Responsible Property Investing and Property Management: Exploring the Impacts of Good Labour Practices on Property Performance

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Executive Summary

This paper examines the labour and human capital aspects of responsible real estate. Investors and property managers have started to implement responsible contractor policies (RCPs) in order to respond to labour challenges in the industry, including subcontracting, low wages and benefits, unstable working hours, and poor working conditions. This paper explores the impact of fair labour practices on property performance, and assesses the applicability of RCPs in the Canadian property industry by exploring the use of such policies by real estate investors and managers in the United States.

Key findings of the paper are:

- RCPs serve as both standard-setting and monitoring mechanisms for property service supply chains. Observations and comments from interviewees highlight that RCPs work well in the United States as a signalling device for pension funds, indicating that the property investors or managers that implement them are interested in supporting fair wages and labour practices, as consistent with its fiduciary duty.
- According to those who use them, RCPs are beneficial in that they create a framework for identifying and managing the relationship that investors, property managers, and contractors have with their employees. The interviewees generally rejected the standard critique that RCPs limit investors' ability to fulfill their fiduciary duty to their shareholders. Rather, they argue that RCPs are explicitly tied to superior long-term performance and are written to explicitly affirm this commitment.
- The Canadian property managers and developers interviewed for this paper generally recognize the value of fair labour practices. Although a few investment managers have started to formally consider fair labour practices in their contract bidding processes, the explicit use of RCPs and other fair labour mechanisms is not yet the norm across the Canadian property sector.
- The authors of this paper argue that the success of RCP models in the United States demonstrate the value and feasibility of using RCPs within an overall property investment strategy in Canada that is consistent with investors' fiduciary duties.
- For Canadian property investors and managers, responsible contractor policies that incorporate fair labour practices into contractor evaluation and bidding processes can address reputational risks and emerging changes in public sentiment and public policy.
- The research suggests that RCPs can have a positive impact on asset value and investment performance in terms of improved quality of services, and may also provide a competitive advantage for firms seeking to build productive, long-term employment relations and sustainable financial returns.

Introduction

Institutional investors and corporations alike increasingly recognize that extra-financial determinants of business performance can both create value and uncover significant risks within a business or investment portfolio. For example, institutional investors, including pension funds, are realizing that the long-term nature of their portfolio holdings leaves them vulnerable to risk over time. In response, they are integrating responsible investment practices into their investment approach.

Responsible investors consider environmental, social, and governance (ESG) factors and incorporate them into the investment decision-making process. ESG factors have been dubbed "extra-financial" and, in the past, have not played a significant role in investors' and analysts' decisions. But there is increasing evidence that these three factors can play a significant role in both reputation risk and share value over time. The growing awareness among investors of the importance of responsible investing is evident in the numbers of signatories to the UN Principles for Responsible Investing (UNPRI), signatories that represent $13 trillion of assets under management. As a result, corporate responsibility and responsible investment issues have gained increasing public attention, prompting leading companies and investors to more closely examine the wider societal and ecological impacts of their business and investment decisions.

For companies that invest in, develop, own, or operate commercial real estate assets, this awareness of extra-financial impacts has led to a significant interest in what has been called "responsible real estate." Investment in the property sector is closely tied to key regulatory, consumer, and demographic issues, and the physical nature of the built environment encourages investors to adopt longer time horizons in their investment strategies. As such, the importance of ESG issues is more deeply felt over these longer terms.

Within the field of responsible property investment, green real estate—real estate investment and management that seeks to reduce the environmental impacts of building construction and operations—has received special attention. For example, the anticipation of increased regulatory attention to greenhouse gas emissions and the search for operational savings from energy efficiency or reduction of water use have become standard tools in the real estate investment toolkit. Companies can benefit from these improvements through increased tenant satisfaction, energy cost savings, and the growing market demand for green real estate.[1] On the social side of the equation, affordable and workforce housing, urban regeneration, brownfield redevelopment, and other opportunities to integrate ESG issues into investment decision-making have also received increased attention over the past decade.

Labour and workplace considerations are also key components of responsible property investing, though they have received relatively little attention within the Canadian commercial property industry. Given that construction and maintenance of commercial properties are vital components of the property supply chain, and that labour accounts for a significant portion of the cost of developing and maintaining properties, labour and human capital issues are key aspects of responsible property ownership and management, and may carry material risks and opportunities for property investors.

Some investors and managers of commercial properties in Canada and the United States have incorporated the issue of employment and contracting practices within the property sector into their investment strategies, as well as into their commitment to responsible investment. Investors and managers addressing the issue in a formal way have done so by adopting fair wage standards, establishing responsible contractor policies (RCPs), or requiring union-only contracting. In doing so, they recognize that property workers such as janitorial, maintenance, security, and construction staff are important members of the service supply chain and contribute to property value by ensuring buildings are well-built, clean, and well-maintained, and that they meet tenant and investor expectations. Institutional investors in the United States have turned to RCPs, in particular, as important tools to ensure that fair employment practices are being integrated into the development and management of their real estate assets. However, such practices have yet to be adopted publicly by Canadian investors who have responsible investment mandates.

The purpose of this paper is to assess the applicability of responsible contracting policies and fair labour practices to the Canadian property investment context. To do this, we first address the growth of precarious labour in the Canadian context and the consequences of this growth for workers, the businesses for which they work, and the investors and property managers that rely on those services. The first section documents the nature of the problem and the potential risks and opportunities to investors. The second section outlines the use of RCPs in the United States, where they have been employed by both public pension funds and investment managers, then looks at the potential use of RCPs in the Canadian context. The conclusion examines the potential for RCPs and fair labour practices to serve as a tool for Canadian investors in dealing with the material risks that the acceleration of precarious-labour practices may have for their real estate portfolios.

The research conducted for this paper is qualitative in nature. The authors drew on a thorough literature review using academic, industry, and government sources in both Canada and the US. The authors consulted with industry experts, property-service workers, commercial cleaning companies, non-governmental organizations, and unions in order to gain a better understanding of employment practices and labour standards within the industry. Senior academics at both Boston College (US) and Carleton University (Canada) conducted semi-structured interviews with real estate industry practitioners, pension funds, investment managers, and key stakeholders. The paper draws conclusions based on those interviews, which helped deepen our understanding of how responsible contractor policies and fair labour practices are utilized by property owners and managers. The senior researchers conducted a total of twelve interviews, seven in the United States and five in Canada (see Appendix One for a list of interviewees). To maintain consistency between the two countries, the researchers developed a set of template interview questions (see Appendix Two for interview questions).

Precarious Work and the Canadian Property Industry

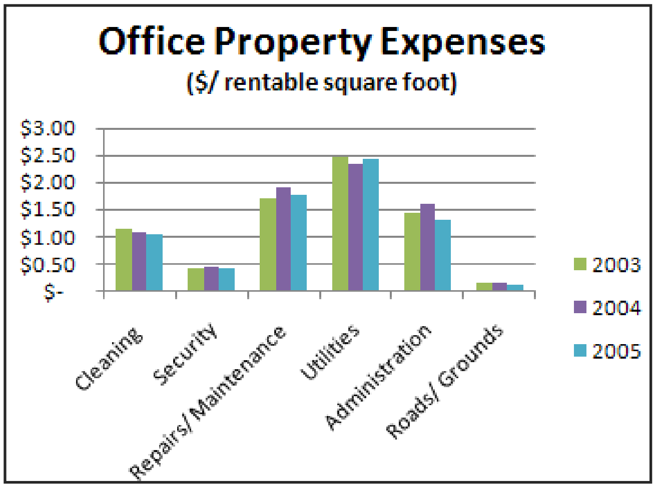
To date, there has been relatively little research on the value of considering labour and human capital issues within a responsible real estate context.[2] However, the issue is important and timely, as evidence suggests that property workers (excluding skilled trades-people), as well as workers in other service industries in Canada, face a significant and notable deterioration in working conditions. At the same time, growing investor interest in environmental, social, and governance (ESG) issues suggests that labour standards may play an increasingly important role in how investors make investment decisions in the property sector.

This section profiles the property sector in Canada, with a focus on janitorial and cleaning services, by examining key labour and human capital concerns within commercial properties. It highlights general practices within the industry and details some examples of employment and contracting practices that have contributed to a deterioration of employment conditions for property workers. These practices include downward pressure on wages, high staff turnover rates, limited access to benefits, poor worker health and safety, and insecure, "precarious" employment. This section demonstrates that, although not all property service firms face systemic labour and human capital issues, the vulnerability of the workforce and the precarious nature of employment in the industry constitutes a risk for property owners and managers that employ property-service firms.

Property-Service Sector Overview

The commercial cleaning and janitorial service industry is a highly competitive industry, particularly in major Canadian markets such as Toronto, Ottawa, Calgary, and Vancouver, and profit margins are relatively low. Nationally, Statistics Canada estimates that that there are approximately 450,000 people working as cleaners in Canada, the majority of them self-employed.[3] Each major city is dominated by a few large, commercial cleaning companies that service downtown commercial buildings, with thousands of smaller firms and independent contractors providing subcontracted and specialized labour.

Cleaning composes a relatively small proportion of total operating costs for commercial properties.[4] Labour costs alone account for 90% of cleaning service expenses and, as a result, the cost of labour has been subject to intense downward pressure and price competition.[5] Expenses allocated to cleaning declined at a time when labour costs in Canada were rising. For example, cleaning service expenses declined by 6.5% between 2003 and 2005 in Canadian commercial properties, whereas total expenses for commercial properties declined by only 3% over the same period.[6]



Source: Building Owner and Managers Association (BOMA) Canada, *Experience Exchange Report: Canadian Office Market Highlights, 2005 and 2006.*

Unlike utility expenses, where costs are externally determined, the costs of services to buildings are variable within property management budgets and are subject to competitive bidding processes. Competitive bidding allows managers to keep costs low by encouraging contractors to compete on variables such as price, quality, and service. The bidding process is an essential tool for controlling the costs of property-service contracts, allowing property managers to ensure they are receiving the lowest price bid for service contracts. However, the effects of highly competitive bidding are felt throughout the service supply chain, and can play a role in facilitating a race to the bottom in terms of wages and benefits for workers as well as intensification of work for cleaners. The next section outlines these social impacts in more detail.

Critical Issues in the Property-Service Industry

Subcontracting and precarious-employment tactics are known to be used within the property industry in Canada; however, the extent of companies' reliance on precarious-employment strategies varies. Some property workers face relatively stable employment and wage rates, while many others face highly variable weekly working hours, high contract turnover and job loss, greater work intensity, productivity pressures, and poor wages and benefits.

