

› November 2008

# A Living Wage for Toronto

By Hugh Mackenzie and Jim Stanford



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**ISBN 978-1-897569-19-1**

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# Introduction and Acknowledgements

This report aims to make a contribution to a growing body of North American literature, backed by feisty activist campaigns, supporting the concept of a living wage.

The core idea is that labour markets and employers must be prodded to ensure that compensation offered to workers is sufficient for those workers and their families to experience a standard of living commensurate with modern Canadian expectations of decency and adequacy.

Living wage research and campaigns have been a major feature of anti-poverty organizing in the U.S. for several years now. U.S. researchers have worked to define what wage level would allow a family to experience a decent standard of living; organizers and unions have then worked to push employers and legislators to respect that minimal standard in their hiring, purchasing, and minimum wage policies. (A useful compendium of recent U.S. experience in this area is provided in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*, by Robert Pollin, Mark Brenner, Jeanette Wicks-Lim, and Stephanie Luce, Cornell University Press, 2008).

Earlier this year, our colleagues at the B.C. office of the Canadian Centre for Policy Alternatives (led by Seth Klein, and engaging a very broad committee of researchers and advisors) published a major application of the living wage concept to the Canadian landscape. They developed an estimate of the wage rates that would have to be paid to allow for a prototypical household to attain a minimal living wage standard in Vancouver and Victoria. This work is summarized in *Working for A Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria*, by Tim Richards, Marcy Cohen, Seth Klein, and Deborah Littman, Canadian Centre for Policy Alternatives, 2008. We thank Seth and his colleagues for their leadership in this process, and their helpful consultations with us in developing our own methodology for this study.

The current study was envisioned as part of the Toronto & York Region Labour Council's ongoing campaign to build a *Good Jobs Coalition*. We thank the dozens of activists with the labour council and its affiliated unions for sparking this campaign, and especially Labour Council President John Cartwright who was very helpful in motivating and advising this research. Our re-

search for this report drew on consultations and input from a number of local policy researchers, and we thank them, including: Martha Friendly, Trish Hennessy, Richard Shillington, Michael Shapcott, and Armine Yalnizyan. We also benefited from important grassroots consultations organized by the PMP Workers' Action Centre and ACORN; we thank those organizations and their members for their participation.

Our hope is that by defining and illuminating exactly how much it costs to raise a family — at a decent, barely adequate standard — we can support those working for the changes in government policies and employer practices that are required if we are to ensure that hard-working families in Toronto can indeed receive a living wage.

# Executive Summary

This report aims to make a local, Toronto-focused contribution to a growing body of North American literature and activism associated with the concept of a living wage.

A living wage is envisioned as a wage that allows employees not just to survive (in minimal physiological terms) but to have a decent quality of life, to raise children to be healthy and successful citizens, to enjoy recreation, culture, and entertainment, and to participate fully in social life.

Tax and social policy measures (including health care and child care policies) are also important in determining whether employees can live at a decent standard, in addition to the level of pay workers receive from their employers.

Defining a living wage, and then working for the changes (on the part of both employers and governments) that would be required to make a living wage a reality, could play a central role in the broader effort to address poverty in Ontario and across Canada — including poverty among employed people.

After all, many working families in Ontario face an impossible monthly dilemma: How to pay the rent, foot all the bills, keep food on the

table, and stay out of debt? Many are fighting a losing battle, for one basic reason. Even though they work hard, in many cases year-round and full-time, the wages they earn are insufficient to lift themselves and their families out of poverty. They earn poverty wages. They are the “working poor.”

Surely individuals who make a substantial personal contribution to Canada’s economy through their employment effort should be able to attain a minimal living standard for themselves and their families. Yet this goal is out of reach for too many employed Canadians. Improving the quality of jobs and compensation so that hard-working, employed Canadians can escape poverty must be a crucial part of any broader anti-poverty strategy.

Ontario’s average hourly earnings were among the highest in Canada in 2007, but in sharp contrast, a Statistics Canada study<sup>1</sup> reveals 17.4% of Ontario jobs pay workers less than \$10 an hour (2002 dollars). Another jarring finding: Ontario is the only province in Canada in which the proportion of jobs that pay \$10 an hour or less *increased* in the last decade — this despite steady economic growth during this same time period.

It hasn't always been this way. In 1997, Ontario boasted the lowest proportion of jobs paying \$10 an hour or less (in 2002 dollars) in Canada, at 15.9% of the job market. In most other Canadian provinces the proportion of jobs in 2007 paying \$10 an hour or less went down; in Ontario the proportion went up. Ontario is slipping.

