

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2011 Update

The original 2008 full report and the 2011 calculation guide are available at www.policyalternatives.ca/livingwage2011

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In 2008, the CCPA, First Call and Victoria's Community Council published the inaugural report Working for a Living Wage. That report calculated that the living family wage was \$16.74/hour in Metro Vancouver, and \$16.39/hour in Metro Victoria. That full report, detailing the principles, rationale, methodology, data sources, and business case for the living wage calculation can be found at www.policyalternatives.ca/livingwage2011. Since then, however, family costs have continued to rise and changes have occurred to government taxes and transfers. And so this short report updates our calculation, providing the 2011 living wage for Metro Vancouver—now \$18.81/hour.

For more on the Metro Vancouver Living Wage for Families campaign, including information for employers wanting to become living wage employers, visit www.livingwageforfamilies.ca

FAMILIES WHO WORK FOR LOW WAGES face impossible choices—buy clothing or heat the house, feed the children or pay the rent. The result can be spiralling debt, constant anxiety and long-term health problems. In many cases it means that the adults in the family are working long hours, often at two or three jobs, just to pay for basic necessities. They have little time to spend with their family, much less to help their children with school work or participate in community activities.

The frustration of working harder only to fall further behind is one many Canadians can relate to. Recent CCPA research shows that most families are taking home a smaller share of the economic pie despite working longer hours, getting more education and contributing to a growing economy.

In BC, the contradiction between years of economic growth and rising insecurity is especially stark. We are one of only two Canadian provinces where median earnings for individuals fell between 2000 and 2005. For seven years running, BC has had the highest child poverty rate in Canada.

The story of child poverty is very much a story of low wages. The vast majority of BC's poor children live in families with some paid work. And in 2008 (the last year for which we have data), one third lived in families where at least one adult had a full-time, full-year job.



What does it say about our economy when families are doing all the right things—working hard and working long hours—yet have to choose between paying the rent and putting food on the table?

The living wage is one of the most powerful tools available to address this troubling state of poverty amid plenty in BC. It allows us to get serious about reducing child poverty, and ensures that families who are working hard get what they deserve—a fair shake, and a life that's about more than a constant struggle to get by.

A living wage is not the same as the minimum wage, which is the legal minimum all employers must pay. The living wage sets a higher test—it reflects what earners in a family need to bring home, based on the actual costs of living in a specific community. The living wage is a call to private and public sector employers themselves to pay wages to both direct and contract employees sufficient to provide the basics to families with children.

WHAT'S IN A LIVING WAGE?

The living wage is calculated as the hourly rate at which a household can meet its basic needs, once government transfers have been added to the family's income (such as the Universal Child Care Benefit) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).

The full details of the calculation methodology are spelled out in the original full report from 2008, on page 23, which is available at www.policyalternatives.ca/livingwage2011. The living wage is based on:

- A family of two parents with two children aged four and seven. (In BC, 85 per cent of families are headed by couples, and 62 per cent have two or more children. And while the poverty rate is particularly high for single parent households, 67 per cent of poor children live in two-parent families.)
- Both parents working full-time, at 35 hours per week. (Full-time employment for both parents is the norm for families with children in BC.)
- Estimated family expenses in 10 categories (see box on page 3).
- The cost of government deductions (provincial and federal taxes, Employment Insurance premiums and Canada Pension Plan contributions).
- The value of government transfers like the Canada Child Tax Benefit (more on this below).
- Employers providing minimal paid vacation and sick time.

A Bare Bones Budget

At \$18.81 per hour for Metro Vancouver—or \$34,234 annually for each parent working full-time—here’s what a family could afford:

FOOD: \$768/month (based on estimates by the Dietitians of Canada for a nutritious diet)

CLOTHING AND FOOTWEAR: \$185/month

SHELTER: \$1,360/month (includes conservative rent estimate for a three-bedroom apartment, utilities, telephone, and insurance on home contents)

TRANSPORTATION: \$496/month (includes two-zone bus pass and the cost of owning and operating a used car)

CHILD CARE: \$1,136/month (for a four year old in full-time care, a seven year old in after-school care, and six weeks of summer care). Notably, child care is the second most expensive item in the living wage family budget after shelter.

