

Living Wage

DIALOGUE
ON THE REAL
COSTS OF LIVING

COMMUNITY
SOCIAL PLANNING
COUNCIL

Supplemental Report
2013 Calculation of a Living Wage for Greater Victoria

A report of the



Prepared by Marika Albert
May 2013

COMMUNITY SOCIAL PLANNING COUNCIL
research·insights·solutions

\$18.73



BC has one of the highest poverty rates in the country. With a high cost of living, far too many British Columbians find it difficult to make ends meet. Many households must make tough choices every month about their household spending priorities – pay the heating bill or buy new shoes for the kids, buy groceries or pay the rent. British Columbia now has the second highest child poverty rate in the country with low wages as one of the key contributors to child poverty in BC¹. The number of households facing an affordability challenge in the Capital Region continues to rise.

The Living Wage, calculated and released each year by the Community Social Planning Council, reflects the real costs of living through the hourly wage required to enjoy an adequate quality of life in our region. When we look behind the number to see the costs that drive that required wage up or down, we have an opportunity to engage our community in dialogue around strategies to prevent and reduce poverty. Our region’s affordability, especially the high costs of housing, childcare, and transportation, affects our ability to attract and retain staff and sustain a healthy and vibrant economy and community.

In 2008, *Working for a Living Wage* report calculated the living family wage for Metro Vancouver and Greater Victoria, and was co-published by the Canadian Centre for Policy Alternatives, First Call, and Victoria’s Community Council. This year, the Community Social Planning Council is releasing the living wage calculation in conjunction with Metro Vancouver and the Fraser Valley in an effort to increase the use of living wages to reduce and prevent poverty in communities across British Columbia and Canada.

In 2013, the wage required to maintain an adequate quality of life in BC’s Capital Region is calculated at \$18.73 per hour.

Hourly Wage Rates 2006 to 2013

| Data Release | Hourly wage | Difference | Change rate |
|--------------|-------------|------------|---------------------|
| 2006 | \$15.63 | - | - |
| 2008 | \$16.39 | \$ 0.76 | + 4.9% ² |
| 2009 | \$17.02 | \$ 0.63 | + 3.8% |
| 2010 | \$17.31 | \$ 0.29 | +1.7% |
| 2011 | \$18.03 | \$0.72 | +4.2% |
| 2012 | \$18.07 | \$0.04 | +0.2% |
| 2013 | \$18.73 | \$0.66 | +3.7% |

This calculation assumes two adults working 35 per week each while providing a home for two children.

Family Facts

The most typical family in this region (Statistics Canada, 2006)

- ✓ Is a two-parent family (84% of all families)
- ✓ Earned a median income of \$71,500 in 2006.

What does the living wage measure?

It is the hourly rate of pay that allows a family to enjoy an adequate quality of life. While it is more than a survival wage or minimum wage, it is not an affluent wage, and it is lower than what is needed to obtain much of what is considered normal in our community.

With these earnings, a family ...

- ✓ Can adequately feed, clothe and shelter their household
- ✓ Can maintain the health of family members
- ✓ Can participate in activities that are an ordinary part of community life
- ✓ Can receive up to two weeks paid time off for illness annually
- ✓ Rents rather than owns their home
- ✓ Can own a car and uses public transit
- ✗ Cannot save for children's education, to purchase a home, holidays or retirement
- ✗ Cannot service loan debts or credit card bills
- ✗ Cannot afford to care for an elderly relative or a disabled family member

Monthly Costs of Living for a family of four in BC's Capital Region - December 2012

| Item | Monthly | % of total expenses |
|---|-------------------|---------------------|
| Shelter: 3-bedroom unit, telephone, utilities, contents insurance | \$1,389.96 | 26.6% |
| Food ³ | \$ 760.73 | 14.6% |
| Clothing | \$ 191.61 | 3.7% |
| Transportation | \$ 474.29 | 9.1% |
| Other Household Expenses** | \$ 718.07 | 13.6% |
| Child Care | \$ 1,122.67 | 21.5% |
| Medical Services Plan (MSP) | \$ 133.00 | 2.5% |
| Non MSP Health Expenses | \$ 133.00 | 2.5% |
| Emergencies (2 weeks' pay) | \$ 218.17 | 4.2% |
| Parent Education | \$ 80.87 | 1.5% |
| Total | \$5,222.36 | 100% |

* Other household expenses include personal care items, household supplies and furnishings, small appliances, recreation, laundry, banking, computer, internet, and children's toys.