The growth in low-paying work (and the expansion of poverty among working people) has very real and harsh implications for Ontarians. This is especially true for those trying to raise a family in Toronto, which is cited by Mercer as the most expensive city in Canada to live.<sup>2</sup>

Many Toronto families struggle to make ends meet, living paycheque to paycheque and often finding themselves falling short at the end of the month. Food bank use in Ontario has increased by 14 per cent between 2001 and 2007 — at a time when the province's economy was growing. Imagine how things will deteriorate now that the economy is heading into recession.

In Ontario, much of the focus in the past few years has rightly been on increasing the minimum wage, which was held constant for too many years under the Harris Conservative government of 1995–2003. The subsequent Liberal provincial government agreed to a series of annual increases that will bring the minimum wage to \$10.25 an hour by early 2010.

But the minimum wage alone cannot address the full challenge of low-paying work: Even at \$10, a minimum wage job is not sufficient to allow employed workers to attain a standard of living that most Canadians would consider decent or adequate. For families with children, a \$10 per hour job (even in a full-time, year-round position) is a recipe for continuing poverty — let alone for those workers who cannot find full-time, full-year employment.

While the minimum wage sets an important floor to the labour market, and prevents employers from taking advantage of desperation among working people to push wages even lower, the

problem of working poverty will still persist even as the minimum wage rises.

To address this ongoing challenge, this report attempts to define a broader concept, the living wage. We believe this concept can be a powerful tool in our ongoing efforts to make sure that hard-working families get a fair shake from the economy that they contribute to.

Our starting point is basic: What does a family living in the Greater Toronto Area and working full-time (37.5 hours a week, year-round) need to earn in order to pay for the necessities of life, to enjoy a decent quality of life, and to be able to participate fully in the economic, political, social and cultural life of the community? We shift the conversation from what is required for minimum physical subsistence, to what is an adequate standard of living today, considering the broad evolution in social attitudes, technology, and the economy.

Of course, what constitutes an adequate standard of living is heavily influenced by social and cultural expectations that change over time. For example, our definition of the living wage includes the cost of an internet connection. Ten years ago, such an expense would not have been considered a core expectation. Today, access to the internet is not only a valued convenience for most Canadians, it is a virtual necessity for families with children who require such access to be able to fulfill school assignments and for families to participate fully in our modern society.

We base our estimate of the living wage on a reference family type: a two-parent household, with two children.<sup>3</sup> We assume that both parents work full-time, year-round. We define various household budget categories on the basis of official statistical reports (from Statistics Canada or other government sources), surveys of consumer spending, and in some cases from direct research into the costs of various necessities in Toronto. When we consider this full range of necessities, we discover that a family of four needs total after-tax disposable income



of around \$57,000 per year to attain the standards we have defined in our study.

Again on the assumption that both parents are working full-time, year-round, we find that both parents in our family of four model would need to earn \$16.60 an hour in order to support their family at the decent, but hardly generous standard of living that we have defined.

Clearly, Ontario's current minimum wage of \$8.75 an hour, and even the \$10 minimum wage which will prevail by 2010, falls far short of what it takes to support a family at a living wage standard in Toronto.

We define the living wage for Toronto as \$16.60 per hour. That is the wage level required for a family with two children, and two parents employed full-time and year-round, to meet a basic standard of living that allows for good health, education and entertainment opportunities, and full participation in modern life.

Many families experience very different situations: some have more children, some have only one wage-earner, some face particular needs and expenses (for example, caring for elderly or disabled members) that are not considered here. This highlights the fact that social programs and supports will still be required, even in an environment in which every employer paid a living wage, to address the full range of family circumstances and needs and ensure that every family can live at an adequate, decent standard.

This study also highlights the importance of broader social policy factors in influencing the value of the living wage. Payments for income taxes and CPP and EI premiums obviously affect the after-tax disposable income of our family, as do other policies (such as the various child tax benefits that are now available to families with children).

The fact that Canada's health care system provides universal care obviously enhances the ability of families to meet a decent standard of living. However, families still incur significant out-of-pocket costs for health care, and the extent

TABLE 1 Summary of Expenses and Income

<b>Expenses</b>	<b>Annual</b>
Food	6,557
Clothing and Footwear	2,504
Shelter	
Rent & utilities	14,751
Telephone	656
Insurance	213
Internet	447
Cable TV	840
Transportation	
Vehicle	6,573
Transit	1,248
Other	
Family vacation 1/yr. 2 weeks	2,000
Monthly family dinner & movie	1,800
Household & furniture	1,063
Personal care	618
Recreation	1,475
Communication not telephone	169
Reading and entertainment supplies	517
Other services	1,120
Education (adults)	1,000
Child care	9,140
Non OHIP medical	2,461
Contingency amount	2,206
<b>TOTAL COST OF LIVING (rounded to nearest 100)</b>	<b>57,400</b>
<b>Income</b>	
Household employment income	64,783
PLUS Universal Child Care Benefit	1,200
Household Income	65,983
MINUS Tax after credits	6,092
Income after tax	59,891
MINUS CPP and EI Contributions	3,981
PLUS Child Tax Benefit	1,490
Income after tax and transfers	57,400
<b>Living wage</b>	<b>16.60</b>

to which these extra costs are covered (whether by expanded government programs, or through employer-sponsored benefit programs) will influence the evolution of the living wage in future years.

