



**In-House Maintenance and Construction
at the TDSB:
Separating Fact from Fiction**

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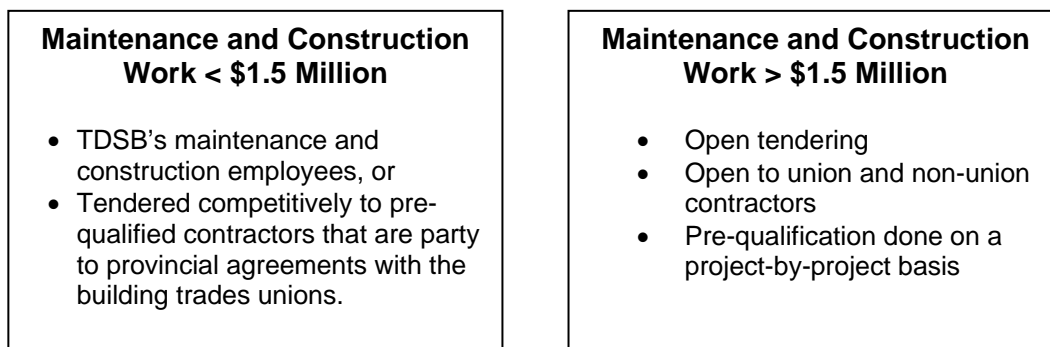
In-House Maintenance and Construction at the TDSB: Separating Fact from Fiction

How are maintenance and construction performed at the TDSB?

The TDSB performs maintenance and construction using its own maintenance and construction tradespersons or by contracting out the work on the basis of a competitive tendering process. Maintenance or construction work that is under \$1.5 million is performed either by the TDSB's own maintenance and construction staff or is tendered to pre-qualified contractors that are party to the provincial agreements with the unionized building trades. Maintenance or construction work that is over \$1.5 million is put to open tender. Figure No. 1 summarizes how maintenance work is performed.

Figure No.1

In-House and Contracted Maintenance Work



What is the origin of the TDSB's agreement with the Building Trades Unions

Prior to amalgamation in 1998, there was a highly fragmented structure for managing maintenance and construction work:

- At the Toronto Board, bargaining rights for maintenance and construction workers were held by the Toronto Building Trades Council for all trades

except electricians, plumbers/steamfitters and labourers. These trades were represented by their respective building trades unions and had separate collective agreements.

- The North York and East York Boards had been found by the Ontario Labour Relations Board to be ‘construction employers’. The electricians at these boards were represented by the International Brotherhood of Electrical Workers.
- A local of the Carpenters held ‘industrial’ bargaining rights at the North York Board and the East York Board.
- The other boards performed construction and maintenance work using employees represented by CUPE or hired third-party contractors which may have been either union or non-union.
- While the Board was considering how to structure its maintenance and construction operations, the building trades unions were conducting an organizing campaign among the employees of the former Etobicoke board. TDSB minutes indicate that the TDSB expected the building trades unions to be successful.

Legally, the post-amalgamation Toronto Board of Education would be required to bargain collective agreements with tradespersons in the former Toronto, North York and East York boards and probably also with employees of the former Etobicoke board (assuming the organizing campaign succeeded, as the TDSB had expected). The minutes of the TDSB indicate that the TDSB wanted to avoid having fragmented regimes for managing construction and maintenance work.¹ At the same time, the TDSB also learned that there was a prospect that the TDSB could be classified as a construction employer within the meaning of the *Ontario Labour Relations Act*, as had already happened with the former North York and East York boards. This could have resulted in the Board becoming a party to the provincial construction agreements and being obliged to pay the full union construction wage for maintenance work.²

