector undoubtedly will consign the women performing this



work (and their families) to poverty. And by both reducing the overall level of income, and exposing them to a larger degree of gender discrimination in earnings, outsourcing will impose a double burden on women cleaners. While statistical data is not available, it is also certainly the case that new Canadians and racialized workers also face significant pay gaps in the cleaning industry, that will be most acute among private-sector suppliers where wages and hiring are not regulated by government policy or union contract provision; for these workers, too, the loss of incomes resulting from outsourcing will be particularly acute.

An alternative benchmark against which the inadequacy of cleaners' wages can be measured is provided by the concept of a "living wage." For example, a recent Canadian Center for Policy Alternatives analysis found that a "living wage" for Toronto, that is, an income allowing a family with two full-time year-round wage-earners to fully participate in economic and social life, is \$16.60 per hour, which equates to roughly \$33,000 annually for each worker.<sup>13</sup> In other words, average incomes in two of the three categories described in the census data fall below the level estimated as a living wage for this city. The concept of a living wage and its implications will be discussed in more detail later in this report.

These statistics demonstrate that cleaners, much like the vital tasks they perform, are varied and diverse. They work in every public space, many performing functions that members of the public never see, but are nonetheless crucial to the efficient and safe operations of our community. Yet they face a constant challenge to lift themselves and their families out of poverty, given the low incomes that are generally paid in the sector.

## Section 2

# Quality and Public Health Dimensions of Cleaning Work

THIS SECTION CONSIDERS the value-added dimensions of cleaners' work, and the differences between public-sector and private-sector providers in terms of quality, safety, public health, accountability, and sustainability of their work. Advocates of outsourcing are attracted to the apparent up-front cost savings resulting from shifting work to lower-cost, lower-wage private suppliers. These anticipated savings, however, must be weighed against the potential hidden costs, inefficiencies, and risks associated with private contractors. These inefficiencies and risks include very high staff turnover in private sector cleaning, increased occupational health and safety risks (facing both employees and the broader public), and a decrease in the quality of the service provided.

The most pressing operational problem faced by private sector cleaning agencies is high staff turnover. A number of academic and business sources have attempted to document the substantial costs associated with this turnover. These studies have identified the poor compensation and working conditions offered by private contractors as a crucial cause of acute turnover.

This is not surprising, given that their business, after all, is predicated on offering the lowest possible bid price, and that cutting the wages of cleaners (to the extent allowed by legislation and labour market conditions) is the most direct and immediate way to cut the price of offered bids. However, high levels of employee turnover contribute to a number of adverse effects that plague private cleaning organizations. A lack of sufficient training, job security, and high levels of on-the-job stress contribute centrally to this turnover, which in turn undermines the quality and safety of cleaning work.

The *Janitorial Agency* is a private consulting and marketing agency that specializes in services to private cleaning firms. It reports that:

...The commercial cleaning industry is a very high turnover industry. Although there is a massive demand for efficient, dependable commercial cleaning services, traditional and conventional cleaning companies experience the largest turnover. Companies are losing up to 80% of their cleaning contracts annually due to the lack of quality service, reliability, professionalism and a cleaning company's ability to stay in business.<sup>14</sup>

In a market characterized by harsh competition, it is little wonder that both management and labour experts have recognized the weaknesses of the current management model used in most private cleaning firms. The interesting trend to note is that the reforms in practice recommended by these experts (including better training, work organization, and employee voice in the workplace) are largely consistent with structures and practices already in place within the public sector, where most jobs are better regulated and unionized.

The most noticeable effects of excessive turnover include a chronic lack of experience for workers, costs associated with recruiting and training new employees, and consequent difficulties in maintaining a high level of quality. Training new employees is costly. Research indicates that for companies in the service industry, training a new employee can cost upwards of one-third of the employee's annual salary.<sup>15</sup> These costs result partially from redirecting management and senior staff time towards recruitment and training, as well as the direct costs of training activities. The public sector has less need for training processes, since the public sector workforce is far more stable. Nevertheless, the public sector possesses an institutional capacity to provide structured and well-tested training through regular administrative and leadership processes. In contrast, the private sector's focus on ruthless cost minimization means there are seldom structures in place to address these overhead functions. Recruitment and training tasks fall to

senior staff and management, who themselves are already burdened with a full workload. The added responsibilities of training new staff force experienced employees to redirect their attention towards training. For those employees not involved in the training of new staff, they too suffer from an increased workload, as they are expected to step in and “pick up the slack” left not only by constantly vacant positions, but also by their now otherwise occupied senior co-workers. This increased workload, not usually accompanied by increased pay or overtime, undoubtedly contributes to a lower quality of work, in addition to the increased stress placed on all employees. A vicious circle is established, in which poor training and working conditions contribute to constant turnover, which in turn reinforce the deterioration in working conditions for all employees within the organization (even management).