Subcontracting

Property-service firms have developed innovative strategies to meet ever-lower price obligations brought on by fierce competition and contract underbidding. One result is increasing reliance on "precarious" employment practices (see box left), including the use of temporary, part-time and subcontracted labour. According to industry insiders, it is relatively common practice for non-unionized

Precarious Employment Defined

Precarious employment refers to work that is "non-standard," including part-time (less than 30 hours per week in the employee's primary job), temporary (contract or casual work), and solo self-employment (self-employed persons that do not employ others).

cleaning service firms to subcontract janitorial work either building to building or even, in some cases, floor by floor.[7]

The use of temporary and contract workers is more commonly found among small cleaning firms and smaller properties such as retailers, banks, and restaurant sites. However, large and mid-sized firms and firms serving downtown commercial markets in Canada are also known to subcontract cleaning work.[8] Unions actively organizing the industry report documented evidence suggesting that, in non-unionized markets, firms commonly subcontract 40% or more of their cleaning work to independent contractors.[9] In some instances, workers establish an incorporated company in order to take advantage of cash-only cleaning work subcontracted to them by both large and small cleaning companies.[10] Cash-only subcontracting allows companies to keep costs low and provides workers with supplementary income.

In other cases, cleaners may be intentionally misclassified as "independent contractors" by their employer in an effort to evade obligations and costs of providing additional benefits such as sick leave and vacation pay. As part of its unionizing drive, the Service Employees International Union (SEIU) reports that it has uncovered a number of instances in Canada where cleaners are classified as independent contractors when, in fact, they work for only one company and should be classified as employees.[11]

Many cleaning-service firms in highly competitive markets have a financial incentive to employ workers as "independent contractors" rather than as employees. For example, additional expenses mandated by the employer–employee relationship, such as Canada Pension Plan/Quebec Pension Plan (CPP/QPP) premiums, Employment Insurance (EI), and workers health and safety premiums, can increase the cost of labour by nearly 20%. Therefore, firms that hire workers as independent contractors and are not subject to these additional costs tend to underbid competitors that hire workers directly as employees.

The use of self-employed workers and independent contractors can be problematic from the perspective of labour rights and fair employment, since these workers are often unprotected by employment standards regulations and are particularly vulnerable to exploitation and labour rights violations. In addition, self-employed workers have fewer avenues for recourse in the case of a violation of labour rights, because the relationship with the cleaning firm is considered to be contractual not between an employer and an employee.

Vulnerable Workforce

Research shows that workers, once employed on a temporary, contract, or part-time basis, tend to remain in such positions for an extended period of time.[16] These forms of precarious employment in the property-service industry should

Self-Employment and Subcontracting in Canada

The practice of classifying workers as independent contractors is a growing trend in Canada.[12] For example, the number of self-employed people that work for only one company, and resemble employees rather than independent entrepreneurs, has increased significantly.[13] The Organisation for Economic Co-operation and Development (OECD) has been tracking this trend, and notes that in the case of growing rates of self-employment in Canada, "self-employment status may be little more than a device to reduce the total taxes paid by the firms and workers involved."[14] The OECD argues that this trend of "false" self-employment can have significant financial consequences for government tax authorities and, consequently, for social-program funding. It can be particularly problematic when companies and employees use self-employment or independent contractor status to evade federal and provincial taxes and worker health and safety premiums.[15]

therefore not be viewed simply as a stepping stone toward full-time, permanent employment. For many workers in the cleaning industry, precarious employment can be persistent and protracted.

Women, new immigrants, and visible minorities dominate the property-service industry. Their demographic is statistically overrepresented in precarious forms of work and highly vulnerable to exploitation and labour violations.[17] Many workers in the industry do not speak English or French and are ill-informed of Canadian labour laws and regulations designed to protect employment rights. In addition, few new workers are aware of or have access to legal complaint processes in the case of labour violations. Even in instances where workers have access to complaint processes, either through legal or union mechanisms, many do not pursue them, out of fear of losing their jobs.

For example, the Workers' Action Center, a Toronto-based organization that assists low-wage workers in filing labour-related complaints, reports that many workers, particularly new immigrants, undocumented workers, or workers without regularized immigration status, often fear reprisal from their employer and therefore do not initiate or file complaints with regulatory agencies. [18] Unions that are organizing cleaners confirm this fear, reporting instances of intimidation and harassment of workers who are actively participating in union organizing. [19]

There is no accurate provincial or federal data that captures the extent of labour violations within the industry, because the demographic of workers in the industry has difficulty accessing regulatory mechanisms, and because labour violations are significantly under-reported. According to civil-society organizations and agencies that work with vulnerable populations in low-wage industries, including in the property-service industry, violations of labour rights are common:

> *Violations of minimum labour standards are the norm, rather than the exception in many workplaces. The daily reality of labour-law violations [has] made them seem ordinary and expected in labour sectors where new immigrants, racialized, women and low-waged workers dominate, given barriers to better jobs. As workers' experiences tell us, it is not a question of a few "bad apples."*[20]

The Workers' Action Center hears hundreds of complaints from workers regarding employment standards violations in Toronto, including complaints about the employment practices of janitorial firms.[21] The most common complaints heard by the Workers' Action Center are reports of unpaid wages, vacation pay, excessive overtime, and unfair termination.[22]

Wages and Benefits

Generally, wages in the Canadian property-service industry are based on the minimum wage set by provincial authorities, which ranges from $7.50 per hour in Prince Edward Island to $8.75 in Ontario.[23] In largely unionized cities, wage rates among workers reflect prevailing union wages. Hourly earnings in Montreal and other major cities in Quebec are significantly higher, more than $13.00 plus benefits, as the result of city-wide and province-wide decrees governing building-service contracting (for more information see section two).

Table 1 outlines the median annual occupational earnings for light-duty[24] cleaners in Canada's major cities. The annual earnings for cleaners are extremely low, reflecting the precariousness of work in the industry. Income for light-duty cleaners in Canada is less than half the national median income, which was $26,850 in 2005. Cleaners' income is also significantly below the national before-tax low-income cut-off, Canada's measure of poverty, which in 2005 was $20,791 for a single person and $31,821 for a three-person household living in a large urban center.[25]

Table 1
Median Annual Employment Income: Light-Duty Cleaners

Location	2000	2005	% Change
Canada	$12,335	$12,396	0.49
Ottawa - Gatineau	$14,548	$15,030	3.31
Toronto	$17,035	$15,434	–9.40
Calgary	$11,251	$13,558	20.50
Vancouver	$16,637	$15,046	–9.56

Source: Statistics Canada, *2006 Census of Population*, Statistics Canada catalogue no. 97-563-XCB2006063. Data includes both employees of cleaning firms and self-employed cleaners. Constant 2005 dollars.

Income for cleaners in Canada's major cities is very similar to the national picture. The annual earnings for a cleaner in Vancouver amount to half of the estimated annual "living wage" of $30,449, or $16.73 per hour, for a single parent with one child, as calculated by the Canadian Center for Policy Alternatives (CCPA). According to the CCPA, the living wage reflects the required income level necessary to live a healthy, productive life in Vancouver. [26] Similarly, the wages for janitorial workers in Toronto are far below the estimated income level required to keep families out of poverty, as calculated by the United Way of Greater Toronto.[27]

In some cases, cleaners may not receive minimum wage, despite labour laws mandating the payment of minimum wage. For example, some workers report instances where they are required to pay upfront "finders" or brokerage fees or commissions, as well as additional insurance costs, before cleaning service firms will grant them a contract. [28] Disclosure documents from one international commercial cleaning franchise with operations in Ontario indicate that workers receiving $5,000 of cleaning work must pay $20,000 in upfront fees plus the cost

Wage and Income Comparisons

Annual income for cleaners is less than half the national median income. It is far below the low-income cut-off, Canada's measure of poverty, as well as below the estimated annual living-wage rates in Vancouver and Toronto.

of leasing equipment and supplies. [29] Industry insiders report that franchisor/ franchisee operations service some of Canada's Class A commercial buildings.[30] Experts warn that some franchise operations are designed to make money primarily off the upfront fees, not on the ongoing work performed. As a result, firms will deliberately assign difficult or uneconomical contracts to new franchisees in an effort to force them out of the business, while still collecting the upfront fees.[31] In some instances, workers find themselves earning less than the legal minimum wage once the workload and all additional deductions, insurance costs, and penalties are taken into account.[32]

Workers employed on a temporary or contract basis, either through franchise operations or as independent contractors, tend to earn less money and receive less on-the-job training. They are also generally disqualified from receiving important benefits such as vacation, sick leave, and unemployment insurance—important contributors to workers' safety net and general well-being. For example, studies show that, in general, contract workers earn approximately 16%, or $4.00, less per hour than permanent employees. [33] The wage gap is particularly pronounced in the service industry and among temporary workers in non-unionized, low-skill occupations.[34] Temporary and contract workers also report less job satisfaction, more night or weekend work, and monotonous work tasks. [35]

Many property-service workers, whether working as employees or as contract labourers, have limited access to extended health benefits, placing them at greater risk of illness and thereby leading to poor health and higher rates of absenteeism. In general, unionized light-duty cleaners in Canada earn more than the industry average and more than provincial minimum-wage rates, and tend to receive more stable weekly working hours, providing them with a reliable weekly income.[36] In addition, most unionized workers receive some form of extended health benefits as part of their collective agreement and have better access to training and to grievance processes.

Hours and Working Conditions

The overwhelming majority of workers in Canada's building service industry (70%) are hourly wage workers who work part-time, on average 28 hours per week. [37] Working hours can be highly variable from month to month,[38] which can be a significant source of insecurity for workers, particularly if they are not guaranteed a minimum number of working hours per week. As a result, many workers find additional employment, particularly in cities with high living costs. In fact, unions report that many workers who do cleaning work often have two or more jobs in order to make ends meet, because cleaning work does not provide them with a sustainable living wage. [39]

The cyclical nature of service contracts inherently creates job insecurity. Generally, cleaning contracts are renewed or renegotiated every 12 to 18 months, although it may vary from property manager to property manager. Contract turnover is largely dependent on factors such as contract duration and tendering timelines, which are distinctly out of the control of individual workers and can be a source of significant levels of uncertainty and job insecurity. This insecurity can be particularly pronounced in jurisdictions where "successor rights" are not guaranteed by labour regulations. In the absence of successor rights, workers do not have the right to keep their jobs if their employer loses a contract. In some instances, employees may not be rehired by the new contractor and could lose their jobs.[40] If workers are able to retain their jobs, the new employer may require wage and benefit cuts or an increase in workload in order to meet lower cost obligations dictated by the new contract.[41]

Most commercial office-cleaning work is done at night, while offices are vacant, meaning that cleaning staff work shifts beginning at the end of the business day (6:00 p.m.) until late at night. While some workers prefer these working hours, which allow them to work a second job or be home during the day,[42] night work can be difficult and can create stress for workers and their families. It can also leave workers feeling vulnerable and unsafe, particularly if they work alone.