MEDICAL SERVICES PLAN (MSP) PREMIUMS: \$121/month

NON-MSP HEALTH CARE: \$133/month (for Pacific Blue Cross Insurance; does not include expenses only partially covered by the insurance plan)

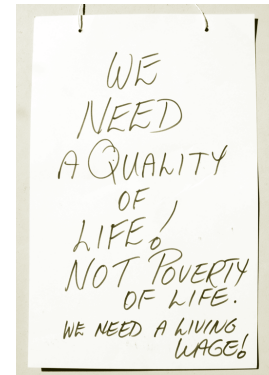
PARENTS’ EDUCATION: \$89/month (allows for two college courses per year)

CONTINGENCY FUND: \$219/month (provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.)

OTHER: \$714/month (covers personal care, furniture, household supplies, school supplies, some reading materials, minimal recreation and entertainment)

This living wage calculation does not cover:

- Credit card, loan, or other debt/interest payments;
- Savings for retirement;
- Owning a home;
- Savings for children’s future education;
- Anything beyond minimal recreation, entertainment, or holiday costs;
- Costs of caring for a disabled, seriously ill, or elderly family member; or
- Much of a cushion for emergencies or tough times.



A LIVING WAGE IS:

Based on the principle that full-time work should provide families with a basic level of economic security, not keep them in poverty.

The amount needed for a family of four with two parents working full-time to pay for necessities, support the healthy development of their children, escape financial stress and participate in their communities.

For Metro Vancouver, the living wage in 2011 is \$18.81.

The living wage gets families out of severe financial stress by lifting them out of poverty and providing a basic level of economic security. But it is also a conservative, bare bones budget without the extras many of us take for granted.

The living wage calculation is based on the needs of two-parent families with young children, but would also support a family throughout the life cycle so that young adults are not discouraged from having children and older workers have some extra income as they age. Importantly, the living wage is also enough for a single parent with one child to get by. A single parent with two children, however, would have a much tougher time. (See page 25 of the original 2008 report for more on single parents.)



The story of child poverty is very much a story of low wages. The vast majority of BC's poor children live in families with some paid work. And in 2008, one third lived in families where at least one adult had a full-time, full-year job.

EXPLAINING THE INCREASES IN THE 2011 LIVING WAGE UPDATE

The 2011 living wage update sees some notable increases over the 2010 living wage.

The new numbers (using the same methodology for both two-parent/two-child families, and for single-parent families with one child) are as follows:

- Vancouver: Two-parent, two-child family—up 64 cents from \$18.17 to \$18.81 (an increase of 3.5 per cent over last year)
- Vancouver: Single parent, one-child family—up 56 cents from \$18.03 to \$18.59

As a comparison exercise we've also calculated the living wage figure for Metro Victoria:

- Victoria: Two-parent, two-child family—up 72 cents from \$17.31 to \$18.03 (an increase of 4.2 per cent)
- Victoria: Single parent, one-child family—up \$1.15 from \$15.35 to \$16.50

So, what's driving the increases?

In Vancouver, the food and shelter amounts are both up modestly over last year, by \$12/month and \$14/month respectively.

As in previous updates, child care took a big jump of \$40/month over 2010. In the wake of the federal government cancelling the child care agreement with the provinces, and subsequent cuts to provincial grants to child care centres, child care fees have seen a steep increase, cancelling out and then some what families receive in the federal Universal Child Care Benefit each month.

Transportation costs also took a sizeable jump (due to increases in bus passes and car costs), rising \$54/month.

Finally, MSP premiums have been increasing by 6 per cent a year.

Notably, the costs of essential items that low-income families cannot avoid have increased by more than the general rate of inflation (CPI).

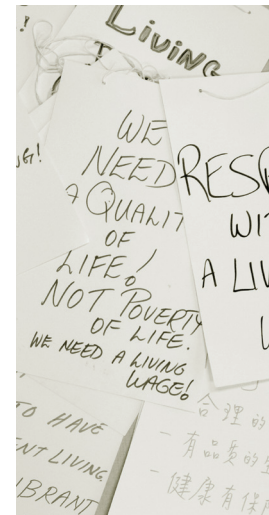
The main reason single-parent families have a lower living wage is that they qualify for the provincial rental assistance grant, the child care subsidy, and the new low-income carbon tax credit.

This fact drives home the important role public programs and government transfers play in enhancing affordability. When government programs carry more weight, the living wage is moderated, easing the role of employers in ensuring that families can meet their core budgetary needs.

WHY A LIVING WAGE?

Living wages benefit families, communities and employers, now and into the future.

A growing body of evidence tells us that growing up in an engaged, supportive environment is a powerful lifelong determinant of a person's health and general well-being. Children from low-income families are less likely to do well at school,



IN OUR OWN WORDS

The original 2008 full report is illustrated with placards made by workers in low-wage jobs about what a living wage means to them.