These problems make it extremely difficult for private cleaning firms to retain long-term employees. This vicious circle is amplified within the low wage sector, where one minimum wage job may seem as good as the next in the eyes of many workers. Therefore, if an employee is feeling frustrated, overworked, or undercompensated at their current low-wage job, there is little to keep them from leaving their jobs if and when something more appealing comes up. This problem undermines the supplier’s profitability, as demonstrated by the high business failure rate associated with small firms in the industry.<sup>16</sup>

But the implications of high rates of employee turnover go deeper than simply the added cost of constant re-training. An *Academy of Management* paper on the dangers and challenges of employee turnover rates concludes:

At the organizational level, turnover inflicts numerous costs. Departing employees often take with them valuable knowledge and expertise gained through experience. Often they have established close relationships with clients. In addition to these indirect or less quantifiable costs, organizations face many costs directly related to turnover, including exit interview time and administrative requirements, payout of unused vacation time, and the cost of temporary workers or overtime for co-workers asked to fill in. Replacement costs include advertising, processing of candidates, interviewing, and selection. Finally, training costs — both formal and informal — add to the overall burden.<sup>17</sup>

As can be seen, turnover is an enormous issue in the private sector that imposes significant costs on any firm. But high turnover is not simply the result of low wages and inadequate training structure. Hinkin and Tracy

examined the costs associated with high employee turnover in the hotel industry in the United States (another generally low-wage sector, which employs many cleaning workers). They discovered through their cross-sectional approach a number of underlying symptoms that contribute to turnover. “While our investigation did not expressly seek to outline the causes of turnover,” Hinkin and Tracy state, “it became clear in our research that turnover is caused primarily by poor supervision, a poor work environment, and inadequate compensation.”<sup>18</sup> As it stands now, in-house public cleaners have better supervision, standards, and compensation. The private sector alternative, in contrast, is characterized by sub-standard supervision, a poor work environment, and poverty-level compensation. The resulting high turnover of employees imposes consequences (in terms of both finances and quality) that must be measured against the seeming cost savings associated with outsourcing.

Another major consequence of excessive turnover is experienced via the occupational health and safety conditions experienced by the employees. High turnover contributes to higher levels of job insecurity for many employees, imposing higher levels of stress on workers and added financial costs on their employers. This can lead to downsizing or business failure. When combined with low rates of compensation and poor benefits, this chronic employment uncertainty has documented effects on the health of employees. For example, a study surveying the existing literature on OHS and job insecurity by Michael Quinlan and Philip Bohle found:

The evidence regarding job insecurity and downsizing...is remarkably consistent, with 73 studies (85%) identifying negative OHS effects, 7 (8%) finding mixed effects, 5 (5.8%) finding no effect, and only 1 (1.2%) finding a positive effect. In sum, there is now a substantial — even compelling — body of international evidence that downsizing and job insecurity have significant adverse effects on workers’ health and well-being.<sup>19</sup>

In the larger context, these adverse effects can add significant costs to not only the firm via absenteeism, sick days, and reinforced turnover costs, but also to the cost of public programs via increased utilization of the health-care system and social programs. A non-monetary but real cost is the terrible stress it places on the individual workers and their families.

These insecurity-related OHS issues disproportionately affect low-income earners and older demographic groups. These negative impacts are compounded further in industries that require physical labour, exposure to chemical products, and repetitive physical tasks. In the case of Toronto

cleaners, three-quarters of whom are over 40 (and almost 30% of whom are over 55), the financial burden associated with OHS problems will be all the larger, including costs imposed on the public through employment insurance, healthcare costs, and re-training expenses — all of which are higher for older workers. Quinlan and Bohle (2009) also found that “older workers were more likely to experience adverse effects and long-term symptoms of distress.”<sup>20</sup> Given that the cleaning industry in Toronto relies centrally on older workers, there could be serious health implications for public sector cleaners in Ontario if their jobs are privatized.

OHS problems are experienced more broadly than just through the fear and stress associated with uncertainty around downsizing or job insecurity. Much of the risk is associated with the job itself, which is not only physically demanding but additionally requires a mental capacity to cope with the repetitive nature of the work. Numerous studies have identified the sources of this additional “on the job” stress, its effects on the quality of work, and the resulting costs to both the employee and the firm. In the public sector, in-house cleaners have established a number of avenues by which employees and supervisors alike can identify concerns, take appropriate actions, and hence minimize the level of stress and discomfort facing employees.

A recent example where the private cleaning sector was found negligent in protecting the health and safety of their employees was a 2011 incident involving the Hurley Corporation, a private cleaning company in Toronto. The company was recently fined \$60,000 for violating health and safety standards by improperly storing chemicals. In the Hurley case a “supervisor poured a floor cleaning chemical from a properly labeled commercial container into a water bottle and left the bottle on a table in the worker’s area. There were no markings on the bottle to identify it as floor cleaner. The worker found the bottle, assumed it was filled with water, and drank from it.”<sup>21</sup> The worker was hospitalized. This is one example of sub-standard safety practices that put cleaning workers at greater risk of injury or work-related illness in the private sector.