The Minutes of the TDSB indicate that, faced with the challenge of managing fragmented regimes for construction and maintenance as well as the risk of being classified as a ‘construction employer’, the TDSB sought a compromise solution with the building trades unions. An agreement was reached. This agreement established what is now known as ‘bargaining unit E’ which comprises the TDSB’s maintenance and construction skilled trades employees. The Labour Relations Board approved the agreement pursuant to the *Public Sector Transition Stability Act*, 1997 (Bill 136). The essence of the compromise between the TDSB and the building trades unions was as follows:

¹ Minutes of the Toronto District School Board, December 16, 1998: “It was impossible for the Toronto District School Board to organize its building and facilities programs around two entirely different regimes of labour law.” p 706

² Minutes of the Toronto District School Board, December 16, 1998: It was clear that the merger of the Boards could result in the whole Toronto District School Board becoming a “construction employer” under the Labour Relations Act.” p 706

- the 14 building trades unions would create the Maintenance and Construction Skilled Trades Council (MCSTC) to represent skilled trades maintenance and construction workers directly employed by the TDSB as well as all unionized employees of their affiliated contractors while those contractors are working at the TDSB. In turn, the TDSB would enter into a *single* collective agreement with the MCSTC instead of separate agreements with each trade.
- there would be a threshold above which maintenance and construction work could be contracted out.

Equally importantly, there was an understanding that the hourly cost of *permanently* employed maintenance and construction tradespersons would be less than the hourly cost had those same been employed under the relevant provincial agreement for their trade.

What is the role of the MCSTC?

It is important to understand that the MCSTC is just a trade union. The MCSTC is not a business. The MCSTC does not bid on and perform maintenance or construction work. Rather the MCSTC represents persons who are the direct employees of the TDSB and who carry out maintenance or construction work on TDSB instructions and under the supervision of TDSB management.

Does the MCSTC charge the TDSB for maintenance or construction work?

No. This is a misimpression caused by careless reporting in the *Toronto Star*. Purely for its internal purposes the TDSB's maintenance and construction department costs all maintenance and construction work and charges those costs to the TDSB's schools which pay the TDSB's maintenance and construction department out of their operating budget. This is an administrative procedure established by the TDSB and does not involve the MCSTC in any way.

The purpose of the 'charge-back' procedure is to better enable the TDSB to monitor the actual cost of maintenance and construction work. In this way, the TDSB is in a better position to determine the most cost-effective way to perform maintenance and construction work. For example, a Principal might ask the TDSB's maintenance and construction department to perform work that should be performed by an on-site caretaker. Alternatively, the TDSB might conclude that it is more cost effective to tender some types of maintenance and construction work for competitive bidding by one of the TDSB's pre-qualified contractors.

In many cases, a cost estimate for maintenance and construction work is developed by a TDSB employee who is a member of the MCSTC. Having received the internal estimate for performing the work, management of the TDSB's maintenance and construction department then decides whether the work will be performed by the TDSB's maintenance and construction employees or put out to competitive tender.

The employees who develop the initial cost estimate have no incentive to over-estimate the cost of a project. If they do, the consequence can be that the work may be put out to competitive tender instead of being performed internally.

How is the MCSTC financed?

Like any trade union, the MCSTC is financed by dues which are paid by the employees of the TDSB whom the MCSTC represents. In addition, to the direct employees of the TDSB who pay dues to the MCSTC, the MCSTC also represents the employees of pre-qualified contractors when those contractors are doing work for the TDSB. The employees of these contractors may only be working on TDSB assignments for a few days. It would be cumbersome to charge these employees pro-rated dues. Therefore, the MCSTC and the TDSB agreed that a representation levy would be deducted from the contract amount paid by the TDSB to its pre-qualified contractors. This representation amount is 0.5% of the value of the contract.

How do the wages paid under the MCSTC agreement compare to the provincial construction wages?

The TDSB employs (at last count) 676 *permanent* maintenance and construction tradespersons. These workers are employed solely by the TDSB. They work a standard 37.5-hour week for the TDSB. They receive their benefits through the TDSB.