The Impact of Precarious Work on Business and Investment

The adverse social and economic impacts of this downward pressure on wages and working conditions within the property services industry can have important consequences for property investors, owners, and managers in terms of workforce stability, the quality of property services, and building security. In addition, ensuring fair labour practices within real estate investment portfolios is an increasingly important concern for institutional investors that have a mandate to invest responsibly and have committed to integrating extra-financial considerations into their investment practices across all asset classes.

We have outlined in detail above the wage penalties faced by property service workers in precarious forms of employment, demonstrating that, on average, workers engaged in work that is temporary, part-time, or subcontracted tend to earn less than their permanent full-time counterparts. Such workers are more likely to fall under the low-income cut-off, Canada's measure of poverty. We have also demonstrated that many non-unionized property-service workers do not receive health benefits, have limited access to statutory entitlements or regulatory protection in the case of a dispute, and may be particularly vulnerable to labour rights violations and exploitation. In addition, companies that hire workers as independent contractors rather than as employees download the costs of employment onto workers.

These practices have wide-reaching effects on worker health, well-being, and productivity. New research on the social determinants of health indicates that precarious employment has significant and measurable impacts on mental and physical health. A multi-year, multi-jurisdictional study commissioned by the World Health Organization (WHO) concluded that "a number of employment-related conditions are associated with poorer health status, including

> "A number of employment-related conditions are associated with poorer health status, including unemployment and precarious work—such as informal work [and] temporary work."
>
> *World Health Organization*

unemployment and precarious work—such as informal work [and] temporary work." [43] The study found that contract labourers are more exposed to hazardous working conditions and repetitive work and have less freedom to choose when to take personal leave from work. As a result, they tend to have a higher risk of occupational injury and face certain mental health and psychological stresses due to persistent job insecurity. The report also shows evidence that precarious jobs can lead to increased incidence of depression, anxiety, and substance abuse.[44] Additionally, the WHO reports that even "workers who *perceive* work insecurity experience significant adverse effects on their physical and mental health" (emphasis added). [45]

These social and health burdens on workers can have a direct impact on the quality of work performed. High turnover and absenteeism creates human capital management challenges and increases costs for property-service firms, property managers, and investors. For example, paying workers only minimum wage can contribute to higher absenteeism and additional administration costs for property-service firms. Jim Peduto, the co-founder of the American Institute for Cleaning Sciences, has found a close correlation between employee turnover rates and cleaning industry wages. His study found that firms paying wage rates closest to the minimum wage experienced higher turnover than those paying higher wages.[46]

Replacing an employee can cost cleaning service firms an estimated 25% to 200% of the employee's salary.[47] As a result, an overreliance on a vulnerable, low-wage work force can create financial burdens and increase administration and training expenses. In an industry where turnover rates average 75% per year, these costs are significant. [48] In fact, some in the industry note that building service contractors increasingly favour unionized workforces because they reduce the administrative burdens of high turnover and absenteeism. Canadian cleaning industry expert Bill Garland suggests that higher wages and/or worker unionization can lead to less staff turnover, improved employee training, satisfied and productive employees, less need for quality control, less management supervision, and less contract turnover.[49] He concludes that "in cities where wages are higher, executives of cleaning firms spend the majority of their time on customer satisfaction or relationship building. However, in cities with lower wages and high turnover, almost half executives' time is spent on staffing issues, which takes time and energy from focusing on the customer."[50]

Canadian commercial cleaning firms echo the benefits of unionization, suggesting that a unionized workforce can help a company define itself as a leader in the industry. One cleaning company stated, "We are a better employer as the financial pressures placed upon us by our clients to lower costs are balanced by our labour representatives' pressure to provide decent wages/benefits for our employees." [51]

When workers are paid decent wages, receive full-time work, and have access

"We are a better employer as the financial pressures placed upon us by our clients to lower costs are balanced by our labour representatives' pressure to provide decent wages/benefits for our employees."

Unnamed Canadian commercial cleaning company

to statutory entitlements, health benefits, training opportunities, and legitimate grievance mechanisms, worker productivity improves and companies experience lower turnover and absenteeism. Some companies have openly recognized that when their employees need to work two or more jobs to make ends meet they are more likely to be tired at work, be prone to workplace injury, or face family stress.[52] Providing workers with a decent wage and an adequate number of weekly working hours provides a more stable income and working environment, which some property service contractors believe can be good for business. [53]

Reliance on a continually changing and precarious workforce can also create security concerns for property managers and their tenants, who must rely on the professionalism of property-service companies to maintain building security. Firms that face continually high turnover rates or that use subcontracted and temporary labour may expose tenants, investors, property managers, and asset owners to increased security risks, particularly if cleaning is performed at night.

Some contractors offer daytime cleaning services in order to address concerns about building security. Daytime cleaning encourages greater interaction and trust between tenants and cleaning staff, and contractors report that daytime cleaning reduces absenteeism rates, ensures building security, and allows companies to recruit better-quality employees. [54] It can also provide better work-life balance for cleaners, improve personal safety for workers, and even reduce energy consumption for property managers (since lights can remain switched off after hours).

For property investors, owners, and managers, maintaining stable labour relations and sustainable human capital management within real estate assets is of commercial interest. As a result, some real estate investors have taken steps to address precarious employment by implementing fair labour practices and responsible contractor policies (RCPs). The policies are designed to address the labour and employment issues outlined above and are equally applicable to the security, cleaning, and building construction industries, which experience similar issues regarding wages, working conditions, health and safety, and subcontracting. The next section outlines the experience of RCPs in the United States before turning to a discussion of the applicability of RCPs in Canada.

Responsible Contractor Policies and Fair Labour Practices

As demonstrated in the previous section, precarious-employment practices in the real estate industry are of particular concern to property investors. The short-term benefits of cutting costs on labour do not necessarily lead to sustainable long-term investment returns. The social problems identified in the previous section—worker insecurity, increased worker stress, and reduced health and other benefits—carry serious risks for investors. Over time, worker productivity may lag, turnover costs may rise, and absenteeism may trump any benefits in reduced wages paid. At the same time, precarious work is a potentially explosive political issue, leading to increased political and regulatory risks for property managers and developers and their investors.

For these reasons, labour practices and precarious employment play an important role in the broader notion of responsible investment. As noted in the introduction, responsible investment focuses the incorporation of environmental, social, and governance analysis into investment decision-making as a means to achieve better long-term performance for investors and society alike.

Responsible contractor policies (RCPs) have emerged as an institutional mechanism to address the potential risks posed by precarious work. RCPs are formal policies originally developed by public pension funds in the United States to accomplish two things:

1. Ensure that bidding processes are open to contractors who pay fair wages and benefits.
2. All other things being equal, institutionalize a preference for contractors who pay fair wages and benefits.

Investors who employ RCPs understand them as a means to mitigate risk and create opportunity by

- identifying investment managers and contractors with a stable workforce able to deliver timely, high-quality work;
- reducing the risk of worker tension, underperformance, and labour strife;
- using fair labour and employment practices as a proxy for good management; and
- supporting a general employment environment that prevents a downward spiral of wages, working conditions, and work quality.

The argument in favour of RCPs is congruent with that for responsible investment generally—fair labour standards are a way to ensure quality work that outperforms over time. In the absence of a formal commitment to RCPs, so the argument goes, contractors might favour poor labour standards as a way to cut short-term costs at the expense of long-term investment value.

Critics have argued that the adoption of RCPs may harm overall portfolio performance by introducing extraneous or non-financial issues into the investment process. Criticisms of RCPs have focused, for instance, on their potential to

- mandate hiring of organized labour at the expense of investment returns;
- restrict the universe of contractors eligible to respond to requests for proposals; or

- create excessive reporting burdens on investor or investment manager staff.

The overarching concern is that RCPs may in some way conflict with an investor's fiduciary duty to earn targeted, risk-adjusted returns. Investors must take these concerns seriously. In the following section, we examine how institutional investors and investment managers in the United States incorporate RCPs into their investment strategies. Our interviews focused both on the reasons these institutions have adopted RCPs and on the ways in which the institutions have addressed the fiduciary questions raised by adopting such policies.

Responsible Contractor Policies in the United States

In the United States, interest and activity around responsible contracting policies predates the interest in responsible investment more broadly—in fact, for a number of investors, adoption of RCPs was a first step toward acknowledging that environmental, social, and governance issues could be included into investment mandates.

RCPs in the United States were instead first approached as a mechanism to deal with concerns from a variety of stakeholders who believed that real estate investors, and the sector generally, did not necessarily support fair labour practices as a matter of course. RCPs were seen as a mechanism to ensure that real estate investors and their intermediaries paid attention to labour standards as part of their investment process. These policies take a broad view of the importance of labour standards and performance as part of the investment process. As Bill Atwood, state treasurer of Illinois, explained, "Responsible Contracting policies support sustainable and equitable employment practices within the context of fiduciary duties to maximize return and minimize risk, and within the context of the moral and ethical framework of the body politic."

"Responsible Contracting policies support sustainable and equitable employment practices within the context of fiduciary duties to maximize return and minimize risk, and within the context of the moral and ethical framework of the body politic."

Bill Atwood, state treasurer of Illinois

The CalPERS Model

The seminal moment for RCPs in the United States remains the adoption by the California Public Employees Retirement System (CalPERS) of a formal responsible contracting policy in 1991. The policy that resulted was designed to balance the fiduciary duty of CalPERS to its shareholders with its commitment to promoting fair and responsible contracting in its investment and property managers in the real estate sector. In the policy, a responsible contractor is defined as:

> *A contractor or subcontractor who pays workers a fair wage and a fair benefit as evidenced by payroll and employee records…Fair wages*

and fair benefits are based upon local market factors that include the nature of the project… comparable job or trade classifications, and the scope and complexity of services provided.[55]

The policy makes clear that the duty of CalPERS' investment decisions is to maximize shareholder value and that the RCP itself must not in any way prevent investment managers or other decision-makers from pursuing the policy that best achieves that goal.

One key element to note about the CalPERS policy is that it is tied to local market conditions. In the United States, for instance, certain construction and service markets in real estate are heavily unionized (the northeastern corridor, large industrial cities, etc.), and others are not (the Southeast and Southwest). By linking the policy to local market conditions, the policy allows investment managers the flexibility to comply with the general definition of responsible contracting without creating a universal policy for bidding, hiring, and employment practices that would be difficult to enforce across the markets in which they invest.

Rather than predetermining outcomes, the policy focuses on two specific procedures for supporting responsible contracting policies:

- It requires relevant decision-makers to ensure an open bidding process and, all other things being equal, to favour contractors who use fair labour policies.
- It requires investment and property managers to report back to CalPERS on their compliance with the open bidding process requirements.

