

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2019 Update

The original 2008 full report and the 2019 calculation guide are available at policyalternatives.ca/livingwage2019

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May 2019

*With updated numbers for Kamloops
and the Comox Valley—July 2019*



The 2019 living wage for Metro Vancouver is \$19.50/hour. This is the amount needed for a family of four with each of two parents working full-time at this hourly rate to pay for necessities, support the healthy development of their children, escape severe financial stress and participate in the social, civic and cultural lives of their communities.

The Metro Vancouver living wage was first calculated in 2008 by the Canadian Centre for Policy Alternatives, First Call: BC Child and Youth Advocacy Coalition and Victoria's Community Social Planning Council. In 2008, the living wage for families 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, can be found at policyalternatives.ca/livingwage2019.

Since 2008, of course, the cost of living has increased significantly and government taxes and transfers have changed so each year we update our calculation. Notably, the 2019 living wage is \$1.41/hour lower than last year. Although the cost of living—and particularly the cost of housing—continues to rise, the new child care investments rolled out by the BC government significantly improve affordability for modest- and middle-income families with young children (read more about this on page 6). This is the first major reduction in the Metro Vancouver living wage in the 11-year history of the calculation though living wages in other BC communities went down after the introduction of the new, more generous Canada Child Benefit in 2016. The decrease in the living wage demonstrates the power of good public policy to improve affordability for families and reduce pressure on employers having to pay high wages.

However, at \$19.50 the Metro Vancouver living wage remains much higher than BC's minimum wage (currently \$12.65 and scheduled to increase to \$13.85 in June). A large number of families earn less than a living wage in our province and struggle to make ends meet.

For more on the Metro Vancouver Living Wage for Families campaign, including information on how to become a living wage employer, visit livingwageforfamilies.ca.

FAMILIES WHO WORK FOR LOW WAGES face impossible choices—buy clothing or heat the house, purchase groceries or pay the rent. The result can be spiralling debt, constant anxiety and long-term health problems. In many cases it means that parents are working long hours, often at multiple 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 to participate in community activities.

The frustration of working harder only to fall further behind is one to which many Canadians can relate. 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. BC's child poverty rate (20.3 per cent) remains above the national average and is much higher than the lowest provincial child poverty rate of 16.3 per cent in Quebec.¹ The story of child poverty is very much a story of low wages. Many of BC's poor children live in a family where one or more parents are working. In 2012, 72,200 British Columbians with children were working yet lived in poverty (22,300 single parents and 49,900 two-parent families).²

The living wage is a powerful tool 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 that 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 to pay wages to both direct and contract employees sufficient to provide the basics to families with children.



The story of child poverty is very much a story of low wages. Many of BC's poor children live in families where one or more parents are working.

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

According to Canada's 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.³ Not having enough money to buy household essentials and feeling that unrealistic expectations are 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 are more likely than other youth to have a tough time socially and in school.

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, a study on living wage employers in London (UK) found that turnover rates were cut by 25 per cent on average after organizations implemented a living wage policy.⁴ (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.)

1 Data for 2016 from First Call, 2018. *2018 BC Child Poverty Report Card*. p. 9. https://still1in5.ca/wp-content/uploads/2014/11/First_Call_Report_Card_2018_web_Nov_20-1.pdf

2 Ivanova, Igljka. 2016. *Working Poverty in Metro Vancouver*. p. 28. <https://www.policyalternatives.ca/van-working-poverty>

3 Ross, David and Paul Roberts. 1999. *Income and Child Well-Being: A New Perspective on the Poverty Debate*. Ottawa: Canadian Council of Social Development.

4 Wills, Jane and Brian Linneker. 2012. *The Costs and Benefits of the London Living Wage*. September. London: University of London and Trust for London.

A Bare Bones Budget

At \$19.50 per hour for Metro Vancouver—or \$35,490 annually for each parent working full-time—here's what a family could afford:

FOOD: \$882/month. Based on food costing data published by the BC Centre for Disease Control, part of the Provincial Health Services Authority. These estimates reflect the costs of a nutritious diet but do not consider special dietary needs, cultural or other food preferences and the cost of condiments or spices.

CLOTHING AND FOOTWEAR: \$156/month.

SHELTER AND TELECOMMUNICATIONS: \$2,021/month. Includes a conservative rent estimate for a three-bedroom apartment, utilities, Internet, two basic cell phone plans and insurance on home contents.

TRANSPORTATION: \$544/month. Includes the amortized cost of owning and operating a used car as well as a two-zone bus pass for one of the parents, replaced by a discounted student transit pass, the U-Pass, for eight months of the year.

CHILD CARE: \$1,401/month. For a four year old in full-time licensed group care and a seven year old in before- and after-school care, full-time care during winter break (one week, the other assumed covered by statutory holidays and informal arrangements) and spring break (two weeks) and six weeks of full-time summer care. This amount assumes the family's child care provider is receiving the BC child care fee reduction grant, which lowers the monthly fee by \$100 for the four year old (the vast majority of BC licensed child care providers are participating in the new fee reduction program). Even with the fee reduction, child care remains the second largest expense in the living wage family budget after shelter.