The following table compares the direct wages of persons hired under the MCSTC agreement with rate that would apply to unionized construction workers under the respective provincial agreements.

Figure No.2
 Comparison of Direct Hourly Wages
 MCSTC compared to Provincial ICI Agreement (Toronto Rates)
 Representative Trades

	MCSTC	Provincial Construction		Difference			
	Wage Package	Wage Package		in Hourly Cost			
	Total Wage Package incl. Employer Assn. Fees			Dollars		Percent	
	September 1, 2011 to August 31, 2012	May 1, 2011 to April 30, 2012	May 1, 2012 to April 30, 2013	May 1, 2011 to April 30, 2012	May 1, 2012 to April 30, 2013	May 1, 2011 to April 30, 2012	May 1, 2012 to April 30, 2013
Boilermaker	\$43.47	\$51.82	\$53.56	\$8.35	\$10.09	19.2%	23.2%
Bricklayer	\$45.69	\$50.70	\$51.95	\$5.01	\$6.26	11.0%	13.7%
Carpenter	\$44.61	\$51.73	\$52.73	\$7.12	\$8.12	16.0%	18.2%
Cement Mason	\$40.42	\$47.61	\$48.71	\$7.19	\$8.29	17.8%	20.5%
Electrician	\$47.12	\$55.61	\$57.41	\$8.49	\$10.29	18.0%	21.8%
Glazier	\$41.56	\$44.34	\$45.19	\$2.78	\$3.63	6.7%	8.7%
HVAC Mechanic	\$47.01	\$55.69	\$56.89	\$8.68	\$9.88	18.5%	21.0%
Insulator	\$42.83	\$49.73	\$50.34	\$6.90	\$7.51	16.1%	17.5%
Ironworker	\$43.84	\$50.04	\$51.04	\$6.20	\$7.20	14.1%	16.4%
Lather	\$43.12	\$50.10	\$51.40	\$6.98	\$8.28	16.2%	19.2%
Painter	\$40.77	\$46.63	\$44.59	\$5.86	\$3.82	14.4%	9.4%
Plasterer	\$43.95	\$48.62	\$49.83	\$4.67	\$5.88	10.6%	13.4%
Plumber	\$48.71	\$56.62	\$58.47	\$7.91	\$9.76	16.2%	20.0%
Roofer	\$42.05	\$48.66	\$50.41	\$6.61	\$8.36	15.7%	19.9%
Sheet Metal Worker	\$46.51	\$50.40	\$51.90	\$3.89	\$5.39	8.4%	11.6%
Sprinkler Fitter	\$48.71	\$54.18	\$55.83	\$5.47	\$7.12	11.2%	14.6%
Steamfitter	\$48.71	\$56.62	\$58.47	\$7.91	\$9.76	16.2%	20.0%
Average (unweighted)	\$44.65	\$51.12	\$52.28	\$6.47	\$7.63	14.5%	17.0%

As can be seen from Figure No. 2, the hourly cost of directly employed tradespersons is significantly *lower* than if those workers were hired by a unionized contractor under a provincial ICI agreement. As of today, the hourly cost of a *permanently* employed maintenance and construction tradespersons ranges from 9.4% *lower* for painters to 23.2% *lower* for boilermakers. On average, the hourly cost of a *permanently* employed maintenance and construction tradesperson is around 17% *lower*.

In addition to its permanently employed work force of maintenance and construction tradespersons, the TDSB also hires from a pool of *temporary* workers. These workers are supplied to the TDSB through the MCSTC from the respective building trades unions. At last count, the TDSB employed 216 temporary maintenance and construction tradesperson. These *temporary* workers are paid the same hourly rate established by the provincial ICI agreement for their trade. The TDSB, therefore, pays a significant premium when it employs workers on a temporary basis.