Child care is a major expense for families with children, and so government policies regarding child care costs and subsidies will also directly influence the living wage.

Many readers will be surprised to learn that a family of four in Toronto requires after-tax disposable income of \$57,400 (and so must earn an hourly wage of \$16.60) just to meet what we have

defined as a minimal, socially acceptable standard of living. This reflects the extent to which the day-to-day struggle of hard-working families to balance their own books and pay their own bills is largely ignored in popular culture and most political discussions and debates.

The reality is simple: it is expensive to support a family in even basic, minimal standards. We must address this reality with continuing efforts, aimed at both employers and governments, to raise wages to a level that would allow hard-working families to enjoy a decent share of the Canadian prosperity they help to create.

# Estimating a Living Wage for Toronto

Why a living wage? Much of the debate over employment incomes in the past few years has focused on the minimum wage in the Employment Standards Act. While there is by no means a consensus in society over how to set the level of the minimum wage, the idea that someone working full-time at the minimum wage should be able to avoid poverty has had considerable resonance as a broad social goal. So in that context, the minimum wage is the answer to the following question: in the context of the public programs and transfers that are available, what does someone working full-time have to earn as an hourly rate to stay out of poverty? Note, however, that even after the increase in Ontario's minimum wage to \$10.25 by 2010, someone working full-time year-round will earn about \$20,000 per year — not even enough (after tax) for a single person in an urban area to reach the rock-bottom standard of living envisioned by Statistics Canada's low income cutoff measure.

The living wage asks a different question. It asks: in the context of the public programs and transfers that are available, what does someone working full-time need to earn in order to be able to participate fully in the economic, political, so-

cial and cultural life of the community? It speaks directly to the issue of economic marginalization in our society. It recognizes the fact that the bare-survival package of expenditures on which measures of low income are based forces families to live on the margins of larger society.

The living wage also reflects the reality that what constitutes an “adequate” standard of living is heavily influenced by social and cultural expectations that change over time. A living wage is not something that can be calculated once for all time and then indexed to changes in the cost of living. The living wage must evolve as expectations evolve. For that reason, in those areas of expenditure that go beyond bare necessities, the analysis is based on partial or complete itemized expenditure lists. Ten years from now, in light of major new investments in public transit, expectations concerning the operation of a motor vehicle may be different than they are today.

In broad strokes, the living wage is calculated by adding up the expenditures a family needs to support full social participation and then determining what income would be required, taking into account other family income from such

sources as the Canada Child Tax Benefit or the GST Credit, to support those expenditures.

To move from this broad objective to an actual measurement requires that assumptions be made both about work patterns and expenditure requirements. In what follows, we describe in some detail what assumptions have been made and explain the rationale for those assumptions. In Appendix A, we show how the results would vary with different assumptions.

### Consultation Process

In order to confirm that the annual household expenditures listed in the following estimate of the living wage are a realistic representation of actual household finances for families in the Greater Toronto Area, the researchers conducted participatory seminars with focus groups of parents with children.

Targeted groups included both employed low- and medium-wage workers, and unemployed adults, reflecting a cross-section of Toronto families who must live on modest means.

The reaction of these focus groups to the proposed budget categories indicated that the standard of living portrayed by this living wage estimate is certainly not an affluent one. Even among low-wage and unemployed adults, the assumed monthly budgets for food, clothing, personal care, and recreation and entertainment categories were deemed, by the focus groups, to be highly stringent.

These consultations confirmed, therefore, that the standard of living allowed by our living wage estimate is only a very basic one. The real consumption possibilities afforded to a family whose income meets this threshold is not at all luxurious; it covers only the basics of what Torontonians consider to be the essential elements of a decent, full quality of family life.

### Family types and work

In the analysis, we consider one reference family type: a two-parent household, with two children and both parents working full-time. One child is age 4, and in child care; the other is age 12 and is not. For comparison purposes, the same calculation for a single-parent family with one child in child care is presented in Appendix A.