These relatively simple requirements form the core of the CalPERS RCP. As noted, the RCP does not mandate the use of fair labour standards that go beyond minimum legal requirements. However, through the bidding and reporting statutes, it does send an institutional signal that CalPERS regards labour policies as an important area of interest, worthy of institutional scrutiny. In the words of Allan Emkin, a consultant with Pension Consulting Alliance who works with CalPERS on its RCP policy, "If there is a key concept, it is the expression in the policy that the board believes that Responsible Contracting has a direct linkage to superior rates of return—in no way or form is this intended to be a concessionary or subsidy component of the program."

The CalPERS example has been followed by a variety of other public funds in the United States, with the CalPERS RCP serving as a model, replicable policy for adoption by other pension funds. Pension funds adopting RCPs include the California State Teachers' Retirement System (CalSTRS), the New York City Employees' Retirement System (NYCERS), the State of Connecticut, and the State of Illinois. In addition, a number of labour pension funds have also adopted responsible contractor policies as part of their investment strategy. These policies tend to draw from the specific CalPERS model developed in 1992, though they

Fiduciary Duty and RCPs

RCPs are written to explicitly affirm the duty of investment managers and contractors.

may be modified to take into account the relative capacity of different funds to provide internal resources to implement and monitor the policy.

The US Pension Fund Perspective

Observations and comments from representatives that help pension funds manage the RCP process reinforce a key point: RCPs work primarily as a signalling device indicating that the asset owner or manager is interested in supporting fair wages and labour practices as consistent with its fiduciary duty. RCPs do not radically alter investment practice, nor do they play a major role in either the selection of investment managers or the monitoring of investments.

From the perspective of pension funds who have adopted them, RCPs create a framework for identifying and managing the relationship that investment managers, property managers, and contractors have with their employees during the course of the real estate investment process. Including RCPs in requests for proposals and property manager contracts signals that, all other things being equal, the investor, as a matter of policy, in the words of the CalPERS RCP, "strongly prefers" responsible contractors. The reporting requirement requires service contractors and property managers to make clear whether they are in compliance with the policy and reinforces to companies that the investor in question takes labour practices and fair wage standards into consideration when crafting its strategy and making investment decisions.

All of the pension fund representatives interviewed rejected the standard critique that RCPs limit the investors' ability to fulfill their fiduciary duty to their shareholders. Rather, they argue that RCPs are explicitly tied to superior long-term performance. RCPs are written to explicitly affirm the fiduciary duty of investment managers and contractors. As a matter of fiduciary concern, RCPs are seen as a way to ensure that the bidding process is fair and that compliance with the policy is tracked through the reporting requirement. While the policies encourage the bidding process to be open to, for instance, managers that employ union labour, they do not limit managers to the use of union labour.

So, if RCPs do not mandate certain outcomes, what do they accomplish in practice? From the pension funds' perspective, they have accomplished two things in particular. First, they have helped ensure a level playing field for investment managers and contractors who use fair wage practices in their work, by encouraging such employers to engage in the bidding process. As a corollary, they have helped investment managers and contractors who may have been skeptical of responsible contracting standards to reconsider their stance. While there is no definitive evidence of this, anecdotal evidence supports the idea that investment managers and contractors who have been exposed to the benefits of fair labour standards through RCPs have gone on to incorporate them, or at least acknowledge them, in their own practices.

Second, RCPs have served as frameworks for negotiation when labour problems have occurred in the property-management and -development process. Because unions tend to be more aware of responsible contracting policies, organized labour can use RCPs as a vehicle to highlight perceived violations of fair labour standards. When labour disputes occur on the ground, the RCPs offer a framework to call parties to the table to discuss what should be done to resolve the dispute. The RCPs do not determine the outcome of disputes, but rather serve as an encouragement for the parties to come to a resolution—they do not demand a solution, but encourage a process.

What have been the effects of RCPs on pension fund portfolios? This question is very difficult to answer—there is no simple way to separate out the impact of RCPs on performance from other factors. The pension funds themselves believe that the immediate impact on financial performance has been minimal, with the benefits of the policy accruing from the collateral support for fair labour standards and conflict resolution. The main concern of the funds is not the impact of the policy on returns, but rather the potential costs associated with compliance and monitoring.

Pension fund real estate divisions are ordinarily lean departments with many responsibilities. To address the resourcing difficulties, the funds rely on relatively straightforward reporting requirements placed on their investment managers in order to relieve their internal burden for monitoring. One advantage of this solution is that RCPs are themselves, in practice, something of a self-monitoring system in those places where employees are aware of them. Workers who are familiar with RCPs can report potential violations to the pension funds or investment managers directly. This minimizes the costs of monitoring systems and policies.

The US Investment Manager Perspective

As the previous section outlined, from the perspective of the asset owners RCPs are a fiduciarily sound way to support quality work from a fairly compensated workforce, ensure open bidding processes, and create a framework for labour-management relations throughout investors' property portfolios. In many respects, the burden of complying with RCPs falls on investment managers, who invest pension fund assets into management and development contracts where RCPs and fair labour standards come into play.

Investment managers have a taken a variety of approaches to implementing RCPs and integrating them into their investment management practices. Such practices range from straightforward adoption and compliance with asset owners' RCPs to broader efforts to include fair labour practices, such as adopting union-only labour policies.

In the former case, the investment managers interviewed reported that compli-

Financial Impact of RCPs

The pension funds believe that the immediate impact on financial performance has been minimal, with the benefits of the policy accruing from the collateral support for fair labour standards and conflict resolution.

"[RCPs make] property managers more aware of the potential benefits of labour standards, rather than immediately defaulting to what appears to be the cheapest option. [RCPs] are really about keeping labour standards on people's minds."

Cindy Talmadge, RREEF

ance with RCPs has little to no effect on the investment managers' overall performance. They require their contractors to file the appropriate disclosures, and submit those disclosures in aggregated form to CalPERS as part of the annual reporting process. The primary determinant of the labour standards used across their contractor relationships is geography: in regions and urban areas that are heavily unionized, compliance with RCPs is facilitated by the fact that the investment managers are typically working with union labour from the start.

In regions and urban areas with less support for organized labour, the question becomes a bit more complex, as there may be skepticism, a lack of structural support, and potentially higher costs associated with fair labour practices generally and union labour specifically. In such cases, the investment manager reports on compliance with the policy, and may also use that reporting process to discuss wage and benefit standards with his or her contractors. Cindy Talmadge of RREEF, the real estate investment arm of Deutsche Bank, summarizes the impact of RCPs as making "property managers more aware of the potential benefits of labour standards, rather than immediately defaulting to what appears to be the cheapest option. [RCPs] are really about keeping labour standards on people's minds."

Other investment managers have adopted their own fair labour policies, often specifically favouring union labour, both as a way to build relationships with investors and to ensure quality work across their portfolios. For these investment managers, RCPs are policies congruent with their own, sometimes more robust, labour standards. Put another way, they see a family resemblance between RCPs and labour-friendly investment management standards. These investment managers see their work as an extension and intensification of responsible contracting policies: often their clients include both state pension funds and labour-controlled pension funds whose senior staff see special value in supporting fair wages and union labour as an ancillary benefit of their investment practices. Organizations such as the AFL-CIO Housing Investment Trust (HIT) and the Building Investment Trust (BIT) have a long track record of incorporating union labour standards into successful property development portfolios.

What are labour-friendly policies according to investment managers? The answer varies, depending on the investment manager. For many in this niche, the simple definition is 100% union labour. The Amalgamated Bank ULTRA Loan Fund, for instance, requires all contractors to use union labour. Violation of this policy results in immediate default, sometimes with other penalties attached. Similarly, the Multi-Employer Property Trust (MEPT) requires that "all contractors and subcontractors working on its property portfolios be a signatory to collective bargaining agreements with legitimate trade unions." In this case, collective bargaining is seen as both a fundamental right—MEPT points to the United Nations Global Compact as a key standard laying out the importance of collective bargaining for good business practices—and a signal that labour-relation risk has been mitigated thought the bargaining process. Landon Butler, president of

Landon Butler & Company and a service provider to the MEPT since its founding 35 years ago, argues that "collective bargaining as a process allows labour and management to agree to compensation standards, work rules, fringe benefits, and dispute resolution mechanisms. It helps create a productive work environment."

Similar managers exist across the real estate investment spectrum. Geographical diversity may lead some funds with organized-labour-friendly strategies to use non-union workers in certain parts of the country, while maintaining a heavy emphasis on employing union labour wherever possible.[56]

Like the asset owners that invest in them, these labour-friendly investment managers understand that their foremost duty is to ensure reasonable risk-adjusted returns for their investors. The first requirement for any real estate transaction is that it makes financial sense and can deliver risk-adjusted returns. Labour-friendly investment managers see a requirement for high labour standards as a strategy to ensure that a well-skilled and productive workforce delivers high-quality performance on property management and construction contracts. Deborah Nisson describes Amalgamated Bank's strategy: "We believe our policies add to our financial performance. The saying is, union labour makes things faster, better, and cheaper. To that I would add safer—it can mitigate risk to workers." Similarly, Kennedy Associates Real Estate Counsel points to the long-term advantages in product quality that come from skilled, well-trained labour. Amalgamated Bank and Kennedy Associates, like other investment managers who adopt labour-friendly policies, use the same financial benchmarks for performance as their non-union competitors, and their investors evaluate their performance accordingly.

Labour Standards and Property Performance

Labour-friendly investment managers see a requirement for high labour standards as a strategy to ensure that a well-skilled and productive workforce delivers high-quality performance on property management and construction contracts.

From US investment managers' perspective, what has been the impact of responsible contractor policies and labour-friendly investment strategies in the real estate investment market? In the first place, managers agree with asset owners on the fact that there is no simple way to put a number on the impact of RCPs on financial performance. Interviewees all concurred that RCPs themselves were unlikely to have had much, if any, impact on performance. Labour-friendly managers believe that their strategies pay off in terms of quality of work, but they too have no simple way to single out the precise impact. Instead, they suggest, investors should evaluate RCPs on the risk-adjusted returns they generate over time.

Investment managers recognize the value of RCPs and labour-friendly strategies in supporting fair labour within the real estate market. At the most basic level, the RCPs serve for investment managers as a tool of engagement and a signal that they support quality work through quality jobs. At the more robust level of labour-friendly policies, investment managers point to the number of union jobs created through their investments. Finally, the managers that mandate union labour believe that they serve as a vehicle to demonstrate the effectiveness of

Quality Work through Quality Jobs

At the most basic level, the RCPs serve for investment managers as a tool of engagement and a signal that they support quality work through quality jobs.

such mandates in achieving efficient and cost-effective property development and management.