The required wage has been calculated for a typical family in BC's Capital Region, a two parent family:

- with two children: one who is seven and one who is four years old
- with two parents each working 35 hours per week
- with the four year old in day care because both parents are employed
- renting a 3 bedroom (apartment or townhouse)

\$18.73 per hour

For a household with 2 employed parents and 2 children: 1 school-aged and 1 preschooler

Understanding the Income

| Income Earner | Hourly Wage | Annual Wage (Gross) | Monthly after tax Wage |
|---------------------------------------|-------------|---------------------|------------------------|
| 1 st Parent: 35 hours/week | \$18.73 | \$34,088.60 | \$2,520.19 |
| 2 nd Parent: 35 hours/week | \$18.73 | \$34,088.60 | \$2,410.59 |
| TOTAL | | \$68,177.20 | \$4,930.78 |

The Living Wage is based upon the hours worked per week by both parents employed all year, each working 35 hours per week. If either parent is unable to work this number of hours per week, or does not have year-round employment, the wage amount will have to increase or the family will not afford their monthly expenses.

This **Living Wage** calculation does include a sick time benefit but does *not* include other employment benefits such as extended health, pension plans, bonuses or transportation incentives.

Calculating the wage

| | |
|--|--------------------|
| Total Gross Income | \$68,177.20 |
| <i>minus</i> EI, CPP, provincial and federal taxes | \$9,007.89 |
| <i>equals</i> Take Home Pay | \$59,169.31 |
| <i>plus</i> Federal Child Tax Benefit and Universal Child Care Benefit | \$3,527.29 |
| <i>equals</i> Total Take Home Income | \$62,696.59 |
| Family Expenses (\$5,222.36 x 12) | \$62,672.47 |
| Income less expenses equals | \$24.13 |

Explaining the Increase

The 2013 Living Wage for the Capital Region (\$18.73) is 3.7% higher than the 2012 Living Wage (\$18.07). The living wage increase is triple the inflation rate for Victoria (1.0%) in 2012. This increase is largely due to rising housing and related shelter costs, transportation, food and childcare costs.

SHELTER COSTS | The most dramatic increase in monthly expenditures for the living wage family was for shelter costs. Shelter costs represent 26.6% of the living wage family's monthly household expenditures. The monthly rent amount for the living wage family from \$1,125 in 2012 to 1,200 in 2013⁴ adding \$75.00 to the cost of rent each month. Energy costs, which are included in the shelter costs calculation, increased at the rate of inflation. Overall, shelter costs for the living wage family increased by 6%, higher than the inflation rate for BC (1.1%) and for Victoria (1.0%).⁵

TRANSPORTATION COSTS | Transportation costs for the living wage family increased by \$21.61 per month from 2012 to 2013. The increase is due to a relatively small increase in the UPASS amount and a 5% increase in the cost of operating and owning a car. The BC Transit monthly pass fee did not change from 2012. The parent taking two post-secondary education classes qualifies for a UPASS which greatly decreases the potential transportation costs for the family. A monthly bus pass in the Capital Regions costs \$85.00/month and if the living wage family did not have one parent eligible for a UPASS, the family's monthly transportation costs would jump by \$43.17 per month. This demonstrates that programs like the UPASS – a partnership between BC Transit and Post-secondary institutions – often have dramatic effects on the cost of living for low-income families.

FOOD COSTS | The price of food in BC increased by 2.2% in 2012, which was double the rate of increase of general inflation in BC (1.1%). This translated into increased food costs for the living wage family by \$16.13 a month from 2012, or an annual increase of \$193.56. Since 85% of food is imported to Vancouver Island⁶, higher food costs may also be associated with increases in freight costs associated with high fuel prices.