Obviously, not all families include two adults working full-time. A two-person-working four-person family was selected for analysis as a reference point. Using this family type as a reference point highlights the importance of social supports to reach an acceptable living standard. For example, the calculated living wage is not sufficient to support an acceptable living standard for a family with two adults who are not both working full-time without social supports. Similarly, the calculated living wage for our reference family would not match estimated costs for an acceptable living standard for a single parent family without additional social supports. To illustrate the point, the hourly wage required to match estimated living costs for a single-parent family with one child is close to the living wage estimated in this paper only because we have assumed that the single-parent family will not own a car and will benefit from subsidized child care (see Appendix A for details).

Working full-time is defined as working 52 weeks per year (obviously including some paid vacation), 37.5 hours per week.

### From employment income to after-tax income

In our calculation of a living wage, we take into account the full range of generally available transfers and tax credits as well as all of the major features of the income tax system in Ontario. For example, both the benefits and the income offsets in the Canada Child Tax Benefit and the National Child Benefit Supplement are fully

taken into account in the analysis. The analysis also replicates the impact of such programs as the Canada Pension Plan, including the tax treatment of CPP contributions.

## Expenditures

This analysis considers nine general categories of expenditures:

- Food;
- Clothing and footwear;
- Shelter;
- Transportation;
- Other family expenditures;
- Child care;
- Medical costs not covered by OHIP;
- Adult education/training; and
- Contingencies.

Social insurance expenditures, including the Ontario Health Premium and contributions to CPP and EI are treated in the analysis as part of the tax and transfer system on the income side of the ledger.

Our estimates of expenditures are drawn from generally available statistics, supplemented from the results of consultations with representative working families. Our consultations also highlighted the conservatism of many of the assumptions that underlie the calculations. The allocations for both food and clothing and footwear, in particular, were criticized as excessively conservative.

The following summarizes each of these expenditure items and explains the information sources used in the calculation.

### Food

Local boards of health across Canada have developed a template with which they measure the cost in their community for a nutritious diet. The

TABLE 2 Food

Family of 4, 2 adults working	
Nutritious diet budget, weekly	\$126

information is compiled in some detail, based on the age and gender of each family member.

The food budget for the living wage is developed using the Toronto Board of Health's Nutritious Food Basket cost for 2007, updated to reflect the increase in the Consumer Price Index for food for the Toronto Census Metropolitan Area between 2007 and 2008.

The budget reflects the age and gender of the family members assumed in the reference families for the living wage.

### Clothing and footwear

For expenditures on clothing and footwear, we used an updated version of the data for expenditures on clothing and footwear for Toronto reported in Human Resources Development Canada's (HRSDC) Market Basket Measure (MBM) of low-income adequacy. That work was based on 2002 data, and has not been updated by HRSDC since, so to reflect 2008 costs the data were adjusted to reflect inflation in Toronto since 2002.<sup>4</sup>

The HRSDC MBM exercise was originally developed as an alternative to Statistics Canada's Low Income Cut-Off as an indicator of poverty. As such, MBM expenditure figures are likely on the low side relative to the conceptual standard that underpins our analysis of a living wage.

Accordingly, our use of the MBM will tend to generate a highly conservative estimate of clothing expenditures.

### Shelter

Shelter costs are broken down among rent and utilities, telecommunications and insurance.

Rent is measured by adjusting the MBM figure for a family of four to reflect the changes in the rental housing component of the Consumer

**TABLE 3 Clothing and Footwear**

Family of 4, 2 adults working	
Clothing and footwear (annual)	\$2,504

**TABLE 4 Shelter**

Family of 4, 2 adults working, per month	
Rent (including utilities)	\$1,229
Telephone	\$55
Internet	\$37
Cable TV	\$70
Insurance	\$18

**TABLE 5 Cost of Car Ownership**

Average annual cost of operating a 4-year old Chevrolet Impala (when acquired) over a 4-year period	
Depreciation	\$1,891
Insurance	\$1,821
Gasoline	\$1,530
Winter tires	\$109
Oil changes	\$160
Registration	\$94
Street parking	\$468
Service and repair	\$500
<b>Total</b>	<b>\$6,573</b>

**TABLE 6 Transportation**

Family of 4, 2 adults working	
Motor vehicle	\$6,573
Transit pass	\$1,248
<b>Total</b>	<b>\$7,821</b>

Price Index for the Toronto Census Metropolitan area between 2002, when the MBM was calculated, and 2008.

The communications component of the allocation for shelter consists of the cost of a basic phone and long distance package from Bell Canada, the cost of a basic medium-speed internet connection, and the cost of a basic cable TV

connection (reflecting the fact that conventional "free" television signals are not even available in many parts of the GTA).