Excessive reliance on ‘temporary’ workers is financially wasteful:

Some maintenance and construction needs are temporary and this justifies maintain a certain proportion of the TDSB’s maintenance and construction work force on a temporary basis. However, it is wasteful for almost a quarter of the TDSB’s maintenance and construction work to be performed by ‘temporary’ tradespersons whose hourly cost is approximately 17% higher than the hourly cost of permanent employees.

A review of the employment records of maintenance and construction workers employed on a ‘temporary’ basis indicates that 112 of the 216 have five years of unbroken service. That can hardly be called ‘temporary’. Figure No. 3 shows the additional labour costs that the TDSB has incurred by employing workers as ‘temporaries’ for *five* years or more:

Figure No.3
 Additional Wage Costs incurred by Employing as 'Temporaries'
 Maintenance and Construction Skilled Trades Workers
 with Five Years or More of Unbroken Service

Trade	No.	Hourly Difference	Cost on 1950 hours
Bricklayer	1	\$6.26	\$12,207
Carpenter	27	\$8.12	\$427,518
Electrician	35	\$10.29	\$702,293
Glazier	4	\$3.63	\$28,306
HVAC Mechanic	3	\$9.88	\$57,798
Ironworker	19	\$7.20	\$266,760
Lather	1	\$8.28	\$16,146
Painter	3	\$3.82	\$22,347
Plasterer	5	\$5.88	\$57,330
Plumber	3	\$9.76	\$57,096
Roofer	2	\$8.36	\$32,604
Sheet Metal Worker	6	\$5.39	\$63,063
Sprinkler Fitter	3	\$7.12	\$41,652
Total	112		\$1,785,120

As can be seen from Figure No. 3, paying the workers with five years of unbroken service as 'temporaries' costs the TDSB more than \$1.7 million in wage costs that that would be entirely avoided if these workers had been hired as permanent staff of the TDSB. Surely in this financial environment, the TDSB cannot afford the luxury of paying \$1.7 million more in labour costs than is necessary. Even if these workers were hired as permanent employees, the TDSB would still have a pool of more than 100 temporary workers to call upon. This would surely be more than sufficient to meet fluctuating needs.

Why is it more economical to perform small and medium-size maintenance and construction work 'in-house'?

There are some maintenance and construction services that should be hired on a temporary basis. This is obviously true for maintenance and construction skills that are highly specialized and are infrequently required. As well, some types of work may require a large number of tradespersons in a particular trade, but this type of work may only arise occasionally. On the other hand, there are certain types of maintenance and construction work which are always in demand. This includes, but is not limited to: carpentry work, electrical work, repair to windows and grates, and maintenance of mechanical systems. Employing workers on a long-term 'temporary' basis to perform this type of work is patently wasteful.

It might be thought that it would always be better to tender for maintenance and construction services rather than use in-house maintenance and construction skilled tradespersons. However, a thoughtful examination of the economics of contracting for maintenance and construction work shows that the

promised savings from contracting out can be illusory for many small and medium-size jobs. There are seven reasons why in-house maintenance and construction is usually more cost effective than contracted maintenance for small and medium-size jobs:

- First: An in-house maintenance and construction work force will generally clean and repair defective mechanical components rather than prematurely replace them. However, a service contractor will almost invariably replace a malfunctioning component because doing so enables the contractor to earn a mark-up on the supplied components.
- Second: A service contractor must add a mark-up to its labour costs to cover downtime and working capital while awaiting receipt of payment, as well, as profit. Additionally, a service contractor must cover the cost of marketing itself and the cost of preparing proposals for tendered work.
- Third: A service contractor must pay WSIB contributions according to a construction industry rate group. The TDSB, however, is a 'Schedule 2' employer and only pays WSIB contributions based on its total claims experience.
- Fourth: A service contractor does not have the same commitment to preventive maintenance since such programs undercut the flow of service work.
- Fifth: In-house maintenance and construction staff are more familiar with components and structures and can usually diagnose more quickly and more accurately the repairs that are required. This reduces the amount of labour time spent on incorrect diagnoses of problems.
- Sixth: Work that involves more than one trade often requires more than one contractor. Responsibility is blurred, accountability is reduced and efficiency is diminished.
- Seventh: During periods when demand for maintenance and construction skilled tradespersons is robust, organizations are vulnerable to 'opportunity pricing' (i.e., excessive mark-ups) if they do not have the capacity to perform work in-house.