These substandard practices impact not only the health and safety of the cleaning staff, but their overall quality of life. As mentioned earlier, the government of British Columbia privatized in-house cleaning staff in hospitals and other medical facilities in order to cut up-front cleaning costs in 2003. Many of the avenues for addressing workplace concerns disappeared once the work was transferred to private sector, often non-union work environments, with overwhelmingly negative results. A detailed study examined this transition from in-house to private cleaners, and confirmed that the

private sector delivered sub-standard results with regard to the treatment of staff, the quality and standards of work, and the care provided to patients.<sup>22</sup>

The authors interviewed staff following the privatization and found that “almost half of our participants viewed their supervisor as unsympathetic and a major source of stress. Feeling pushed to work faster and being unfairly scrutinized were frequent complaints.”<sup>23</sup> As for the work environment, the study found that many of the study’s participants complained of physically heavy, irregular, and unpredictable workloads; this combined with a poor working relationship with their supervisor surely constitutes a less-than-acceptable work environment. In terms of compensation, the report found that 78% of the private-sector cleaners fell below the 2003 poverty line.<sup>24</sup>

A literature review regarding outsourcing at the National Health Service (NHS) in Britain found that since the NHS privatized cleaning staff, U.K. hospitals have experienced a similar decrease in the quality of cleaning standards.<sup>25</sup> Like the B.C. study, this review reached a similar conclusion that staffing levels after outsourcing were inadequate to provide a reasonable level of quality.<sup>26</sup>

The deterioration in quality associated with outsourcing cleaning services is especially concerning because of the trend increase in hospital-acquired infections around the world, and the very real financial and non-financial costs associated with them. The Canadian government has been pursuing a robust tracking program for nosocomial infections.<sup>27</sup> Without superior standards and cleaning practices, these diseases pose a significant danger to public health, imposing both increased costs and possible loss of life. Due to these concerns around quality of service delivered by private contractors compared with in-house cleaners, the Scottish Parliament has enacted a ban on the privatization of cleaners.<sup>28</sup>

Janice Murphy’s review on the relationship between cleaning and hospital-acquired infections found that:

Doctors [are] concerned that the trends in cost cutting are contributing to the decline in the provision of cleaning services and the accompanying rise in hospital-acquired infections. The research demonstrates that what we need is rigorous standards for cleaning, versus the steady cutbacks in service that we are observing.<sup>29</sup>

As the correlation between hospital-acquired infections and cleaning continues to become better understood, it is all the more important to ensure that hospitals and other medical-related facilities benefit from the highest quality cleaning staff available to them. As such, “a high standard of hy-

giene should be an absolute requirement... In the long term, cost-cutting on cleaning services is neither cost-effective nor common sense.”<sup>30</sup> In the context of the City of Toronto, similar concerns apply to numerous types of facilities where the highest standards of cleanliness are essential to public health, including police stations and holding facilities, paramedic facilities and equipment, child care facilities, and others.



### Section 3

# The Economic and Social Benefits of Living Wages

BASED ON THE previous section, it is clear that the cost-savings argument put forward by supporters of outsourcing is more complicated than is commonly portrayed. We have already noted that outsourcing will have significant consequences (both direct and indirect, financial and non-financial) on the quality and safety of service. And we have identified that the so-called “savings” attained by outsourcing in fact represent a *transfer* of economic burden onto the shoulders of those who perform the work (and who would experience a notable decline in compensation and quality of work life as a result of the shift to private suppliers). Moreover, those costs are not limited to the individuals who stand to lose their jobs; the spillover effects of the conversion of living-wage public-sector jobs into poverty-level private-sector jobs will have far-reaching consequences that must be incorporated into any comprehensive cost-benefit analysis of whether the outsourcing of cleaning work would indeed enhance the public interest. Among these spillover effects, we must consider first the effect of the loss of living-wage jobs on families, neighbourhoods, and entire communities – not just their income, but also their health and social cohesion. Secondly, those broader economic and social effects do not stop when the individual stops working;

for example, pensions and other benefits have ongoing life-long impacts on community health and well-being. Finally, the analysis of spillovers must also consider the increased burden on the social safety net that privatization of the cleaning industry (and the consequent deterioration in job quality, stability, and compensation) would likely produce.

It is scientifically established that health status is correlated with a variety of socio-economic factors, such as education, social class, and income.<sup>31</sup> As such, the loss of income and security that current in-house cleaners stand to experience will contribute to a decrease in their health status. Furthermore, the literature is also clear that individual income and job security circumstances have broader impacts on the community and the social environment in which individuals live.<sup>32</sup> Current in-house public sector cleaners can expect significant cuts in wages and benefits even if they were able to find work again in the cleaning industry following the loss of their public-sector jobs.

According to the concept of a “living wage,” families need to have access to a certain level and stability of income in order to ensure their full and healthy participation in all aspects of economic and social life. By driving the incomes of hundreds or potentially thousands of cleaning workers well below a “living wage” level,<sup>33</sup> the outsourcing of cleaning will undermine the capacity of families to function in healthy and sustainable ways, with lasting effects on future generations. Sub-living-wage jobs will undermine family functioning, viability, and interactions with the broader community. Children are among the most affected by the absence of living wages. Studies on early childhood nutrition and academic achievement demonstrate a statistically significant correlation between nutrition and academic achievement.<sup>34</sup> This result, unsurprisingly, is replicated when income is added to the equation, as adequate income is usually a prerequisite for a nutritious diet. A separate study examining poverty and child development in the United States found:

...evidence of substantial disadvantages in cognitive development among young children in chronically poor families in the United States. Deficits are apparent in eight different indices of cognitive or socioemotional development, including measures of verbal memory, vocabulary, math and reading achievement, and an index of behavior problems.<sup>35</sup>

By cutting the income and benefits that cleaners earn, outsourcing would place the children of cleaning workers at a serious socioeconomic disadvantage compared to what they would have experienced otherwise. In addition

to the development of young children, older children are also at risk of being negatively impacted. If a family's income is cut in half and benefits are lost, this could reasonably affect whether the child has financial support available when choosing to attend university or other post-secondary education. If educational attainment is limited, the circle of poverty is replicated.