CHILDCARE COSTS | Monthly child care costs represent 21.5% of the living wage family's monthly household expenditures. Child care costs continue to rise steadily each year for different types of childcare. The group child care cost for the four year old increased by \$22.00 per month from an average of \$754.00 per month to \$776.00 per month, however, the Out of School care cost for the seven year old decreased, which translated into a slight increase in the living wage family's monthly childcare costs.

The cost of child care has steadily increased since the living wage was first calculated for the Capital Region.

Since 2008, the monthly childcare expense for the living wage family has increased by 19%, which translates to **\$175.84/month.**

The Challenge of Housing Affordability in the Capital Region

Affordable Housing

Housing is considered affordable when a household spends less than 30% of its income on shelter costs.
(CMHC, 2011)

Over a quarter (26.6%) of the living wage family's household income goes towards paying shelter costs. The median rent⁷ – which is used to calculate shelter costs for the living wage – increased by \$75.00/month. The average rent for a three-plus bedroom apartment increased by 2.2% over the past year. The tables below show the rate of the average rent amount increases for different rental housing types in the Capital Region, and provide an illustration of increasingly unaffordable rental housing market.

NEED INDICATOR | The applicant list for the BC Housing Registry⁸ is often used in the Capital Region as an indicator of housing instability and need. As of March 31, 2012, out of the 1,545 applicant households on the registry, 512 (33%) of the applicants were families with at least one child.⁹

Average Cost of Rental Housing in the Victoria Census Metropolitan Area 2011 to 2012¹⁰

| Apartment Size | Average Rent | | Percent change |
|----------------|--------------|---------|----------------|
| | 2011 | 2012 | |
| Bachelor | \$676 | \$695 | 2.8% |
| 1 Bedroom | \$819 | \$828 | 1.1% |
| 2 Bedroom | \$1,045 | \$1,059 | 1.3% |
| 3+ Bedroom | \$1,244 | \$1,271 | 2.2% |

| Private Row (Townhouse) Size* | Average Rent | | Percent change |
|-------------------------------|--------------|---------|----------------|
| | 2011 | 2012 | |
| 1 Bedroom | \$745 | \$760 | 2.0% |
| 2 Bedroom | \$1,075 | \$1,108 | 3.1% |
| 3+ Bedroom | \$1,518 | \$1,523 | 0.3% |

*There are no bachelor private row (townhouse) units in Victoria CMA

Number of Units in the Victoria Census Metropolitan Area 2011 to 2012¹¹

| Unit Size* | Total Units | | Gain/Loss of Units |
|------------------|---------------|---------------|--------------------|
| | 2011 | 2012 | |
| Bachelor | 2,565 | 2,629 | 64 |
| 1 Bedroom | 13,309 | 13,411 | 102 |
| 2 Bedroom | 7,319 | 7,385 | 66 |
| 3 + Bedroom | 794 | 789 | -5 |
| All Units | 23,987 | 24,214 | 227 |

* Includes apartments and row/townhouses

Source: Canadian Mortgage and Housing Corporation, 2012

Poverty Statistics for BC's Capital Region



By any measure, BC has one of the highest poverty rates in the country. With a very high cost of living (particularly housing costs), far too many British Columbians find it impossible to make ends meet. A recent report released by the Community Social Planning Council of Greater Victoria indicates that the low-income rate in the Capital Region was at 13.1% in 2006.

The overall poverty rate in BC in 2010, according to Statistics Canada, was 15.5% using the before-tax measure, which leaves BC with the highest poverty rate in the country.¹² Using the after-tax measure, BC consistently has the highest poverty rate (11.5%) across Canada since 2001.¹³ BC has the second highest provincial child poverty rate in 2010 using Statistics Canada's Low Income Cut Off before-tax measure at 14.3%.¹⁴

Based on annual estimates for census families and individuals in BC's Capital Region, more than one out of four two-parent, two-child families (27.2%) earn an income that is less than required to sustain an adequate quality of life.¹⁵ According to a report released by the Community Social Planning Council in 2012, the working poor are a constant fixture in the labour market – over a ten year period (1996 to 2006) between 11% and 10% of those employed in the Capital Region were considered low-income. This means they have an annual household income of less than \$33,000.00¹⁶. Clearly, this is well below the income of the living wage family presented here. Residents have also seen a drop of 9% in their purchasing power from 2005 to 2010, meaning that wages overall have not kept up with the rate of inflation.¹⁷

Some Options for Action

The Living Wage is intended to engage the community to take action to reduce costs of living, increase incomes and reduce poverty.