It is for these reasons that most large organizations in both the public and private sector maintain in-house departments to carry out small and medium-size maintenance and construction jobs. Indeed, Statistics Canada estimates that around 20% of persons classified as construction tradespersons work outside of the construction and service contractor industry.³ For the electrical trades, this proportion is more than 50%.

³ Based on 2006 Census:
<http://www12.statcan.gc.ca/census-recensement/2006>

Can small maintenance tasks be performed by an on-site caretaker rather than a skilled tradesperson?

Yes. It is the TDSB's policy to have site-based caretakers perform various agreed upon secondary tasks that do not require a skilled tradesperson. The MCSTC agreement is *not* a hindrance to this policy. Indeed, the MCSTC agreement explicitly allows site-based caretakers to perform these tasks. In the instance of the infamous 'pencil sharpener case', that is what should have happened. To set the record straight, it may be useful to recapitulate the facts of the 'pencil sharpener case' since this case was seriously misreported by the Toronto Star. The facts were these:

- Under TDSB policy, a task such as installing a pencil sharpener should be performed by an on-site caretaker.
- The MCSTC collective agreement is not an impediment to TDSB policy.
- The caretaker and the Principal should have been aware of TDSB policy.
- So also should the management of the TDSB's maintenance and construction department.
- Management of the TDSB's maintenance and construction department should *not* have assigned a skilled tradesperson to install a pencil sharpener.
- However, *management* of the TDSB's maintenance and construction department did assign a carpenter to install the pencil sharpener.
- The carpenter who installed the pencil sharpener was just following instructions.
- Management of the TDSB's maintenance and construction department subsequently reversed the 'charge back' for installing the pencil sharpener.

To repeat: the agreed upon secondary maintenance tasks that do not require a skilled tradesperson should be performed by on-site caretaking staff. This is TDSB policy and the MCSTC collective agreement is not an impediment to this policy. It is unfair and unreasonable to blame a carpenter for doing what he was assigned to do.

What happened to the Blackstone Report which recommended ways to reduce maintenance and construction costs?

In 2006, after criticisms of the TDSB's maintenance and construction services, the TDSB commissioned a study by the Blackstone Partners. (Blackstone Partners was subsequently acquired by KPMG.) The MCSTC and other unions were consulted and engaged by the Blackstone Group, as were principals and TDSB management. The Blackstone report contained 43 recommendations. These recommendations lay out a road map for a cost effective and client centred approach to delivering maintenance services. While some of the recommendations have been implemented, many have not been pursued. The TDSB's last update on implementation progress was in 2011. The MCSTC welcomed the Blackstone Partners' study and endorsed the study's key recommendations. The TDSB would be well served by putting the

implementation of the Blackstone report on the front burner. Had the TDSB implemented the strategy recommended in the Blackstone report, many of the problems and criticisms from this past year would not have arisen in the first place.

Getting more value from the maintenance budget:

There are three things that the TDSB can do today to get more value from the maintenance budget:

1. Transfer all temporary maintenance and construction tradespersons who have at least five years of unbroken service with the TDSB from 'temporary' status to 'permanent' status. This holds out the prospect of saving the TDSB upwards of \$1.7 million in labour costs.
2. Ensure that all site-based caretakers are trained in performing the agreed upon secondary maintenance tasks that do not require a skilled tradesperson and ensure that Principals properly assign such tasks to the on-site caretaking work force.
3. Put the Blackstone Report back on the front burner where it belongs.

Respectfully submitted

Maintenance and Construction Skilled Trades Council