Metro Victoria's Affordability Index

The 2008 *Working for a Living Wage* report calculated the living family wage for Metro Vancouver and Metro Victoria, and was co-published by the Canadian Centre for Policy Alternatives, First Call, and Victoria's Community Council.

Since then, the Community Council's Quality of Life Challenge has gone a slightly different path. Their methodology for calculating the Metro Victoria living wage remains the same as was established in the 2008 report (and remains consistent with the Metro Vancouver living wage), but they have renamed their wage *The Affordability Index* (capturing the fact that it can be attained either by increasing wages or by lowering out-of-pocket costs).

The Affordability Index encourages a community dialogue around strategies to prevent and reduce poverty. It is intended to engage the community to take action to reduce costs of living and increase incomes. The Index highlights that affordability, especially the high costs of housing, child care, food and transportation, affects the region's ability to attract and retain staff and sustain a healthy and vibrant economy and community.

In 2011, the wage required to maintain a modest quality of life in BC's Capital Region is calculated to be \$18.03 per hour, a 4.2 per cent increase from 2010.

For more information on Metro Victoria's Affordability Index, visit www.qolchallenge.ca, email info@qolchallenge.ca, or call 250-383-6166.

have lower literacy levels and are more likely as adults to suffer from job insecurity, under-employment and poor health.

According to the National Longitudinal Survey of Children and Youth, parents in households with low incomes are more than twice as likely as parents in either middle- or high-income families to be chronically stressed. Not having enough money to buy household essentials and feeling that unrealistic expectations were being placed on their time are two of the primary sources of stress identified in this research. These parents are more likely to suffer from poor health and to be higher users of health care services. Adolescents living with chronically stressed parents were more likely than other youth to have a tough time socially and in school.

A series of recent national studies about work-life conflict document the very high costs of role overload (having too much to do in a given amount of time) in personal and financial terms. Researchers Linda Duxbury and Chris Higgins estimate the direct and indirect costs to employers in absenteeism at \$6 billion a year. They estimate a further \$6 billion cost to the health care system.

Other research has shown that paying living wages has concrete benefits for employers, including: reduced absenteeism and staff turnover; increased skill, morale and productivity levels; reduced recruitment and training costs; and improved customer satisfaction. It is also good for a company's reputation. For example, KPMG in London found that turnover rates were cut in half after it implemented a living wage policy for all direct and contract staff in 2006. (See *Fears Concerning the Living Wage Affecting Business Profitability Overstated* on page 41 of the original 2008 report for a discussion of employer concerns about paying a living wage.)



The living wage is first and foremost a call to private and public sector employers to sustain families—to pay wages to both direct and contract employees sufficient to provide the basics. But government policies and programs also have a direct impact on our standard of living, and as a result, on the living wage calculation.

UK Employers Get Behind the Living Wage

Living wage movements have been gaining steam in the UK, across the US and in a number of Canadian cities.

In the UK, a growing number of leading corporate, public and non-profit employers see the benefits of paying living wages, including: HSBC Bank, KPMG, PriceWaterhouseCoopers, Greater London Authority, London's Underground subway system, four East London Health Trusts, Queen Mary University, London School of Economics, the School of Oriental and African Studies, and Westway Development Trust. And the 2012 London Olympics will be the first living wage Olympics.

While the exact terms differ from employer to employer, all have signed a basic "Charter for Socially Responsible Contracting," stipulating all direct and contract staff are: paid no less than a living wage as set annually by the Greater London Authority; eligible for 20 days paid holiday plus statutory holidays; eligible for 10 days full sick pay per year; allowed free and unfettered access to a trade union.

GETTING THERE: THE ROLE OF EMPLOYERS AND GOVERNMENT

The living wage is first and foremost a call to public and private sector employers (primarily larger ones) to sustain families. This can be achieved through wages, or a combination of wages and benefits (such as health benefits, coverage of MSP premiums, transit passes, etc.). In a time of economic recession or jobless recovery, it is particularly important that public sector employers (municipalities, school boards, health authorities, etc.) and financially healthy private sector companies seek to sustain and enhance the earnings of low-income families. Given that low-income families tend to spend almost all their income in their communities, boosting the earnings of these households is one of the most effective ways of stimulating the local economy. In 2010, the City of New Westminster became the first municipality in Canada to officially pass a living wage policy. All direct and contracted staff will be paid the living family wage. And a growing number of private sector companies in Metro Vancouver have also become official living wage employers (a full list can be found at www.livingwageforfamilies.ca).