Going Forward in the US Context

As all interviewees noted, the real estate market in the United States has changed dramatically over the last 20 to 30 years. The shift of institutional investment mandates into alternative asset classes; the growth of new financial vehicles through which to invest in real estate; and changing demographic, cultural, and regulatory trends have all had an impact on the market that is expected to continue in the future. The current market climate at the end of 2008 is very negative, with challenges facing property investors—and investors of all sorts—leading to a re-evaluation of investment strategies and partnerships.

Despite this current climate, interviewees did not feel that RCPs were going to diminish in importance, although they also did not see a particular trend toward wholesale adoption by other institutional investors in the United States. The current challenge for investment managers is to stay afloat in a rocky sea. RCPs do not change that fact, nor do they make it any harder for investment managers to succeed, so long as the RCPs' reporting burdens do not create too many additional costs. Indeed, some interviewees suggested that the economic downturn may lead to increased focus on RCPs and fair labour standards as a way to support further economic stimulus.

Apart from the current market environment, pension funds and investment managers alike have seen an extension of RCPs, and their impacts, from the construction to the property-management sector of real estate investment. As originally conceived, and as implemented in the CalPERS example, RCPs focused primarily on new development and the contracting it entailed. In recent years, driven in part by interest from organized labour such as the Service Employees International Union and more generally by a broader familiarity with the uses of RCPs, a new focus on the potential for implementation of RCPs in property management has become a major part of the property investment conversation on this issue.

Finally, there is a growing movement toward integrating multiple elements of responsible property investing into real estate strategies. In particular, there is an interest in uniting those investment practices that favour green real estate development and management with strong labour standards, both as a matter of policy and of investment practice. For instance, the Apollo Alliance, a coalition of labour, environmental, business, and investor organizations, has emphasized the importance of enhancing building energy efficiency in conjunction with the creation of developing a skilled, fairly compensated workforce.[57] In addition, the US Green Building Council recently included provisions for the integration of "social equity" into its guiding principles, recognizing that social factors are becoming an increasingly important aspect of sustainably managed buildings.[58] This trend has the potential to further raise, in investor's minds, the incorporation of RCPs as part of an overall responsible property investing strategy.

Fair Labour Practices and the Property Industry in Canada

Similar to the US context, two recent trends are currently converging in Canada. The first is the increasing amount of institutional investment that is being allocated to real estate investment in order to achieve greater portfolio diversification. The second is the growing interest in responsible investing by large Canadian institutional investors, including large pension funds.

For most large institutional investors in Canada, appropriate asset allocation remains at the core of their investment philosophy. As in the United States, the decline of the expected equity premium[59] has led many large institutional investors in Canada to shift assets away from public equities and toward alternative assets in their portfolio allocations, including private equity, real estate, and hedge funds. Real estate investment by large Canadian pension funds can be significant. For example, the Ontario Teachers' Pension Plan invested 13% of assets under management in real estate in 2005.[60]

Responsible Investing and Real Estate in Canada

Canadian signatories to the United Nations' Principles of Responsible Investment (UN PRI) have applied responsible investment practices to their public equity holdings, using ESG standards in stock selection, proxy voting, and engagement with firms in their equity portfolios. However, as responsible investing matures, these standards are being increasingly applied to other asset classes within Canadian portfolios.[61] There is growing interest in applying ESG standards to institutional investors' real estate holdings, particularly since such factors can have a significant impact on property performance over time.[62]

Of the Canadian signatories to the UN PRI, both the Caisse de Dépôt et placement du Québec (the Caisse) and the British Columbia Investment Management Corporation (bcIMC) have recognized the importance of ESG standards in their real estate portfolios. To date, Canadian investors, property developers, and property managers have focused primarily on the environmental aspects of responsible property investing, with limited attention to the social standards required in real estate portfolios. One reason for this could be that the metrics and standards used to quantify the impacts of higher environmental standards on real estate investment portfolios are more fully developed. Within this framework, it is easier to see the long-term payoff that comes from factoring environmental concerns into both property development and property management. The physical and tangible nature of real estate also results in a greater sensitivity to the environmental risks and returns associated with this asset class.

Although environmental concerns currently top the list in Canadian responsible property development and management, there is an increased recognition that social standards should also be addressed in this framework. Issues of concern in this area include the impact of fair labour practices on property performance as well as on reputational risk.

For property developers, fair labour practices can improve the availability of high-quality and skilled tradespeople. Many large Canadian cities are experiencing tight labour markets, and relationships with skilled workers are critical to the success of a project. One interviewee pointed out that improved labour practices and standards result in property developments that are delivered "with high quality, on schedule, and on budget." These attributes are of critical importance to property developers and their investors. In addition, the quality of building maintenance and services are vital to the retention of tenants. According to one property manager, "Tenants stay when they are happy with their property, and that has a positive impact on the bottom line."

Although few Canadian investors have publicly adopted RCPs, fair labour standards more broadly construed have been applied both in property development and management in Canada.

The Canadian Property Developer Perspective

Canadian real estate developers, particularly those in large, tier-one Canadian cities, pay prevailing wages to their on-site construction workers and skilled tradespeople. According to property developers, prevailing wages for new office construction tend to be union wage rates in cities with high union density, such as Toronto. In addition, many Canadian municipal governments, as well as the federal government, have "fair wage" or "prevailing wage" policies that dictate wage rates for contractors who wish to bid on government contracts.

In markets facing labour shortages, construction firms that provide wage premiums have the advantage of ready access to skilled and qualified workers and a more stable workforce. The Canadian developer Concert Properties has a policy of using 100% union labour for construction on its job sites.[63] This policy has been in place since Concert's founding and was strongly influenced by Concert's investors, 27 B.C. trade union and multi-employer pension funds. All requests for proposals (RFPs) from Concert's property-development arm require the use of unionized workers as a condition for bidding. "Initially there were skeptics in the industry. Concert Properties is one of only three builders that use union-only trades. But the impact is higher quality. There was a cost in the early years, but there is no cost premium in the current market. The result of our policy is a long history as quality builders," explains David Podmore, CEO of Concert Properties.

Concert Properties develops real estate in the B.C., Ontario, and Alberta markets. In all three it finds that its policy helps develop deep relationships with union contractors who ensure the quality and timeliness of the real estate projects.

Fair Labour Practices and Financial Performance

The experience of Concert Properties backs the claim that good labour relations and fair wages and benefits for workers raise standards and lower risk in property development. It also demonstrates that fair labour practices can generate strong financial performance for investors.

In particular, Concert's reputation as a quality builder is a key driver in the development of its relationship with the Ontario Municipal Employees Retirement System (OMERS) in building assured rental housing.

For Concert Properties, the number of qualified construction contractors bidding on RFPs has not been an issue in either British Columbia or Ontario. In Alberta, with its tight labour market, Concert's executives find some limit in the availability of unionized contractors bidding on projects. Under these conditions, the union requirement can have an impact on development costs if fewer qualified firms are available to participate in the bidding process. As a result, Concert must invest more time in building relationships in provinces with fewer unionized companies.

Since it was founded in 1989, Concert Properties has developed $2.5 billion worth of new construction, with virtually all projects completed on time and on budget. "This is not the norm in the industry," comments David Podmore. Concert's strong reputation and focus on best practices means the company is sought after by investors. Concert has been able to prove that its business model works, with a 12.3% return annualized for the past eight years, which is well above industry benchmarks. Asked why other real estate developers do not adopt this high-wage, high-standards model, David Podmore said, "It's a question of attitude."

While Concert Properties is not required through a formal RCP to have these labour standards, their experience backs the claim that good labour relations and fair wages and benefits for workers raise standards and lower risk in property development. It also demonstrates that fair labour practices can generate strong financial performance for investors.

The Canadian Property Manager Perspective

Despite some of the positive effects of integrating higher labour standards into property management practices, as described in section one, the explicit use of fair labour practices, including the establishment of responsible contractor policies, is not yet the norm in the Canadian property-management industry. While the industry has begun to see the connection between the positive outcomes of environmentally sustainable property-management practices, many have been slow to understand the link between higher wages and higher quality in property management. For example, one interviewee commented, "Environmental sustainability is easiest to adapt to. There are technological changes that make environmental changes easier to make. It is consistent with risk management and is how most companies want to be perceived in the marketplace, including landlords, companies, and tenants. We find more tenants thinking about corporate social responsibility. But the social side is harder to see. Progressive Canadian companies want to be perceived in a certain way, but economic returns continue to dominate."

For Canadian property managers, the incorporation of fair labour practices often presents a trade-off between cost and quality for building services. While high-quality property services are desired, property managers are conscious of the price tenants are willing to pay for services. Because wages in this sector are a significant portion of variable costs within property-management budgets, this trade-off sometimes means that low-cost contractors and subcontractors often meet only minimum labour standards. In some cases, contractors may rely on precarious-employment practices as a means of meeting low-cost property-service obligations, leading to deteriorating employment conditions and downward pressures on wages and benefits for workers.

Most property managers are willing to accept minimum standards in the industry as prescribed by law, and some have recently recognized the issue of precarious employment. It should be noted that property managers are not prepared to accept practices that circumvent Canadian labour laws, and most believe that these minimum standards are currently being met. Property management is no different than any other business and is sensitive to the demands of both its clients (in this case, tenants) and its investors. Several interviewees indicated that they are not experiencing demand for "fair" or "prevailing" wages from either tenants or investors, the two major pressure points in the industry. One participant commented, "Property managers are spending tenants' money to support the building. Tenants want a balance between quality of service and what is charged for that service. In the operating costs, the use of sustainable equipment and products is easier for tenants to see."

Property managers must balance the demands and needs of tenants on the one hand and investors on the other. Tenants want high-quality surroundings at the lowest possible cost. Investors want high risk-adjusted returns in their core real estate portfolios and are increasingly sensitive to the long-term risk in their portfolios that can come from low standards of corporate behaviour. High returns in core real estate assets are directly correlated with lower tenant turnover, and tenant satisfaction and reduced account turnover are directly linked to increased financial returns in property management.