A recent report from Toronto Public Health documents the lasting health impacts of rising levels of inequality in the City of Toronto. The report examines income levels and their correlation to a number of different measurable health variables, such as life expectancy at birth, premature mortality, readiness to learn, teen pregnancy and, health status.<sup>36</sup> The health consequences of growing inequality in Toronto (inequality which would clearly be exacerbated by the elimination of hundreds of living-wage cleaning jobs) will have serious implications for social conditions, the wider economy – and public expenses, too.

Among other evidence, Richard Wilkinson and Kate Pickett's work (2009) has documented the numerous dimensions along which inequality and exclusion are ultimately reflected in poor outcomes in health, criminality, and social cohesiveness, imposing significant fiscal costs on governments at all levels. Similarly, the Organization for Economic Cooperation and Development (OECD) has published several similar studies on the direct and indirect economic and social costs of inequality.<sup>37</sup> The growing consensus is that inequality, poverty, and social exclusion result in widespread direct and indirect consequences on broader society, including incremental fiscal costs on government (for health, policing, social benefits, and other functions).

An important stabilizing force that can help an individual or family avoid falling into poverty is the benefit package offered through their employer. Benefits such as supplementary health benefits, insurance coverage, and pensions help to stabilize life-cycle incomes, and to weather crises such as illness or injury without devastating a family's financial and emotional stability. Municipal cleaners employed directly by public sector agencies are entitled to a defined-benefit pension and an adequate health and insurance package. This benefit package provides the cleaners and their families with a level of security and confidence in the event of illness or injury, and helps them to prepare for a financially stable retirement.

A robust body of academic work highlights the myriad of direct and indirect benefits of secure pension income, above and beyond simply enjoying a stable income. One survey of literature found that:

A more generous pension system also has a redistributive impact, which reduces income differences in society, particularly among the elderly. In this respect..., research suggests...a strong association between income differences and health, i.e. lower income differences are associated with better health.<sup>38</sup>

This research has interesting implications regarding decisions about the sourcing of public services. When cleaners can earn a stable living wage, the broader economic and fiscal benefits extend even beyond their formal careers, thanks to the greater stability and health they are statistically likely to experience in retirement. With Canadians aged 65 years and over expected to reach one-fifth of the total population by 2030, the need is greater than ever to ensure that elderly Canadians can avoid poverty. There is a moral argument at stake here, but also an economic one: seniors living in poverty will impose significant costs on social programs (including income supplements, like the GIS, health expenses, and other public programs), placing added stress on provincial and federal budgets. Stronger occupational pension coverage for employees must be a central element of a broader strategy to avoid an increase in elder poverty in future years, with all its concomitant economic and social costs. Since very few cleaners in the private sector receive any pension benefits whatsoever (let alone an adequate and reliable defined benefit pension), this constitutes an added dimension along which the outsourcing of cleaning work will impose indirect and long-term expenses on the public sector at all levels.

The impacts of the destruction of living-wage jobs will be felt most acutely in communities which already experience a higher incidence of poverty, social exclusion, and marginalization (such as racialized workers, workers with disabilities, and others). The transfer of cleaning work from public to private providers will impose a particular burden on families which already experience a higher degree of economic and social marginalization.

Similarly, among several communities of new Canadians in Toronto, higher-quality cleaning jobs often served as a springboard into other occupations; in public sector positions, this springboard was enhanced by the opportunity for cleaners to apply for or transfer into other types of positions within the broader municipal workforce. Attaining a living-wage cleaning job, with benefits, thus opens doors to fuller economic participation, with immense spillover benefits for families and even entire neighbourhoods. In that regard, outsourcing cleaning work not only leads to an immediate deterioration in the lives of the cleaners. Similar opportunities for advancement or transfer are almost never available among private-sector cleaning

agencies. To the contrary, low-wage cleaners in the private sector, facing little opportunity to improve their career path within the firm, are more likely to leave their jobs entirely (contributing to the excessive turnover described above), or even try to work additional jobs at the same time (exacerbating the stress on cleaners and their families). For all of these reasons, the outsourcing of cleaning work would certainly contribute to the further marginalization of entire communities within Toronto.

Research by McKeown (2008), on the basis of Statistics Canada census data, found that the incidence of low-income, marginalization, and community dysfunction is intensely concentrated within particular parts of the city. Toronto experiences the greatest proportion of people living in low income of any urban jurisdiction in Ontario (almost one quarter of the population in 2005). Approximately one-third of Toronto children under six lived below the LICO.<sup>39</sup> It is clear that there is not only a growing problem with the incidence of poverty in Toronto, but also with its concentration in particular neighbourhoods. By eliminating hundreds of the already-scarce living-wage jobs accessible to residents in these afflicted neighbourhoods, the outsourcing of cleaning work would reinforce an existing, unequalizing trend that is already imposing immense and complex costs on our community and its governments.