Decision-makers:

- Support the development of affordable housing options in neighbourhoods
- Begin to legalize secondary suites in all municipalities
- Improve accessibility and reduce costs of child care
- Explore solutions to reduce costs of transportation
- Sign on to the call for a Poverty Reduction Plan with legislated timelines and targets (<http://bcpovertyreduction.ca>)
- Support the implementation of Living Wage policies for your organization and incorporate them into you procurement practices.

Employers:

- Look at your wage scales to see how long a person must be employed before earning a wage required for an adequate quality of life. Consider how you can improve that over the next year, 2 years and 5 years

- Besides pay increases look for other ways to improve the quality of life of your lowest wage earners such as flexible work hours, subsidized bus passes, on the job training
- Learn more about your staff's housing and child care challenges and solutions
- Demand the same integrity you aspire to from your suppliers and colleagues. Look beyond the lowest financial offer and consider how the firms you deal with treat their employees when awarding contracts
- Consider ways you and your business partners and employees can take action to reduce costs of living related to child care, housing, food and transportation
- Become a certified Living Wage Employer

Consumers:

- Speak out in support of the development of affordable housing options in your neighbourhoods
- Consider your wage rates when hiring people for work around your home
- Consider ways you, your family and friends can take action to reduce costs of living related to child care, housing, food and transportation

Everyone:

- Endorse the Capital Region Community Action Plan on Poverty and pledge one "action" you will take this year to help reduce or prevent poverty. www.CAPonPoverty.ca

INTERESTED IN BECOMING A BECOME A LIVING WAGE EMPLOYER?

The Community Social Planning Council is now leading the Living Wage Employers Campaign in the Capital Region, as part of a province wide project, to support and endorse employer commitments to contributing to a Living Wage, as part of the organization's commitment to the region's Community Action Plan on Poverty. The Employers Campaign is recognized as an important component to poverty reduction and prevention efforts at the community level.

For more information:

- Visit the **Living Wage for Families** website: <http://livingwageforfamilies.ca/>
- And the **Living Wage Employers** website: <http://www.lwemployers.ca/>

The Community Social Planning Council recognizes the generous support from our funders:



Endnotes

¹ First Call BC, 2012

² Note this increase is over a two year period, and averages 2.5% per year.

³ The cost of food used in this calculation is based on the Dietitians of Canada report The Cost of Eating in BC, 2012.

⁴ The rent amount is based on the median rent for a three bedroom unit, calculated by the Canadian Mortgage and Housing Corporation. Accessed online at: <http://www.cmhc.ca/en/inpr/afhoce/fias/upload/Criteria.pdf>

⁵ BC Stats, January 2013

⁶ Vancouver Island Community Research Alliance and the Office of Community Based Research at the University of Victoria, 2011.

⁷ The median rent refers to the rent amount where 50% of the rent amounts are above the median, and 50% are below the median. In other words, if all the rents were lined up in a row, the median would be the exact middle.

⁸ The BC Housing Registry is centralized database that allows individuals to apply for subsidized housing using one application form (BC Housing, 2007; Center for Addictions Research of BC and the Greater Victoria Coalition to End Homelessness, 2012).

⁹ Center for Addictions Research of BC and the Greater Victoria Coalition to End Homelessness (2012).

¹⁰ CMHC, Rental Market Report, Victoria CMA. October 2012

¹¹ CMHC, Rental Market Report, Victoria CMA. October 2012

¹² First Call BC, 2012

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Statistics Canada, 2006

¹⁶ Community Social Planning Council, Growing Prosperity in the Capital Region, 2012.

¹⁷ Calculation based on Statistics Canada Labour Force Survey's data and uses the median wages for BC in 2005 and 2010.