Julie Gozan and Melissa Moye[64] state in their US study, "Like any other business, real estate is an operation where products and services (space and amenities) are created to attract customers (tenants) willing to pay for them. In today's marketplace, there is no greater owner need than attracting and retaining satisfied tenants." Gozan and Moye go on to cite a study from the Building Owners and Managers Association (BOMA) that found that if a tenant filed a complaint about comfort with a building manager more than three times, there was a 52% chance that the tenant would not renew the lease. "The office building that keeps tenants who are willing and able to pay top rents is the one that succeeds."[65]

A few property-management companies in Canada are taking the lead on adopting best practices. For example, a long-time leader in sustainability and social responsibility practices, Bentall LP was the first Canadian investment manager to formally adopt a responsible contracting policy in February of 2008. This responsible contracting policy effectively defines the basis under which a contractor agrees to abide by appropriate labour practices. The policy reflects the value system of the company. It also ensures that Bentall continues to meet its fiduciary duty. Bentall's Canadian portfolio includes over 75 million square feet of real estate under management and roughly 600 properties, valued at $17.6 billion, and has experienced consistently strong financial performance. It is the largest real estate advisory and service company in Canada and is one of two real estate advisory and service companies managing real estate assets for the British Columbia Investment Management Corporation (bcIMC) in Canada.[66]

Bentall's responsible contracting policy requires a fair and competitive bidding process where contractors and subcontractors are required to follow the law with respect to wages and occupational health and safety. It provides Bentall with an enforcement mechanism, including the ability to terminate the contract if the policy is not adhered to. Meeting Bentall's conditions for fair labour practices is a requirement for the company's rigorous pre-qualification screening. Importantly, subcontractors are also bound by the policy, since it is often at the subcontracting level where labour standards fall short. Once the conditions for bidding have been met, Bentall looks for the best price for tender. According to Remco Daal, president and chief operating officer of Bentall LP, "Having this policy in place has had no impact on our financial performance. It hasn't made us do anything any differently than we did before the policy."

Great West Life Realty Advisors (GWL Realty Advisers) provides real estate investment and management services for bcIMC and a number of other Canadian institutional investors. The company currently manages 283 commercial properties representing roughly 48 million square feet. While GWL Realty Advisers is in the process of finalizing its formal policy around prevailing wages, it does ensure that provincial regulatory standards, including legal wage and safety standards, are met in its tendering process. "GWL RA has an explicit requirement for companies with which we contract to comply with government regulations and a number of other key provisions that include first-class, professional standards and conduct (including within tendered documents and the contracts itself)," explains Susan L. MacLaurin, senior vice president at GWL Realty Advisers. The company uses contracts, regular meetings, and reviews to educate contractors and enforce its policies. GWL Realty Advisers' policies also extend to its subcontractors. "Firms with which we contract cannot subcontract without our explicit agreement and, in the rare cases where we might be asked to agree, our approval (if provided at all) would be subject to understanding the terms and conditions upon which firms or individuals would be engaged," says MacLaurin.

Concert Properties also extends its union contractor and subcontractor practices into its property-management division, which manages approximately 10 million square feet of property in Canada. "While using unionized firms in property management may be more expensive, we get better quality and often quicker

RCPs and the Bidding Process

Bentall's responsible contracting policy requires a fair and competitive bidding process where contractors and subcontractors are required to follow the law with respect to wages and occupational health and safety.

> "While using unionized firms in property management may be more expensive, we get better quality and often quicker services."
>
> *David Podmore, CEO, Concert Properties*

services," comments David Podmore. Podmore finds that non-unionized firms are less dependable and have higher staff turnover. He believes that many property managers accept the lowest-cost bids and do not recognize the trade-off between price and quality of service. In a recent tenant survey in one Concert building, the Surrey Central Business complex (a 4500 sq. ft. facility with multiple tenants), tenants expressed their satisfaction with building maintenance. According to Podmore, "Tenants stay when they are happy with the property. When tenants stay it has a positive impact on the bottom line."

Concert is able to find unionized companies in cleaning services in most cities were they manage properties, although finding unionized companies in Alberta can be difficult. In Podmore's view, this speaks to the need for union drives, in order to ensure that enough unionized companies provide property-management services, allowing for competitive bidding processes that are fair and effective.

The property managers and developers we interviewed recognize the value of fair labour practices in property management in Canada. Some have taken steps to integrate labour standards into their contracting and investment processes by adopting union-only or responsible contractor policies or by prohibiting subcontracting. These moves reflect a greater awareness of labour and employment concerns generally within the property industry in Canada and suggest that RCPs can and do work in a Canadian context. However, the industry as a whole has yet to give full consideration to precarious employment and long-term property performance or take significant steps toward addressing labour and employment issues in a way that has a positive effect on workers' wages, benefits, and working conditions.

In fact, the recent *Responsibility and Sustainability Guidelines* published by the Real Property Association of Canada (REALpac) point out that the Canadian property industry lags behind that of many other countries in its implementation of responsible property practices. Specifically, the report argues, "There is an increasing expectation around the world for businesses to conduct themselves in demonstrably responsible and sustainable ways. Ignoring this expectation, and failing to take leadership in social and environmental accountability, could pose significant risks to Canada's commercial real property industry."[67] REALpac's signal to the industry, indicating that responsibility and sustainability factors are a vital consideration for property companies—particularly given the growing influence of the responsible investment practices of Canadian pension funds—is an important step forward.

Public Policy and Fair Labour Practices

In absence of widespread commitment to fair labour practices in the Canadian property industry, public policy has been an important instrument for improving

> "Failing to take leadership in social and environmental accountability could pose significant risks to Canada's commercial real property industry."
>
> *Real Property Association of Canada (REALpac)*

labour practices. As briefly mentioned in section one, public policies at both the municipal and provincial level have had an impact on the property-service and construction industries.

The City of Toronto has one of the oldest fair-wage policies on record, established in 1893 to ensure that the City of Toronto paid its workers and contractors union rates or, in the absence of a union, "prevailing" wage rates. The policy includes construction and property-management services. Property-maintenance staff employed by the City of Toronto are covered by union contracts, and external contractors must abide by the terms and conditions set out by the Fair Wage Office. Contracts are monitored by the Fair Wage Office and can be cancelled if companies are found to be out of compliance. Charles Pringle, manager of custodial services for the City of Toronto, feels that the fair-wage policy brings up the wages of nine out of ten workers, giving workers a "liveable" wage rather than a minimum wage. He finds that cleaning and maintenance staff who work directly for the city tend to hold their jobs over longer periods of time, and he is convinced that the higher wages also encourage contract employees to remain in their jobs for longer. In addition to Toronto, the cities of Hamilton, London, Kingston, and Windsor all have fair-wage programs, as does the Canadian federal government.

Although government-mandated fair-wage programs have a direct, positive effect on wages within the jurisdictions where they apply, the only province-wide framework is the Quebec government's decrees setting wage rates in cleaning services for both unionized and non-union workers across the sector in Quebec. There are two decrees, one that covers Montreal region and the other that covers the Quebec region. Taken together, these two decrees effectively cover the entire province. The decrees were bargained in 2005, came into effect in 2006, and will be in effect for four to five years, at which time they will be renegotiated. Raymond Larcher, president of SEIU Local 800, explains, "Essentially the wage rate determined by the decree is bargained between Union and the employers' association in Quebec." Once agreed upon, these wages are then in effect for non-unionized employers. In November 2008, with the provincial minimum wage at $8.50 per hour, wages in the Quebec cleaning sector ranged from $13.65 to $15.15 per hour.[68] This levels the playing field in the bidding process between union and non-union contractors and means that non-unionized contractors cannot underbid unionized firms. The office-cleaning industry in Quebec is dominated by six or seven large unionized contractors, primarily represented by the SEIU.

The heavily unionized workforce in the cleaning sector in Quebec provides higher wages and greater job security. "But the job is still hard work. Many of the workers are new immigrants to Canada with limited French or English. SEIU provides French language classes for their workers before their work day," states Larcher. Language training improves on-the-job communication as well as integration of new immigrants into Quebec society.

On the regulatory side, governments are beginning to play a more significant role

Precarious Employment in Ontario

In Ontario, it is estimated that 37% of employees are classified as either part-time or temporary, earning up to 40% less than their permanent colleagues.

in cracking down on unscrupulous employers that rely on part-time, temporary, and subcontracted labour to reduce labour costs or shirk tax and benefit responsibilities. In the United States, state and federal authorities have started to crack down on companies employing workers as independent contractors and temporary workers, levying multi-million-dollar fines against many major US corporations. In the state of New York, a government crackdown on precarious employment found $19 million in unreported wages and $3 million in unpaid wages.[69] A number of US companies have also faced expensive class-action lawsuits regarding the use of temporary and contract labour.[70]

In Ontario, it is estimated that 37% of employees are classified as either part-time or temporary, earning up to 40% less than their permanent colleagues.[71] This fact has led Canadian authorities to take action to address labour-practice inequity. Ontario recently introduced legislation to regulate temporary-work agencies, requiring them to provide severance pay and termination notice,[72] and there continues to be support for introducing fair- or living-wage policies at the municipal level in other regions.[73]

Property investors and managers additionally face reputational and regulatory risks in instances where companies contracted to provide building cleaning and maintenance services are found to have poor labour and employment standards. The most significant reputational risk that has emerged is the initiation of the SEIU "Justice for Janitors" campaign in Canada, which seeks to organize workers in the cleaning industry through public and vocal union campaigns. In the United States, the SEIU campaigns have resulted in successful city-wide organizing through a combination of private negotiations, rallies, and picketing at major downtown office towers. In Ontario, greater attention is being focused on the issue of precarious employment by activists, lawmakers, and academics. The Good Jobs Coalition, an alliance of social justice and community organizations, is actively campaigning to improve working conditions for low-wage workers, including those in the property maintenance and construction industries,[74] and the Ontario Public Service Employees Union (OPSEU) has recently called attention to the issue of part-time and temporary workers through its Equal Pay for Equal Work campaign.[75]

Conclusion

Institutional investors in Canada are increasingly recognizing the importance of raising environmental, social, and governance (ESG) standards in order to lower risk and increase financial returns. As a result, they are examining alternative asset classes, such as real estate, to identify potential areas of risk and drivers of long-term success. Although both property investors and managers have embraced the notion of responsible property investing, in Canada, attention has largely focused on green real estate and energy efficiency initiatives. However, there is a need for the industry to address the social aspects of responsible real estate, particularly

Mitigating Reputational Risks

The integration of responsible employment and contracting practices can reduce reputational risk for both property management companies and their investors.

as it relates to labour and employment practices—vital aspects of prudent, responsible property management and development.

We have focused here on the need for improvements in wages, benefits, and working conditions for workers in the property-services sector. Greater attention to upholding responsible employment practices is a potentially important response to the risk of exposure to precarious work in the real estate industry, addressing concerns about human capital management and precarious-employment practices. Responsible labour practices that support fair wages and benefits, stable working hours, and healthy working conditions can provide property owners and managers with a stable workforce and productive labour relations. Equally important, the integration of responsible employment and contracting practices can reduce reputational risk for both property management companies and their investors, since such risks may surface even if owners and managers are meeting the minimum regulatory standards.

Responsible employment practices can be introduced in the real estate industry in several ways. As we have discussed here, investors and real estate asset managers have implemented responsible contractor policies in an attempt to manage service supply chains and ensure that property service contractors uphold high employment standards and productive labour relations. RCPs employed in the United States have been established within a fiduciary framework and have helped investors manage opportunities and risks associated with their real estate portfolios.