It is usually difficult, of course, to precisely quantify these broader social impacts. But in some cases, some empirical insight into the nature and scale of these costs can be attained. For example, according to Statistics Canada's 2006 Survey of Labour and Income Dynamics, private sector cleaners utilize social assistance benefits far more than their public-sector counterparts — not surprisingly so, given the lower and less secure incomes, and inadequate benefit and insurance provision, which private-sector cleaners experience. Indeed, in Ontario average social assistance income reported by private-sector cleaners was over 4 times as large as reported by public-sector cleaners.<sup>40</sup> It can be assumed this gap would be even larger for the City of Toronto, given the great incidence of low-income and social assistance recipients in the City. The transfer of many hundreds of cleaning jobs to the private sector, by eliminating stable living-wage jobs and replacing them unstable, poverty level jobs, will directly contribute to an increase in social assistance expenses (some of which are still borne by the City itself, under the cost-sharing policies of the province). The SLID data confirms that those expenses will amount to millions of dollars over the years ahead (some incurred by the City itself, and even more for the province). In that regard, it is shortsighted for the City to expect that it can impose an enor-

mous cost on hundreds of workers and their families (via a dramatic reduction in their incomes and living standards), without experiencing any fiscal “blowback” in the form of higher public expenses for social assistance, policing, health care, and other social programs.

## Section 4

# Comprehensive Cost-Benefit Analysis of the Impacts of Outsourcing

THE FINAL SECTION of this paper will consider the all-around impacts of outsourcing cleaning work, including the financial costs associated with the indirect and unintended impacts of privatization that have been considered above, and will propose an analytical framework to guide policy-makers in cataloguing and evaluating these varied effects. Given their diffuse and long run nature, it is impossible to assign precise numerical values to many of these impacts (especially the indirect and longer-run effects). Nevertheless, any comprehensive analysis must take all likely impacts of a policy choice into account (measurable or not), before deciding that outsourcing is indeed the course of action that best maximizes the public interest.

The City of Toronto's direct custodial care falls under the Department of Facilities Management, which operates within the larger Department of Facilities and Real Estate. The total allocation of the Facilities Management budget that is directed to custodial care is currently \$31 million,<sup>41</sup> equivalent to roughly one-fifth of the total Facilities Management budget (and representing around 0.3% of the total City of Toronto operating budget).<sup>42</sup>

The City currently also spends some \$23 million per year on private cleaning services.<sup>43</sup> These contracts cover cleaning services at city offices, some water stations, and a handful of other facilities. Much of the cleaning work associated with the operation of various city agencies or commissions is not included in these totals.

The potential scale of the up-front labour cost savings associated with proposed outsourcing of cleaning can be estimated as follows. The recent KPMG review of City services estimated that over 1000 in-house cleaners are employed by the City, and hence could be replaced if the City were to fully outsource cleaning services at police stations, housing facilities, child care centres, and all other facilities. Shifting the work to external providers, given current prevailing wage rates in the private cleaning industry, is likely to result in a reduction in wage rates paid of about half (from roughly \$22 per hour in existing municipal services, to perhaps \$11 per hour among private contractors — just slightly over the minimum wage). Note first that this would push the cleaners themselves below the Statistics Canada low-income cut-off line for a city of Toronto’s size (especially for those supporting dependents), and even further below the threshold of a “living wage” that would allow for full participation of the cleaners and their families in economic and social life. Across 1000 full-time equivalent cleaning positions, this would generate a reduction in wage costs for cleaners in excess of \$20 million per year (and the imposition of an equivalent burden on the cleaners and their families). The savings on benefits, given the minimal provision of pensions and supplementary benefits in the private cleaning sector, would add to these potential savings.

However, those savings must be considered against the direct and indirect expenses that are subsequently incurred as a result of the varied consequences (both immediate and longer-run, intended and unintended) of the decision to outsource the work. *Figure 4* provides an illustrative framework, through which these composite effects could be catalogued and compared.

Outsourcing is not a costless process, from the perspective of civic administration. There are expenses associated with tendering, administering, and supervising the process, which academic research indicates can offset much of the expected savings.<sup>44</sup> Past experience has also indicated occasions in which the narrowly defined duties of a private cleaning contract did not cover occasional functions or maintenance tasks that must subsequently be undertaken by the City anyway (and which, when the service is provided in-house, could be completed through the discretionary assignment of City staff). Finally, some of the savings associated with lower wages and