Insurance cost is measured on the basis of a quotation for a basic renters policy from Alterna Savings, a large Toronto-based credit union.

### Transportation

The key issue in measuring costs with respect to transportation is whether or not the operation of a motor vehicle should be included in the cost base. In our living wage model, the cost of operating a car is included in the estimate of costs for any family with two or more children, on the assumption that in most regions of the GTA regular access to a passenger vehicle is essential for regular family life (including commuting to work, children's lessons, shopping, and other regular functions). While it is possible to survive without a vehicle, the negative impact on a family with children of the time commitment and lack of flexibility resulting from a sole reliance on public transportation was deemed unreasonable. Our consultations with focus groups of low- and modest-income families in Toronto confirmed this expectation that operating a passenger vehicle is a requirement of modern family life in this city.

We assumed the following model for simulating the costs of operating a modest passenger vehicle:

- the family would acquire a 4-year-old used Chevrolet Impala and operate it for four years;
- 30% depreciation per year, on a declining balance;
- 18,000 km. per year with gasoline at \$1.00 per litre;
- oil changes every three months;
- Insurance, the mandated minimum coverage, based on the average of three public quotes;

- Allowance of \$500 per year for repairs (based on Runzheimer International's estimate of repair costs per km.);
- Parking, \$468 per year, based on street parking rates;
- One set of winter tires over four years, installed and removed annually;
- Vehicle registration fee of \$94 per year.

In addition, if there are two adults in the household who are working, the cost of one adult transit pass is included in the total transportation cost estimate (on the assumption that one adult will drive to work, and the other will use public transit). Transit passes are priced at the TTC's discounted rate for adults .

### Child care

Child care costs are a very significant component of expenditures for families with young children. Child care costs are estimated on the basis of nominal rates for child care in centres operated by the City of Toronto. The rates used in the calculation vary with the age of the child and with the type of care required, with after-school care valued at a lower rate consistent with the City's rate schedule.

Our reference family includes one child in care (4 years old). In estimating child care costs, we assume that child care will be required for 11 ½ months per year (the school year plus summer minus 2 weeks family vacation).

Child care costs vary significantly over the life-cycle of a family, as children grow up and hence require differing levels (and costs) of care. Appendix B provides an analysis of the overall average child care cost burden for a family of two, throughout the entire period when the family has children at home. This analysis indicates that the cost assumed above (the child care cost for one kindergarten-age child) is typical of the average annual cost experienced by this family over its entire life-cycle. There are some

TABLE 7 Child Care Rate Schedule (Monthly)

City of Toronto rates	
0–18 months	\$1,132.74
18 months–2.5 years	\$1,024.64
2.5–5	\$794.75
6–10	\$614.66

TABLE 8 Child Care

Family of 4, 2 adults working	
Child care costs (annual)	\$9,140

TABLE 9 Health Insurance

Health Insurance (Blue Cross Basic)	Single	Couple
Single/couple	\$50.66	\$96.26
Family	\$107	\$155.08

years when the family's child care cost will be more than indicated in this analysis, and some years when it is less. On a life-cycle average basis (averaging the family's child care expenses over all the years in which the family includes a child of 18 years age or less), the annual average child care cost for a family with two children will in fact be slightly higher than assumed in this analysis (see Appendix B for details). Therefore, the child care cost built into this analysis, if anything, somewhat understates the true ultimate child care cost burden facing families with children in Toronto.

### Non-OHIP medical and dental care

Expenses for medical and dental care are estimated using the quoted rates for basic drug and dental coverage quoted by Blue Cross for the family type and size in question. We assume that co-insurance and deductibles along with pharmaceuticals and other items not covered by insurance will amount to \$50 per month, approximately the average for such expenditures among families with incomes in the \$40,000 to \$70,000

TABLE 10 Parent Education

Family of 4, 2 adults working	
Parent education costs	\$1,000/year

TABLE 11 Other

Family of 4, 2 adults working	
Monthly dinner and movie (annual)	\$1,800
Family vacation	\$2,000
Other expenditures	\$4,961

per year range in Canada (as reported by Statistics Canada). The total non-OHIP health expenses built into our living wage budget, therefore, equals the \$155.08 monthly Blue Cross premium for a family with two adults and two children, plus \$50 per month for deductibles and over-the-counter health costs, for a total of \$205.08 per month (or \$2,460 per year).

#### Parent education

In keeping with the expectation that lower-wage employees will seek to improve their skills and therefore their position in the labour market, the model assumes that each adult will take the equivalent of one community college course unit per year, at an estimated cost per course unit of \$500.