Investors who use RCPs believe that the practices create a framework for supporting fair wages and benefits within the context of a sound long-term investment strategy that does not conflict with investors' fiduciary duty. The establishment of RCPs allows institutional investors to signal their interest and support for responsible employment practices and fair wages and benefits, and creates a system for dealing with disputes and labour complaints. Additionally, some investment managers use enhanced labour-friendly strategies as a way to build investor relationships and ensure a high level of service as well as timely and cost-effective contracts. The successful financial performance of investment managers employing RCPs or labour-friendly policies demonstrates the potential for such standards to be successfully integrated into real estate investment strategies without introducing high cost burdens or risking long-term returns.

RCPs can be used in a similar manner in Canada. The CalPERS model demonstrates the feasibility of RCPs within an overall property-investment strategy. For property owners and managers in Canada, responsible contractor policies that incorporate fair labour practices into contractor evaluation and bidding processes can address emerging changes in public sentiment and public policy, and provide additional competitive advantage for firms seeking to build long-term relationships with investors and tenants. The adoption of RCPs can help align the real estate sector in Canada with the ongoing actions and initiatives of global peers that are innovating in the area of sustainable, responsible, and healthy buildings, as

Supporting Fair Wages and Benefits

Investors who use RCPs believe that the practices create a framework for supporting fair wages and benefits, within the context of a sound long-term investment strategy that does not conflict with investors' fiduciary duty.

well as in the broader arena of considering the social impacts of the real estate industry. In addition, greater adoption of RCPs among property owners and investors in Canada would be a great step forward for investors seeking to expand responsible investing beyond equity portfolios and incorporate environmental, social, and governance factors across all asset classes. Investors who adopt such policies have the potential to create a more stable, productive, and profitable labour market in the property sector.

RCPs are not designed or intended to resolve all aspects of the precarious-labour problems facing the real estate industry. The careful integration of labour standards into fiduciarily sound investment strategies necessarily limits the ability of investors to remake labour markets at the expense of financial returns. For advocates who hope to mitigate the social problems associated with precarious labour, RCPs should be seen as one element in an overall strategy.

For investors seeking to manage their long-term risks and opportunities, RCPs should be seen as a formal system to identify and contract a quality, motivated workforce. They are tools to address the risks of subcontracting, absenteeism, employee turnover, and labour unrest—problems that can create real financial costs for real estate managers and investors as well as health and well-being costs for workers. As investment strategies, RCPs and fair labour standards should not be seen as philanthropic or concessionary support for workers; rather, they are best understood as strategies that stem from the belief that a healthy and productive workforce is a key element to long-term, successful financial performance. Responsible employment practices in the form of RCPs help manage the risks and opportunities of precarious work without overly constraining investors and their managers.

Responsible investors and their managers must pay equal attention to social concerns and environmental concerns, particularly if they are to provide sound investment guidance over the long term. The importance of green building and maintenance in the property sector has received well-deserved attention in recent years. With this paper, we have highlighted a number of social issues that can raise material concerns for investors. More generally, we believe that a holistic view of responsible property investing that integrates social factors into contracting and investment decision-making processes can be a valuable tool for managing risks and opportunities over long time horizons.

Appendix One: List of Interviews

Canada

Remco Daal, President and Chief Operating Officer
Bentall LP

Raymond Larcher, President
Service Employees International Union (SEIU) Local 800

Susan MacLaurin, Senior Vice President, Portfolio Management
Great West Life Realty Advisors

Charles Pringle, Manager, Facilities & Real Estate
City of Toronto

David Podmore, President and CEO
Concert Properties

United States

Don Palmieri, Investment Officer
Greg Nyland, Portfolio Manager
California State Teachers' Retirement System (CalSTRS)

Landon Butler, President and CEO
Landon Butler & Company, LP

Allan Emkin, Managing Director
Pension Consulting Alliance, Inc.

Preston Sargent, Executive Vice President,
Robert Ratliffe, Executive Vice President
Christian Gunter, Assistant Vice President
Kennedy Associates Real Estate Counsel, LP

Deborah Nisson, Senior Vice President
Amalgamated Bank

William Atwood, Executive Director
Illinois State Board of Investments

Cindy Talmadge, Director, Global Marketing and Communications
RREEF (Deutsche Bank)

Appendix Two: Semi-structured Interview Questionnaire

1. Briefly, how do you define fair labour practices/responsible contracting practices?
2. Describe how fair labour practices are incorporated into your company/organization's policies?
    a. What led your company/organization to adopt these policies?
    b. What was the governance process for drafting and approving the policies (i.e. was final approval through the executive management team, board, committee of the board or shareholders/unitholders)?
3. How do you reconcile these policies with your fiduciary duty as an asset owner, asset manager or investor?
4. What impact, if any, have these policies had on the performance of your fund or property portfolio?
5. What impact, if any, have these policies had on your ability to ensure competitive bidding processes (for instance, for property managers in the case of a pension fund or for cleaning contractors in the case of a property manager)?
6. What impact, if any, have these policies had on the quality of property management services that you provide?
7. Do you incorporate fair labour standards into:
    a. RFPs?
    b. Fund manager relationships?
    c. Property manager relationships?
    d. Contractor relationships?
    e. Sub-contracting relationships? (others)
    f. Supplier agreements?
8. What do you consider best practice in fair labour practices? Do you have specific examples of fair labour standards in practice that you can point us to, either at your organization or in the industry?
9. What systems do you have in place to ensure compliance with your corporate fair labour policies?
    a. Are there ways that you think this system could be improved?
10. Are investors interested in fair labour practices?
    a. Are other stakeholders (public, beneficiaries, tenants, community, government, etc.) interested in fair labour practices?
11. Where do you see barriers to integrating fair labour practices into investment/management practice?
    a. Do you have specific cases where fair labour practices have required special attention that you can point us to?
12. What role will fair labour practices play in your company/organization going forward?
13. What role will fair labour standards play in the real estate investment market generally going forward?
14. Who else should we be talking to about fair labour standards and real estate investing?

Appendix Three: List of Resources

BOMA Best

Helps the members of the Building Owners and Managers Association (BOMA) achieve high sustainability standards through a property certification system. BOMA Best is an initiative of BOMA Canada. Formerly BOMA Go Green.

www.bomabest.com

CalPERS Responsible Contractor Policy

www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/200804/item03a-00.pdf

Good Jobs Coalition

An alliance of community, labour, social justice, youth, and environmental organizations in the Toronto region seeking to improve working conditions.

www.goodjobscoalition.ca

LEED Canada

Encourages and accelerates the adoption of sustainable green building and development practices through the Leadership in Energy and Environmental Design (LEED) certification system for buildings.

www.cagbc.org/leed/what/index.php

Real Property Association of Canada (REALpac) Responsibility Resource Center

Provides resources for Canadian property owners, managers, and investors seeking to implement corporate responsibility and sustainability practices.

http://car123.designersi.com/m_35.asp

UN Environment Programme Finance Initiative (UNEP-FI) Property Working Group

Includes resources and research papers on responsible property investing and best practices in responsible real estate.

www.unepfi.org/work_streams/property

United Nations Principles for Responsible Investment (UN PRI)

Provide a framework to help investors give appropriate consideration to environmental, social, and governance (ESG) issues within the context of their fiduciary (or equivalent) duty.

www.unpri.org

US Green Building Council Strategic Plan (2009–2013)

Includes plans for developing the council's inclusion of social equity factors into its agenda, program goals, and implementation strategy

www.usgbc.org/DisplayPage.aspx?CMSPageID=1877

Workers' Action Center
Serves as a resource center for precarious workers in Toronto.
www.workersactioncentre.org

Endnotes

[1] Nils Kok, *Corporate Governance and Sustainability in Global Property Markets*, Ph.D. Dissertation (Masttricht, ND: ECCE, 2008).

[2] One study examining the issue in the United States is Julie Gozan and Melissa Moye, *Impacts of Quality Building Management and Services on Real Estate Investments*, Service Employees International Union (SEIU), January 2000.

[3] An estimated 25,000 cleaners in Canada are covered by collective bargaining agreements. The majority of them are represented by the Service Employees' International Union (SEIU), the Canadian Autoworkers Union (CAW), the Labourers' International Union (LIUNA) and the United Food and Commercial Workers Union (UFCW).

[4] A 2006 survey by the Building Operators and Managers Association (BOMA) of Canada estimated that cleaning expenses accounted for 8.62% of total building expenses, or $1.07 per rentable square foot (rsf), while security accounted for 3.5% of total building expenses, or $0.45 per rsf.

[5] Jane Lin, "Trends in Employment and Wages, 2002 to 2007," in *Perspectives on Labour and Income*, edited by Statistics Canada, 2008.

[6] Building Owner and Managers Association (BOMA), *Experience Exchange Report: Canadian Office Market Highlights, 2006*, http://shop.boma.org/docs/22802E06_DL1.pdf; Building Owner and Managers Association (BOMA), *Experience Exchange Report: Canadian Office Market Highlights, 2005*, www.bomacanada.ca/docs/2005EER_CdnHighlights.pdf.

[7] Personal communication, Jean Van Vliet, Canadian Auto Workers (CAW), Vancouver, October 24, 2008.

[8] Email communication, Canadian commercial cleaning company, December 29, 2008.

[9] Personal communication, Maya Bhullar, Service Employees' International Union (SEIU), Toronto, October 9, 2008.

[10] Personal communication, anonymous property service worker, Toronto, October 17, 2008.

[11] Personal communication, Maya Bhullar & Tom Galivan, Service Employees International Union (SEIU), Vancouver, October 8, 2008.

[12] Judy Fudge, Eric Tucker, and Leah F. Vosko, "Employee or Independent Contractor? Charting the Legal Significance of the Distinction in Canada," *Canadian Labour and Employment Law Journal* 10 (2003): 193–230.

[13] Judy Fudge et al., "Employee or Independent Contractor?"

[14] Organisation for Economic Co-operation and Development (OECD), "The Partial Renaissance of Self-Employment," p. 187 in *OECD Employment Outlook*, 2000.

[15] Organisation for Economic Co-operation and Development (OECD), "Informal Employment and Promoting the Transition to a Salaried Economy," in *OECD Employment Outlook*, 2004.

[16] Costa Kapsalis and Pierre Tourigny, "Duration of Non-standard Employment," in *Perspectives on Labour and Income*, edited by Statistics Canada, 2004.

[17] Alice deWolff, *Breaking the Myth of Flexible Work in Toronto*, (The Contingent Workers Project, 2000), http://eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/19/63/0c.pdf.

[18] Workers' Action Center, Working on the Edge, 2007, p. 56, www.workersactioncentre.org/Documents/pdfs%20policy/Working%20on%20the%20Edge-May%202007.pdf.

[19] Personal communication, Jean Van Vliet.