**FIGURE 4** Framework for an Integrated Cost-Benefit Analysis of Outsourcing Cleaning Work

Source of Saving/Expense	Level of Gov't Affected	Financial Or Non-Financial
<b>Labour Cost Savings from Outsourcing</b>		
Lower wages (1000 positions, \$11/hr savings): \$20m+	City	Financial
Lower benefit costs	City	Financial
<b>Costs of Contracting &amp; Supervision</b>		
Costs of tendering, supervision, and administration	City	Financial
Costs of tasks not covered by the outsourced contract	City	Financial
Profit margin built into private bid costs	City	Financial
<b>Foregone Tax Revenues</b>		
Lower income & sales taxes: 40% (\$8m+)	Province, Federal	Financial
Lower city revenues (property taxes, user fees, etc.)	City	Financial
<b>Social Program Expenses</b>		
Higher social assistance payouts: \$millions	Province, City	Financial
Higher means-tested pension payouts	Federal	Financial
Higher health care costs	All Levels	Both
Higher policing costs	All Levels	Both
<b>Costs Associated with Inadequate Quality</b>		
Potential emergency or public health costs resulting from infection, accidents, occupational health & safety problems	All Levels	Both
<b>Other Long-Run Costs</b>		
Growing social exclusion in key neighbourhoods & communities (including women, racialized groups, and new Canadians)	All Levels	Both
Lack of springboard job opportunities for workers who use cleaners as entry position	All Levels	Both
Spillover economic and social impact of marginalized neighbourhoods	All Levels	Both

benefits paid to cleaners are naturally absorbed in the profit margins that are now charged on the cleaning work by the new private contractors – profit margins that are not present for in-house delivery.

Another large portion of the savings from lower wage payment is immediately offset, from the broader social cost-benefit perspective, by a corresponding reduction in taxes paid by lower-wage private-sector cleaning workers (relative to taxes paid by the former in-house cleaners). This includes lower personal income taxes paid directly from the reduced incomes, and sales taxes paid out of the reduced level of personal consumption; both re-

ductions are incurred by higher levels of government (provincial and federal). Conservatively, this reduction in taxes paid would offset 40% of the wage savings.<sup>45</sup> Even the City itself would see some offsetting reduction in revenues through property taxes (driven by the deterioration in economic conditions and hence development in affected neighbourhoods), a decline in user fees paid for city services, etc.; while the link between incomes and tax revenues is not as strong for the City as for higher levels of government, it is not non-existent, and should be considered in a full analysis.<sup>46</sup>

Through several channels of causation, the elimination of living-wage jobs and their replacement with poverty-level jobs imposes additional costs on all levels of government through higher social program expenses. These channels include higher costs for social assistance payouts (some of which are paid by the City), higher costs for means-tested pension programs (the GIS and OAS programs), higher health costs (including community and public health costs that are borne by the City), higher costs for policing, courts, and prisons as a result of the continuing deterioration of living and social conditions in affected neighbourhoods, and more.

A related risk — once again, difficult to quantify, but relevant and important nonetheless — are the potential health and other public costs that would be incurred in the event that poorer-quality cleaning services contributed to an accident, the spread of disease, or some other failure resulting from inferior and inadequate cleaning standards demonstrated by private contractors. These costs would include the direct costs associated with the incident itself, broader expenses related to infection or other spillover, and liability issues that would face the City as a result.

A final category of costs, particularly difficult to quantify but exceedingly important to the long-run health and economic viability of Toronto, are the indirect social spillovers from the destruction of hundreds of living-wage jobs. The chain of causation must be followed by policy-makers from the decision to eliminate these jobs, through to the resulting deterioration in social and economic conditions in neighbourhoods which are already feeling the stress of inequality and marginalization. These effects, naturally, are diffuse, long-term, and indirect. But they are real — and the growing academic literature on the complex and enormous social and economic costs of inequality attest to the fact that throwing hundreds of families out of a decent standard of living into insecure, unstable, poverty-level jobs will indeed impose costs on the rest of society that responsible policy-makers must take into account.

It is certainly the case that many of these items are difficult to quantify. But that hardly means they should simply be ignored by policy-makers, in considering whether to outsource living-wage in-house positions to seemingly lower-cost private providers. Similarly, levels of government other than the City of Toronto incur many of the fiscal “costs” listed in *Figure 4*. But that also does not disqualify them from the analysis. In the first place, a policy decision that simply involves transferring a fiscal burden from one level of government to another hardly constitutes an “efficiency” or a “saving” (as the City of Toronto itself has learned, the hard way, following many years of fiscal down-loading from higher levels of government). Secondly, deterioration in the financial conditions of higher levels of government will ultimately be experienced by the City in the form of tighter fiscal constraints on the transfer payments that the City receives from those levels of government. Thus the City should hardly try to address its fiscal challenges through measures which merely transfer a burden elsewhere. If a policy choice imposes a net cost on society (as it is quite possible, based on the analysis in *Figure 4*, from the outsourcing of cleaning work), then it should be avoided. The question of the precise allocation of costs and benefits to various levels of government is then a secondary matter.

*Figure 4* provides an analytical checklist to guide policy-makers in thinking through all of the potential consequences of an outsourcing decision: direct and indirect, short-term and long-term, intended and unintended. Assigning weights and, where possible, actual financial figures or probabilities, to each of these items will require a more fulsome and integrated cost-benefit exercise than has been undertaken to date. While such a task would be a significant and necessarily imprecise undertaking, City Council has the responsibility to think carefully about all of the complex and unpredictable ramifications of what many have interpreted so far as a simplistic matter of cutting costs.