#### Other

Most of the expenditures set out above would fall into the general category of basic necessities required for survival. However, it may be expenditures on items *other* than those basic necessities that allow a family to escape “marginal,” subsistence status and enjoy full social, cultural, political and economic participation.

We have taken as a starting point for measuring “other” expenditures the estimate of “other” expenditures for a family of four in HRSDC’s analysis for the Market Basket Measure. Remember, however, that the HRSDC approach is rooted in

the pattern of expenditure typical of families at the poverty-line level of income; this approach, therefore, biases the assumed expenditures on the conservative side (more typical of poverty-line standards, rather than the more adequate standard envisioned in our “living wage” methodology).

In the HRSDC model, “other goods and services” reflects a basket of goods and services intended to cover all areas of expenditure not itemized elsewhere in the model. This basket is described as follows:

The category “Other Goods and Services” includes expenditures on personal care, household needs, furniture (excluding the items included under shelter), basic telephone service, postage stamps, religious and charitable donations, school supplies and modest levels of reading material, recreation and entertainment. The reading, recreation and entertainment component includes a newspaper subscription, video rentals, YM/YWCA memberships, magazines, books and tickets for movies and local sports events.

From that amount, we have deducted expenditures such as a basic telephone service and education for adults for which we have accounted elsewhere.

We have also substituted a number of specific itemized expenditures for the estimated amount included in the HRSDC calculation for the category in which that itemized expenditure would be included. For example, we include in our estimate of “other “ expenditures the cost of a very modest two-week family vacation. To avoid double-counting, we deduct an estimate of the amount that would be attributed to this and other specified expenditures from the HRSDC “other” total.<sup>5</sup>

As is the case for other expenditure categories included in the HRSDC model, the estimates for the HRSDC reference family of two



adults and two children are adjusted for family size and type by applying standardized factors when applying our living wage model to other family types.

In addition to the general basket of “other” expenditures, we include two specific itemized expenditures: \$2,000 for a family vacation (reflecting the cost of renting a furnished cottage for two weeks plus \$500 for family meals and entertainment during that time ); and \$150 per month for one family evening out to enjoy a modest dinner (\$75 for four) and a movie. These additions are substituted for the corresponding subcategory of expenditure within the “other” category.

### Contingency amount

To allow for emergencies and unanticipated costs (such as major automotive repair costs, required furniture purchases, or health expenses), to cover periods of lost wages (due to unemployment or illness), and to establish a reserve which would support a minimal level of saving (for retirement, for post-secondary education costs for the two children, and/or for a down payment to allow the family to ultimately purchase their own home), we allow for a contingency amount equal to 4% of total expenses (roughly two weeks of family income).

### Overall Results

Our model is designed to estimate a living wage for a reference four person family: two adults, both working; and two children, one male age 4; one female age 12.

The results are summarized in the following table.

For a family of four with two children, we estimate that a living wage in the Toronto GTA would be \$16.60 per hour based on 37.5 paid hours per week.

TABLE 12 Summary of Expenses and Income

<b>Expenses</b>	<b>Annual</b>
Food	6,557
Clothing and Footwear	2,504
Shelter	
Rent & utilities	14,751
Telephone	656
Insurance	213
Internet	447
Cable TV	840
Transportation	
Vehicle	6,573
Transit	1,248
Other	
Family vacation 1/yr. 2 weeks	2,000
Monthly family dinner & movie	1,800
Household & furniture	1,063
Personal care	618
Recreation	1,475
Communication not telephone	169
Reading and entertainment supplies	517
Other services	1,120
Education (adults)	1,000
Child care	9,140
Non OHIP medical	2,461
Contingency amount	2,206
<b>TOTAL COST OF LIVING (rounded to nearest 100)</b>	<b>57,400</b>
<b>Income</b>	
Household employment income	64,783
PLUS Universal Child Care Benefit	1,200
Household Income	65,983
MINUS Tax after credits	6,092
Income after tax	59,891
MINUS CPP and EI Contributions	3,981
PLUS Child Tax Benefit	1,490
Income after tax and transfers	57,400
<b>Living wage</b>	<b>16.60</b>



# Discussion

The results also highlight the relationship between public services and living standards. The most obvious such relationship is embedded in the tax and transfer system. In addition, generally available public services have an impact on the living wage. For example, the availability of high quality public transit mitigates against a family's need for a motor vehicle.

The ability of a family to function adequately without a car depends on the availability of reliable and high-quality public transit connecting home and work. In general, within the GTA, public transit does not meet that standard. To the extent that a family's home and workplace are easily accessible by public transit, a car may not be as important as it is where adequate public transit is available and the estimated cost of transportation may be somewhat overstated. Public transit is generally available in the City of Toronto, compared to the GTA, but rents tend to be higher in the city, so the two differences tend to balance each other out.