[20] Workers' Action Center, *Working on the Edge*, p. 49.

[21] Workers' Action Center, *Working on the Edge*, p. 11.

[22] Workers' Action Center, *Working on the Edge*, p. 46; Ontario Ministry of Labour, *Enforcement Activities: Investigations and Inspection Statistics*, 2008, www.labour.gov.on.ca/english/es/report_card/rc_1.html.

[23] Rita Daly, "Office Cleaners Fighting for Pay Rights," *The Toronto Star*, January 28, 2008.

[24] "Light duty" is a job classification that refers to general cleaning duties including vacuuming, dusting, and cleaning. It generally excludes the use of heavy or specialized equipment and mops, which is classified as "heavy duty" and is accompanied by an hourly wage premium.

[25] The LICO is an income threshold below which a family will devote such a large share of its income to the necessities of food, shelter, and clothing that it would place the family in "strained circumstances." In 2007, the before-tax LICO for a single person living in a city with a population of 500,000 or more was $21,666 per year, and for a family of four it was $40,259. See *Statistics Canada, Low income cut-off for 2007 and low income measure for 2006*, www.statcan.ca/english/research/75F0002MIE/75F0002MIE2008004.pdf

[26] Tim Richards, Marcy Cohen, Seth Klein, and Deborah Littman, *Working for a Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria, 2008*, www.policyalternatives.ca/Reports/2008/09/ReportsStudies1958.

[27] United Way of Greater Toronto, *Losing Ground: The Persistent Growth of Family Poverty in Canada's Largest City, 2007*, www.uwgt.org/whoWeHelp/reports/pdf/LosingGround-fullReport.pdf.

[28] Workers' Action Center, *Working on the Edge*, p. 15.

[29] Personal communication, Mary Gellatly, Parkdale Community Legal Services, Toronto, October 15, 2008.

[30] Email communication, Canadian commercial cleaning company.

[31] Personal communication, Mary Gellatly.

[32] Rita Daly, "Contract Job Workers Left without Hope," The Toronto Star, March 10, 2007.

[33] Organisation for Economic Co-operation and Development (OECD), "Taking the Measure of Temporary Employment," in *OECD Employment Outlook, 2002*; Diane Galarneau, "Earnings of Temporary versus Permanent Employees," in *Statistics Canada Perspectives on Labour and Income, 2005*; Leah F. Vosko, Nancy Zukewich, and Cynthia Cranford, "Precarious Employment in the Canadian Labour Market: A Statistical Portrait," *Just Labour 3* (2003).

[33] Diane Galarneau, "Temporary versus Permanent Employees."

[34] OECD, "Taking the Measure of Temporary Employment"; Diane Galarneau, "Temporary versus Permanent Employees."

[35] For example, workers in Vancouver organized by the Canadian Auto Workers union make a base wage of $10.43 per hour. Under most collective agreements, cleaners doing heavy duty or specialized work receive a premium rate per hour, ranging from $0.25 to $1.00, in addition to their base rate. In some jurisdictions where there is significant competition for labour (i.e. Alberta), prevailing wage rates may be higher than both minimum wage and union wage rates.

[37] Statistics Canada, Employment, Earnings and Hours, June 2008, www.statcan.ca/bsolc/english/bsolc?catno=72-002-X&CHROPG=1.

[38] Statistics Canada, Table 281-0032: *Average weekly hours for employees paid by the hour (SEPH), unadjusted for seasonal variation, for selected industries classified using the North American Industry Classification System (NAICS), monthly (table)*, CANSIM (database), 2008.

[39] Personal communication, Maya Bhullar, Service Employees' International Union (SEIU), Toronto, October 17, 2008; Personal Communication, Jean Van Vliet.

[40] Personal communication, Jean Van Vliet.

[41] Luis L.M. Aguiar, "Resisting Neoliberalism in Vancouver: An Uphill Struggle for Cleaners," *Social Justice 31 (2004)*: 117; Luis L.M. Aguiar, "Janitors and Sweatshop Citizenship in Canada," *Antipode 38 (2006)*: 440–61.

[42] Personal communication, office cleaner, Vancouver, October 22, 2008.

[43] World Health Organization (WHO), *Commission on Social Determinants of Health: Final Report,* September 2008, p. 72, www.who.int/social_determinants/final_report/en.

[44] Employment Conditions Knowledge Network (EMCONET), *Employment Conditions and Health Inequities: Final Report to the WHO Commission on Social Determinants of Health (CSDH)*, September 20, 2007, www.who.int/social_determinants/resources/articles/emconet_who_report.pdf.

[45] WHO, Commission on Social Determinants of Health.

[46] Jim Peduto, "The hidden costs of minimum wage," *Contracting Profits* April 2007, www.cleanlink.com/cp/article.asp?id=6534&keywords=minimum%20wage,%20turnover,%20jim%20peduto.

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[48] Becky Mollenkamp, "Turnover."

[49] Bill Garland, "The Unions Are Here," *Sanitation Canada* March/April 2007, www.perkspub.com/magazines/SaniationCanada-2007MarApr.pdf.

[50] Bill Garland, "The Unions Are Here." Garland indicates that this is his opinion, based on his experience working in the industry, and is not scientifically proven.

[51] Email communication, Canadian commercial cleaning company.

[52] Dan Weltin, "State of the Union," *Contracting Profits* April 2007, www.cleanlink.com/cp/article.asp?id=6535&keywords=seiu%2C+union%2C+labour+issues

[53] Dan Weltin, "State of the Union."

[54] Becky Mollenkamp, "Daycleaning Requires New Tools and Methods," *Contracting Profits* September 2008, www.cleanlink.com/cp/article.asp?id=9716&keywords=day%20cleaning,%20energy%20use,%20security.

[55] California Public Employees' Retirement System (CalPERS), *Statement of Investment Policy for Responsible Contractor Program*, 2005, p. 2, www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/200804/item03a-00.pdf

[56] Tom Croft, *A Field Guide to Responsible Capital* (Heartland Valley Steel Authority, forthcoming 2009).

[57] For more information see http://apolloalliance.org.

[58] United States Green Building Council, *Strategic Plan 2009–2013*, 2008, www.usgbc.org/DisplayPage.aspx?CMSPageID=1877.

[59] Peter Diamond, *What Stock Market Returns to Expect for the Future,* working paper (Boston: Center for Retirement Research at Boston College, 1999).

[60] Benefits Canada, *A Trustees Guide to Alternative Assets, Part 6: Building on Real Estate, 2006*, pp. 93–98.

[61] Institute for Responsible Investing (IRI), *Handbook on Responsible Investment Across Asset Classes* (Boston: Center for Corporate Citizenship, Boston College, 2007), www.bcccc.net/index.cfm?pageId=1869.

[62] United Nations Principles for Responsible Investment (UNPRI), *Building responsible property portfolios – A review of current practice by UNEP FI and PRI signatories*, 2008, www.unpri.org/property.

[63] In British Columbia, this means that all on-site workers must belong to unions that are either affiliated with the B.C. and Yukon Trades Council or the B.C. Federation of Labour.

[64] Julie Gozan and Melissa Moye, *Impacts of Quality Building Management and Services*, p. 6.

[65] Julie Gozan and Melissa Moye, *Impacts of Quality Building Management and Services,* p. 7.

[66] BCIMC manages public-sector pension funds for many B.C. government agencies. It is one of the largest pension funds in Canada, with $85 billion in assets under management.

[67] Real Property Association of Canada (REALpac) *REALpac National Corporate Responsibility and Sustainability Guidelines*, August 2007, http://designersi.com/users/12415/images/REALpac%20CR&S%20Industry%20Framework%20FINAL.pdf.

[68] The Montreal Decree increased wages for workers by as much as $1.00 per hour across the three classes of workers.

[69] Steven Greenhouse, "Dozens of Companies Underpay or Misreport Workers, State Says," *The New York Times*, February 12, 2008.

[70] For example, a judge in New Jersey approved a class-action lawsuit against Wal-Mart alleging that Wal-Mart was a co-employer of contract janitors hired by staffing agencies. The International Brotherhood of Teamsters has also won a number of court decisions in the United States regarding the misclassification of workers as independent contractors at FedEx Ground and the Ports of Los Angeles and Long Beach. Computech Inc. was ordered to pay US$5.7 million in fines and back pay for violating wage requirements. For a summary of fines and court cases in the US see www.contingentlaw.com.

[71] Tom, Cooper, "The rise of precarious employment," *The Hamilton Spectator*, June 24, 2008, p. A5.

[72] "Proposed law would help Ont. temp workers gain full-time status," *CBC News*, December 9, 2008, www.cbc.ca/canada/toronto/story/2008/12/09/temp-workers.html.

[73] The Calgary city council has explored the issue of establishing a living-wage policy in accordance with similar actions taken by major international cities such as London. The City of Toronto currently has a long-standing fair-wage policy, as do Hamilton, London, Kinston and Windsor, Ontario.

[74] For more information see www.goodjobscoalition.ca.

[75] Ontario Public Service Employees Union (OPSEU), "LCBO Union Calls for Action on Part-Time and Temporary Work," press release, www.opseu.org/news/press2008/dec102008.htm.

Carleton Centre for Community Innovation

The Carleton Centre for Community Innovation (3ci) brings together superior academic research and knowledge dissemination in partnership with Canadian communities in ways that promote long-term sustainable and equitable development. The Centre's mission is to use research, education, and program management to investigate, strengthen and disseminate innovation in social finance, community-based economic development, and local governance and administration on the part of geographic communities and communities of interest in Canada and around the world. As one of Canada's leading sources of expertise in social finance, 3ci has also played a leadership role in grant-making, evaluation, and policy analysis in the fields of community economic development and social enterprise. Other action and research priorities for 3ci include responsible investment, local governance, corporate sector engagement, community learning, and community-university partnerships.

Responsible Property Investing Center

The Responsible Property Investing Center (RPIC) is a joint project of the Boston College Institute for Responsible Investment (IRI) and the University of Arizona. It brings together leading real estate practitioners and academics to coordinate and disseminate their best practices, conduct crucial research, and create networks that catalyze real estate investment that creates long-term wealth across the triple bottom line.

Shareholder Association for Research and Education (SHARE)

The Shareholder Association for Research and Education is a social enterprise that coordinates and implements responsible investment practices on behalf of institutional investors. Since its creation in 2000, SHARE has carried out this mandate by providing active ownership services, including proxy voting and engagement services, as well as education, policy advocacy, and practical research on emerging responsible investment issues.

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Carleton Centre for Community Innovation

RPIC, Boston College

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Chestnut Hill, MA
United States 02467
T 617 552.1140
www.responsibleproperty.net
www.bcccc.net/responsibleinvest-
ment

Boston College Carroll School of Management Center for Corporate Citizenship
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SHARE
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