But the living wage is not just about employers—the labour market alone cannot solve all problems of poverty and social exclusion. Government policies and programs also have a direct impact on our standard of living, and as a result, on the living wage calculation.

First, direct government transfers can put money into the pockets of low-income families. The more generous these transfers are, the less a family requires in wages to achieve a decent standard of living. However, most government transfers and subsidies are reduced or eliminated once a family reaches an income level well below the living wage. For our model living wage family, these include:

- Canada Child Tax Benefit (reduced after the family's net income is greater than \$41,923);
- GST rebate (not available to families with a net income above \$48,632);
- Provincial Child Care Subsidy (starts to decline at a monthly net income threshold of \$1,933 and ceases entirely at the income level of our living wage family);
- BC Rental Assistance Program (not available to families with gross income over \$35,000); and
- Others including the Working Income Tax Benefit, the BC Sales Tax Credit, and MSP premium assistance.

The living wage is also affected by indirect government transfers, in the form of public services and infrastructure that shift certain costs off the shoulders of individual families. For example, if we had a universal publicly-funded child care system for children under six years old, the living wage calculation would no longer have to include about \$750 per month in child care costs. Increasing the stock of affordable housing, or making public transit more affordable, would likewise decrease the amount employers need to pay in order to provide a living wage.

And so, a key way employers can reduce the payroll costs of the living wage is to advocate for policy changes to increase government benefits to low-income earners and enhance public services that improve our quality of life.

LIVING WAGE CALCULATIONS FOR OTHER COMMUNITIES

An accompanying guide and spreadsheet is available for those seeking to calculate the living wage in other BC and Canadian communities. This technical guide can be downloaded at www.policyalternatives.ca/livingwage2011.

If you do use this guide to calculate the living wage for your community, please let us know, and tell us what the value of the living wage is where you live. Just contact the CCPA's BC office.

A number of BC communities have already done so, including Cranbrook, Williams Lake and Abbotsford.

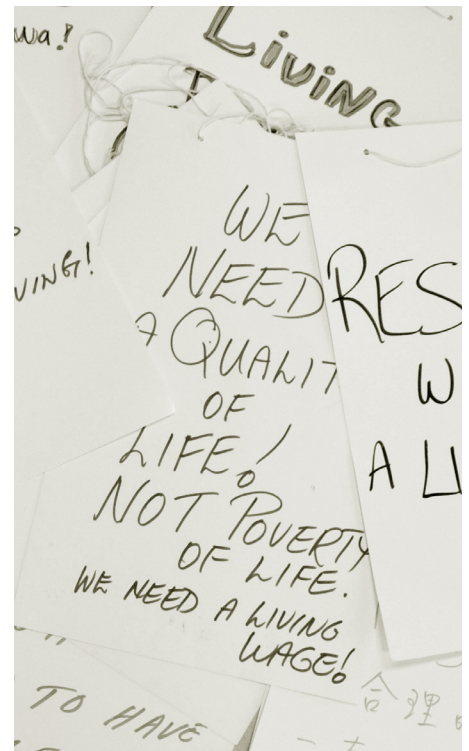


The Living Wage for Families Campaign for Metro Vancouver was formally launched in the fall of 2008 with the publication of *Working for a Living Wage* and is guided by an Advisory Committee made up of representatives from unions, businesses, parents, immigrant and

community groups, as well as individual low-wage workers. Since its inception the Campaign has hosted a number of events and engaged in extensive outreach with community, labour, immigrant and faith partners. It has developed a Living Wage Employer recognition process to recognize employers that pay a living wage. It has worked with local partners to encourage local municipalities to pass living wage by-laws. It is undertaking a listening campaign with low wage workers and has undertaken training workshops on the living wage with a variety of agencies.

Contact us at info@livingwageforfamilies.com, or through First Call.

www.livingwageforfamilies.ca



www.firstcallbc.org

First Call: BC Child and Youth Advocacy Coalition is a non-partisan, province-wide coalition of organizations and individuals committed to promoting child and youth rights and well-being. We focus on public policy, public awareness and mobilizing communities for BC's children.

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The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social and economic justice. Founded in 1980, it is one of Canada's leading progressive voices in public policy debates. The CCPA is a registered non-profit charity and depends on the support of its more than 10,000 members across Canada.

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