For example, for the single parent family with one child for which details are provided in the Appendix, we base a transit-only solution on several assumptions:

- A transit pass for the adult;
- 10 children's transit tickets per month;
- 4 hours use of a car sharing service per week;
- One round-trip taxi trip per week

If the single-parent family with one child was not able to function without a car, that alone would add approximately \$1.80 per hour to the estimated living wage.

The most important public service impact, however, is in the area of child care. In particular, income-tested child care subsidies have a significant impact on the calculated living wage. In the single-parent family example developed in Appendix A, we assume the parent will qualify for an income-tested child care subsidy equivalent to that provided to a limited number of families by the City of Toronto. That produces an estimate of living costs for the single-parent one-child family of \$16.15 per hour, very close to the estimated living wage. Without subsidized child care, the wage corresponding to living costs for this family would jump to \$22.45, well above the living wage.

One obvious area of sensitivity in these results has to do with paid work time.

In estimating the living wage, we have assumed that all earners are paid full year for an average of 37.5 hours per week. For example, if the average work week for our two-adult household drops to 30 hours because full-time employment is not available or because of periods of time without paid work during the year, the resultant estimate of living costs for the two-adult, two-child family increases to \$19.80 per hour, more than \$3.00 per hour above the living wage.

On balance, the basis of the estimates behind the living wage is quite conservative. It assumes

full-time, full-year employment. It uses estimates of key expenditure items — shelter, clothing and footwear, and the key “other” expenditure category — from a Market Basket Measure that was designed to support a measure of poverty rather than as a measure of income required to support social, cultural, political and economic inclusion.

The preponderance of the risk of errors, therefore, is on the ‘up’ side. In other words, if anything, wages need to be even higher than \$16.60 an hour for our reference family, to attain a desired, decent standard of living.

## Appendix A: Estimated living wage required to match living costs for a single-parent family with one child under age 6

The financial situation faced by most single parent families is challenging, to say the least. It is difficult enough to survive in a large urban area in Canada on only one income. It is that much more difficult again when the one income earner is a single parent. Just as living expenses do not increase proportionally as family size increases, living expenses do not decrease proportionally as family size decreases.

In this example, we assume that the single parent will not have a car (imposing a corresponding burden of time and inconvenience on this already-stressed parent). In addition to the cost of a transit pass for the parent and TTC fares for the child, the family is also allocated the equivalent of one round-trip taxi fare at \$15 per leg once per week as well as the use of a car sharing service for 4 hours per week. The family will also be receiving an income-tested child

care subsidy equivalent to that provided in the City of Toronto. The estimated living wage for this family is \$16.15 per hour.

This example serves to illustrate the importance of social supports even with a living wage. This individual's income after taxes and transfers is higher than their pre-tax employment income (reflecting social recognition of the additional economic challenges facing single-parent families), and this serves to reduce the apparent "living" wage required for the sole wage-earner to meet the living wage standard. This finding is highly contingent, however, on the availability of the City of Toronto child care subsidy (which is very difficult to attain). If the parent was not able to qualify for subsidized child care, their living wage estimate would increase substantially to over \$22 an hour.

**TABLE 13 Summary of Expenses and Income,  
With Child Care Subsidy**

<b>Expenses</b>	<b>Annual</b>
Food	2,770
Clothing and Footwear	1,628
Shelter	
Rent & utilities	9,588
Telephone	656
Insurance	213
Internet	447
Cable TV	840
Transportation	
Vehicle	-
Transit	4,948
Other	
Family vacation 1/yr. 2 weeks	1,300
Monthly family dinner & movie	1,170
Household & furniture	691
Personal care	401
Recreation	959
Communication not telephone	110
Reading and entertainment supplies	336
Other services	728
Education (adults)	500
Child care	9,140
LESS Child care subsidy	-7,876
Non OHIP medical	1,674
Contingency amount	1,209
<b>TOTAL COST OF LIVING (rounded to nearest 100)</b>	<b>31,400</b>
<b>Income</b>	
Household employment income	31,435
PLUS Universal Child Care Benefit	1,200
Household Income	32,635
MINUS Tax after credits	1,324
Income after tax	31,311
MINUS CPP and EI Contributions	1,927
PLUS Child Tax Benefit	2,015
Income after tax and transfers	31,400
<b>Living wage</b>	<b>16.15</b>

## Appendix B: Background on Average “Life-Cycle” Child Care Costs

In constructing our reference family, we made an arbitrary choice of ages for the children — age 4 and age 12 — to ensure that one child would be in child care and the other not. While the age gap of eight years is not typical of most families, restricting child care to one child produces a child care cost that reasonably closely approximates the average costs borne by a family for child care over the period during which the children are at home, as the analysis below demonstrates. Child care expenses constitute a very significant portion of household expenditures for families with children and working parents. However, the scale of those expenses varies significantly depending on the ages of the children involved. Table 14 summarizes the City of Toronto’s approved fee schedule for child care costs in 2008, depending on age.