# References

- Bel, Germa, Hebdon, Robert, and Warner, Mildred (2007). *Local Government Reform: Privatization and its Alternatives*, *Local Government Studies* 33(4), pp. 507–515.
- Canadian Union of Public Employees (2011). *The Battle of the Wages: Who Gets Paid More, Public or Private Sector Workers? Ottawa: Canadian Union of Public Employees*. [http://cupe.ca/updir/Battle\\_of\\_the\\_Wage\\_ENG\\_Final-o.pdf](http://cupe.ca/updir/Battle_of_the_Wage_ENG_Final-o.pdf)
- CBC News (2011). *Toronto's 2011 budget battle set to start*. <http://www.cbc.ca/news/canada/toronto/story/2011/01/09/toronto-budget-council.html>. Jan 9 2011.
- City of Toronto (2011). *Facilities Management and Real Estate Operating Budget Analyst Notes*. [http://www.toronto.ca/budget2012/pdf/op12\\_an\\_fred.pdf](http://www.toronto.ca/budget2012/pdf/op12_an_fred.pdf)
- Custodial Services (2011). *Custodial Services Building List – June 9, 2011*. City of Toronto.
- Esser, Ingrid and Palme, Joakim (2010). *Do public pensions matter for health and wellbeing among retired persons? Basic and income security pensions across 13 Western European countries*. *International Journal of Social Welfare* 19(s1), pp. S103-S120.
- Glewwe, Paul, Jacoby, Hanan., King, Elizabeth (1999). *Early Childhood Nutrition and Academic Achievement: A Longitudinal Analysis*. Washington, Food Consumption and Nutrition Division – International Food Policy Research Institute. Discussion Paper Number 68.
- Hinkin, Timothy and Simons, Tony (2001). *The Effect of Employee Turnover on Hotel Profits – A Test Across Multiple Hotels*. *The Cornell Hotel and Restaurant Administration Quarterly* 42(August), pp. 65–69.
- Hinkin, R. Timothy and Tracey, J. Bruce (2000). *The Cost of Turnover – Putting a Price on the Learning Curve*. *Cornell, The Cornell Hotel and Restaurant Administration Quarterly* 41(3), pp. 14–21.
- Janitorial Agency (2012). *The Commercial Cleaning Industry Growth & Demand*. <http://www.janitorialagency.com/marketandindustry.php>.
- Kangas, Olli and Joakim, Palme (2000). *Does Social Policy Matter? Poverty Cycles in OECD Countries*. *International Journal of Health Services* 30(2), pp. 335–352.

- Kelbie, Paul (2008). *Private cleaners barred in war on hospital bugs*. The Guardian, October 19. <http://www.guardian.co.uk/society/2008/oct/19/mrsa-health-scotland-private-cleaners>.
- Knesebeck, Olaf von dem., Verde, E. Pablo and Dragano, Nico (2006). *Education and health in 22 European countries*. Social Science & Medicine 63(5), pp. 1344–1351.
- Korenman, Sanders, Miller, E. Jane, and Sjaastad, E. John (1994). *Long-Term Poverty and Child Development in the United States: Results from the NLSY*. University of Wisconsin, Institute for Research on Poverty – Discussion paper 1044–94.
- KPMG (2011). *City of Toronto Core Services Review*. Toronto, KPMG, Standing Committee Summary. <http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-39626.pdf>.
- Levy, Sue Ann (2011). *Union refuses to be taken to the cleaners*. Toronto Sun, June 21. <http://www.torontosun.com/2011/06/21/union-refuses-to-be-taken-to-the-cleaners>.
- Mackenzie, Hugh and Stanford, Jim (2008). *A Living Wage for Toronto*. Ottawa, Canadian Centre for Policy Alternatives, November.
- McKeown, David, MacCon, Karen, Day, Nancy, Fleiszer, Paul, Scott, Fran and Wolfe, A Scott (2008). *The Unequal City – Income and Health Inequalities in Toronto*. Toronto Public Health, October.
- Mitchell, R. Terence, Haltom, C. Brooks and Lee, W. Thomas (2001). *How to Keep Your Best Employees: Developing an Effective Retention Policy*, Academy of Management Executive 15(4), pp. 96–111.
- Murphy, Janice (2002). *Literature Review on the Relationship between Cleaning and Hospital Acquired Infections*. Vancouver: Hospital Employees' Union.
- OECD (2011). *Divided We Stand: Why Inequality Keeps Rising*. Paris: OECD Publishing. <http://dx.doi.org/10.1787/9789264119536-en>.
- Ontario Newsroom (2011). *Hurley Corporation Fined \$60,000 for Health and Safety Violation*. <http://news.ontario.ca/mol/en/2011/02/hurley-corporation-fined-60000-for-health-and-safety-violation.html>.
- Public Health Agency of Canada (2012). *The Canadian Nosocomial Infection Surveillance Program*. [http://www.phac-aspc.gc.ca/nois-sinp/reports-rapport/mrsa-sarm\\_result-eng.php](http://www.phac-aspc.gc.ca/nois-sinp/reports-rapport/mrsa-sarm_result-eng.php).
- Putnam, Robert (1993). *The Prosperous Community: Social Capital and Public Life*. American Prospect 4(13), pp. 35–42.
- Quinlan, Michael and Bohle, Philip (2009). *Overstretched and Unreciprocated Commitment: Reviewing Research on The Occupational Health and Safety Effects of Downsizing and Job Insecurity*. International Journal of Health Services 39(1), pp. 1–44.
- Quinlan, Michael (1999). *The Implications of Labour Market Restructuring in Industrialized Societies for Occupational Health and Safety*, Economic and Industrial Democracy 20, pp. 427–460.
- Rampling, A., Wiseman, S., Davis, L., Hyett, P., Walbridge, A. N., Payne, G. C., & Cornaby, A. J. (2001). *Evidence that hospital hygiene is important in the control of methicillin-resistant Staphylococcus aureus*. Journal of Hospital Infection 49, pp. 109–116.
- Stapleton, John, Murphy, Brian and Xing, Yue (2012). *The Working Poor in the Toronto Region*, Toronto, Metcalf Foundation.
- Statistics Canada (2011). *National balance sheet accounts*. <http://www.statcan.gc.ca/daily-quotidien/111213/dq111213a-eng.htm>.
- Statistics Canada (2012a). *National Occupational Classification – Statistics (NOC-S) 2006*. <http://stds.statcan.gc.ca/soc-cnp/2006/cs-rc-eng.asp?cretaria=G93>.

