

2008

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Vancouver and Victoria

Copies of the full
report are available
from the CCPA, and at
www.policyalternatives.ca

Summary

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FAMILIES WHO WORK FOR LOW WAGES face impossible choices—buy food or heat the house, feed the children or pay the rent. The result can be spiraling 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 a strong economy and growing insecurity is especially stark. We are one of only two Canadian provinces where median earnings for individuals fell between 2000 and 2005. We also have the highest child poverty rate in Canada, and are the only province where child poverty rates were actually higher in 2006 than in 1997.

The story of child poverty is very much a story of low wages. More than half of BC's poor children live in families where at least one person has a full-time job.

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.

The living wage is a call to private and public sector employers to pay wages to both direct and contract employees sufficient to provide the basics to families with children.

A living wage is not the same as the minimum wage, which is the legal minimum 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.



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?

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 are spelled out in the full report, beginning on page 23. 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.)
- 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 (more on this below).
- 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.

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. The living wage is also enough for a single parent with one child to get by. A single parent with two children would have a much tougher time. (See page 25 of the full report for more on single parents.)

A Bare Bones Budget

At \$16.74 per hour for Metro Vancouver—or \$30,467 annually for each parent working full-time—here’s what a family could afford:

FOOD: \$652/month (based on estimates by the Dietitians of Canada for a nutritious diet)

CLOTHING AND FOOTWEAR: \$191/month

SHELTER: \$1,259/month (includes conservative rent estimate for a three-bedroom apartment or townhouse, utilities, telephone and insurance on home contents)

TRANSPORTATION: \$523/month (includes two-zone bus pass and the cost of owning and operating a used car)

CHILD CARE: \$982/month (for a four year old in full-time care, a seven year old in after-school care, and six weeks of summer care)

MEDICAL SERVICES PLAN (MSP) PREMIUMS: \$108/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: \$83/month (allows for two college courses per year)

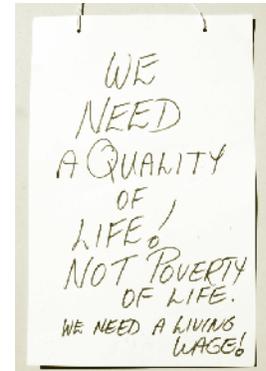
CONTINGENCY FUND: \$195/month (provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.)

OTHER: \$570/month (covers personal care, furniture, household supplies, school supplies, some reading materials, minimal recreation and entertainment)

The living wage for BC’s Capital Region is \$16.39 per hour, due to minor variations in the expenses based on actual costs of living in the Capital Region.

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, it is \$16.74 per hour, and for Victoria (BC’s Capital Region), \$16.39 per hour.

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 competence. Children from low-income families are less likely to do well at school, have lower literacy levels and are more likely as adults to suffer from job insecurity, under-employment, and poor health.



The story of child poverty is very much a story of low wages.

More than half of BC's poor children live in families where at least one person has a full-time job.

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.

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, Morgan Stanley, Lehman Brothers, City Group, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers, Lovells, Credit Suisse and Macquerie, 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.

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.

Other research has shown that paying living wages has concrete benefits for employers, including reduced absenteeism; increased skill, morale and productivity levels; ability to attract and keep employees in a tight labour market; 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 full report for a discussion of employer concerns about paying a living wage.)



The living wage is based on the principle that work should ensure individuals and families can live with dignity and therefore can fully participate in family, community and work life.

GETTING THERE

The living wage is first and foremost a call to private and public sector employers 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.).

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.

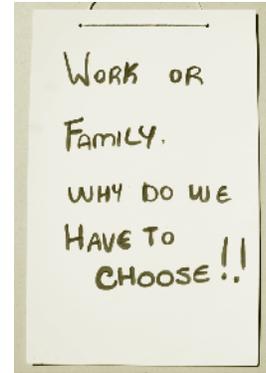
First, direct government transfers can put money into the pockets of low-income families. The more generous these transfers are, the less a family requires in wages to achieve a decent standard of living. However, most government transfers and subsidies are reduced or eliminated once a family reaches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

- Canada Child Tax Benefit (reduced after the family's net income is greater than \$38,370);
- GST Rebate (not available to families with a net income above \$46,616);
- 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, and the BC Tax Reduction.

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 public child care system for children under six years old, the living wage calculation would no longer have to include

over \$600 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.

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/Reports/2008/09/bclivingwage/.

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.

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.

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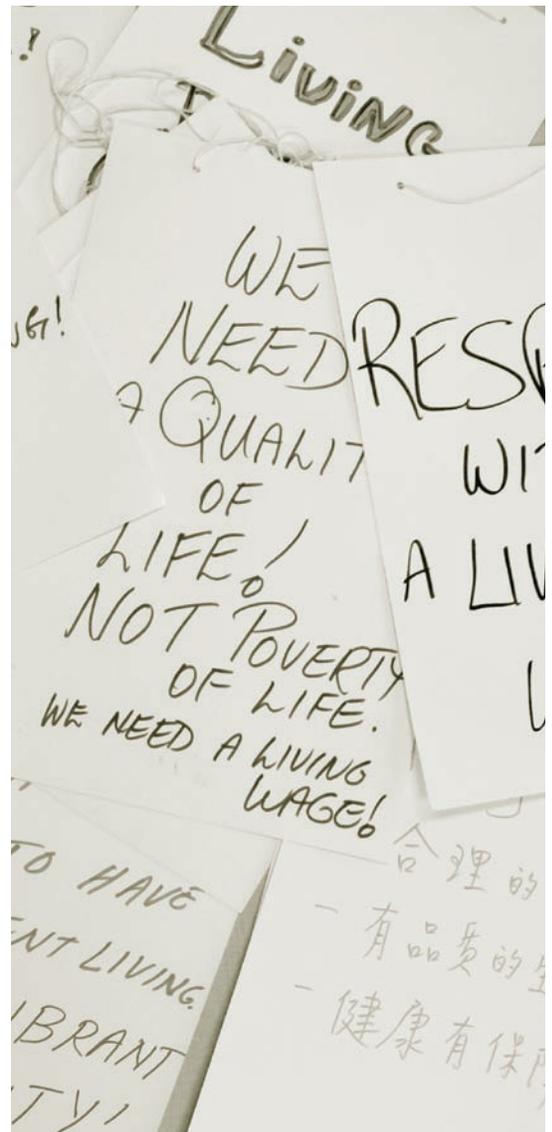
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ECONOMIC SECURITY PROJECT

The Economic Security Project is a research alliance led by the CCPA's BC Office and Simon Fraser University, and includes 24 community organizations and four BC universities. It looks at how provincial policies affect the economic well-being of vulnerable people in BC, such as those who rely on social assistance, low-wage earners, recent immigrants, people with disabilities, seniors, youth and others. It also develops and promotes policy solutions that improve economic security.

www.policyalternatives.ca/economic_security



first call

BC Child and Youth Advocacy Coalition

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.

www.firstcallbc.org

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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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**COMMUNITY
COUNCIL**

The Community Social Planning Council of Greater Victoria is a registered charity whose mission is to provide leadership that brings the community together to create a sustainable quality of life for everyone in BC's Capital Region. The Community Council does this by convening and supporting collaborative initiatives, conducting community-based research and communicating reliable information.

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