Infant costs are highest, then fees decline as the child grows older (and the required teacher-child ratio in a child-care facility declines). Fees fall significantly when children enter full-day schooling, and hence need to rely on child care only for pre- and after-school hours.

To estimate an average “life-cycle” child care expense burden, we assume that the family has

its two children three years apart, that each child is cared at home for the first year of its life, and that each child then proceeds through care according to the City of Toronto’s fee schedule. They continued to receive pre- and after-school care until the age of 12.

On this basis, the average monthly child care expense for this family, *averaged over the entire period during which the family had at least one child 16 years or younger*, equals \$768. (This analysis, by extrapolating the current fee schedule forward over time, is estimating the cost in real \$2008 terms. In reality, of course, fees would rise over time due to inflation — and hence the actual average monthly cost would be higher in nominal dollar terms.)

TABLE 14 City of Toronto Child Care Fee Schedule 2008

Child Age	Monthly Fee
0.5-1.5	\$1,132.74
1.5-2.5	\$1,024.64
2.5-5	\$794.75
6-12	\$614.66

SOURCE (Children’s Services, City of Toronto.)

TABLE 15 Life Cycle Table

Year	Child 1		Child 2		Total
	Cost	Age	Cost	Age	
1	-	-	-	-	-
2	566	1	-	-	566
3	1,079	2	-	-	1,079
4	910	3	-	-	910
5	795	4	566	-	1,361
6	795	5	1,079	1	1,873
7	615	6	910	2	1,524
8	615	7	795	3	1,409
9	615	8	795	4	1,409
10	615	9	615	5	1,229
11	615	10	615	6	1,229
12	615	11	615	7	1,229
13	615	12	615	8	1,229
14	-	13	615	9	615
15	-	14	615	10	615
16	-	15	615	11	615
17	-	16	-	12	-
18	-	17	-	13	-
19	-	18	-	14	-
20	-	19	-	15	-
21	-	20	-	16	-
22	-	21	-	17	-
					768

Child-care costs are much higher at certain times of the family's life-cycle. They peak when the older child is 5 and the younger child is 2, at over \$1800 per month (more than twice as much as this "life-cycle" average). But this life-cycle estimate is a fairer representation of the aver-

age ongoing burden of child-care expenses, and avoids needing to arbitrarily select particular ages for our prototypical family. And even families with older children (over 16) continue to incur significant costs (to assist their children to attend university or college, for example).



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# Notes

<sup>1</sup> René Morissette, Earnings in the Last Decade, in Perspectives, Statistics Canada Catalogue No. 75-001-X, February 2008, pp. 12 to 24

<sup>2</sup> Mercer, Worldwide Cost of Living survey 2008 — City ranking. <http://www.mercer.com.hk/summary.htm?idContent=1311145>

<sup>3</sup> We recognize that there is a huge diversity of family types in Canadian society and that no one of those family types can legitimately be set out as a norm. The two-parent, two-child family is simply used as a conservative reference point, indicating that even under this relatively positive scenario (two wage earners, both working full-time, and only two children), the gap between the minimum wage and a living wage is substantial. Other family forms include those with one or even zero wage-earners; with more or fewer children; and with other family members (including elderly and disabled family members) who also need care, any of which will have financial obligations that go well beyond the amounts that could be provided even by our living wage. For that reason, it is important to stress that even a living wage is not a substitute for a function system of social supports.

<sup>4</sup> It is important to draw attention to the application of HRSDC's methodology to different family forms (as we do in the appendix to this report). HRSDC developed its estimates of expenses based on a reference family of two adults and two children. To account for the impact of differences in household size on costs, these estimates must be adjusted. The simplest way to make the adjustment would be to convert the costs to a per capita basis and then calculate household costs as the number in the household multiplied by the per capita cost. The HRSDC methodology argues, correctly, that many costs are not proportional to size. For example, it does not cost 25% more for accommodation for a family of five than for a family of four. Instead, the HRSDC methodology uses cost factors based on family size and composition to adjust reference family costs to actual family costs.

<sup>5</sup> HRSDC does not provide an itemized breakdown of its "other" expenditures category. However, it cites as the source for its estimate data from the Statistics Canada Survey of Family Expenditures. Using the corresponding source data, we can estimate an allocation of the "other" category to family expenditure subcomponents.

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