Statistics Canada (2012b). *Low Income Cut-offs (1992 Base) Before Tax*. <http://www.statcan.gc.ca/pub/75f0002m/2010005/tbl/tblo2-eng.htm>.

Statistics Canada (2009). *Survey of Labour and Income Dynamics: Public-use Microdata File.*, Catalogue 75M0010XB.

Stinson, Jane, Pollak, Nancy and Cohen, Marcy (2005). *The Pains of Privatization – How Contracting Out Hurts Health Support Workers, Their Families, and Health Care*. Vancouver: Canadian Centre for Policy Alternatives, April.

Taylor, Wayne, Earle, Rod, and Hester, Richard (2010). *Structural Disadvantage: Youth, Class, Crime and Poverty*, in *Youth Justice Handbook: Theory, Policy and Practice*. London: Willan Publishing, pp. 5–22.

Wilkinson, Richard, and Pickett, Kate (2009). *The Spirit Level: Why Greater Equality Makes Societies Stronger*. London: Penguin.

# Notes

- 1** Stapleton, Murphy, and Xing (2012).
- 2** Taylor, Earle, and Hester (2010).
- 3** And even if the outsourcing is facilitated through attrition rather than layoffs, the net impact is still the disappearance of former living-wage jobs, and their replacement with poverty-level jobs.
- 4** Stinson, Pollak and Cohen (2005).
- 5** Quinlan (1999), pg 430.
- 6** These Census classifications do not overlap perfectly, of course, with the titles ascribed to cleaning job categories within particular workplaces, such as the City of Toronto.
- 7** Statistics Canada (2012a).
- 8** All census data reported in this section is based on authors' calculations from Statistics Canada 2006 census data; unpublished special run.
- 9** Statistics Canada (2011).
- 10** Author's calculations based on Statistics Canada 2006 census data
- 11** See, for example, Canadian Union of Public Employees (2011).
- 12** Statistics Canada (2012b).
- 13** Mackenzie and Stanford (2008).
- 14** Janitorial Agency (2012).
- 15** Hinkin and Simons (2001).
- 16** Janitorial Agency (2012).
- 17** Terence, Brooks and Thomas (2001), p. 96.
- 18** Hinkin and Tracey (2000), p. 21.

- 19** Quinlan and Bohle (2009), p. 5.
- 20** Quinlan and Bohle (2009), p. 5.
- 21** Ontario Newsroom (2011).
- 22** Stinson, Pollak, and Cohen (2005),
- 23** Ibid, p. 22.
- 24** Ibid, p. 19.
- 25** Murphy (2002), p. 6,
- 26** Stinson, Pollak, and Cohen (2005), p.39.
- 27** Public Health Agency of Canada (2012).
- 28** Kelbie (2008).
- 29** Murphy (2002), p.2.
- 30** Rampling et al (2001).
- 31** Knesebeck, Verde, and Dragano (2006).
- 32** Putnam (1993),
- 33** As noted above, Mackenzie and Stanford (2008) estimate a living wage for workers in Toronto, based on a family with two full-time full-year earners, at \$16.60 per hour (or roughly \$33,000 per worker per year).
- 34** Glewwe, Jacoby, and King (1999).
- 35** Korenman, Miller, and Sjaastad (1994).
- 36** McKeown, et al. (2008).
- 37** OECD (2011).
- 38** Esser and Palme (2010).
- 39** McKeown, , et al. (2008). p. 13,
- 40** Authors' calculations on the basis of Survey of Income and Labour Dynamics (2009).
- 41** City of Toronto (2011)
- 42** CBC News (2011)
- 43** Custodial Services (2011).
- 44** Bel, Hebdon, and Warner (2007).
- 45** For income taxes, government loses both as a result of foregone taxes no longer paid on the incomes not paid out, and because low-wage private-sector cleaners pay income tax at a lower average rate on the incomes they do receive.
- 46** Moreover, the City's own finances are obviously contingent on the financial well-being of higher levels of government, given the City's dependence on fiscal transfers.







**CCPA**

CANADIAN CENTRE  
for POLICY ALTERNATIVES  
ONTARIO OFFICE