MSP PREMIUMS: : \$75/month. MSP was cut by 50 per cent in January 2018 and will be eliminated completely in 2020.

NON-MSP HEALTH CARE: \$151/month. The cost of a basic extended health and dental plan with Pacific Blue Cross Insurance, which does not include expenses only partially covered by the insurance plan.

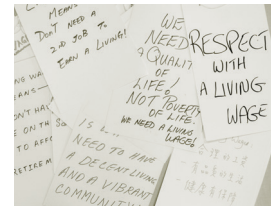
PARENTS' EDUCATION: \$97/month. Allows for two college courses per year.

CONTINGENCY FUND: \$228/month. Two weeks' wages for each parent, which provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.

OTHER HOUSEHOLD EXPENSES: \$782/month. Covers toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings (for example to museums and cultural events), birthday presents, modest family vacation and some sports and/or arts classes for the children.

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.
- 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 severe financial stress and participate in the social, civic and cultural lives of their communities.

For Metro Vancouver, the living wage in 2019 is \$19.50.

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 federal and provincial child benefits) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).

The full details of the calculation methodology are spelled out on page 23 of the original full report from 2008, which is available at policyalternatives.ca/livingwage2019. The living wage is based on:

- A family of two parents with two children aged four and seven. In BC, 77 per cent of families with children are headed by couples and 57 per cent of them have two or more children.⁵ And while the poverty rate is particularly high for single-parent households, just over half of BC's poor children live in two-parent families.⁶
- Both parents working full-time, 35 hours per week. Full-time employment for both parents is the norm for families with children in BC. According to data from the Labour Force Survey, in 2018 BC workers worked an average of 35.7 hours per week.⁷
- 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 Benefit (more on this below).
- Employers providing the statutory minimum paid vacation and no paid sick time. In BC, there is no requirement for employers to provide paid sick leave.

This methodology now serves as the model for living wage calculations across the country. More than 70 communities in Canada (including over 20 communities in BC) have used this approach to calculate their local living wage. See livingwagecanada.ca, an online portal supporting this national living wage movement.

This methodology was developed in collaboration with academic and social policy experts and organizations that work with low-income families, and was informed by feedback from focus groups of low-income working parents and employers in 2008. It was subsequently reviewed by a roundtable of social policy experts, community advisors and two focus groups of low-wage parents in 2014, which resulted in some refinements. Additional refinements were made in 2017 because Canadian families are shifting away from landlines to cell phones and internet access at home has become a requirement for participating in community life and for accessing public services and education. This is particularly true in small towns where government offices have closed and in-person education opportunities are not easily available.⁸

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.

⁵ Based on data from Statistics Canada. 2019. Table 11-10-0011-01.

⁶ First Call, 2018. *2018 BC Child Poverty Report Card*. p. 14.

⁷ Statistics Canada. 2019. Table 14-10-0043-01. Average actual hours in all jobs (worked in reference week).

⁸ According to the CRTC, more Canadian households have cell phones than landlines and 87 per cent of Canadians use Internet at home in 2016 (the latest year with data available). CRTC, 2018, *Canada's Communication System: An Overview for Canadians*. Section 1. <https://crtc.gc.ca/eng/publications/reports/policymonitoring/2018/cmr1.htm#s10ii>

CALCULATING THE LIVING WAGE

An accompanying guide and spreadsheet are available for those seeking to calculate the living wage in other BC and Canadian communities. Visit policyalternatives.ca/livingwage2019.

If you are calculating the living wage for your community, please let us know by contacting the CCPA-BC office or the Living Wage for Families Campaign.

The living wage calculation is based on the needs of two-parent families with young children, but would also support a family throughout life so that young adults are not discouraged from having children and older workers have some extra income as they age. In most communities, the living wage is also enough for a single parent with one child to get by. This was the case in Metro Vancouver until the 2012 living wage update but since 2012, the living wage is no longer sufficient for a single parent with one child in Metro Vancouver. This is because the cost of living is rising fast but too many programs intended for low-income families (such as the BC rental assistance program) have income thresholds that are much too low and the subsidy amounts provided have not kept up with the actual expenses that they are meant to defray (such as rent or child care fees). As a result, families are left with large out-of-pocket costs even if they qualify for assistance.



EXPLAINING THE DECREASE IN THE 2019 LIVING WAGE UPDATE

The 2019 living wage for Metro Vancouver is \$19.50/hour—down \$1.41 from \$20.91/hour last year. This is not because the cost of living is going down. Quite the opposite—family expenses in Metro Vancouver rose by 3.3 per cent last year, faster than general inflation (2.9 per cent for Metro Vancouver in 2018).

Housing affordability remains a major concern for Metro Vancouver families, and with good reason. Shelter is the most expensive item in the Metro Vancouver family budget and the costs are growing fast. The median monthly rent for a three-bedroom unit in Metro Vancouver rose by \$103 in 2018 to \$1,703, a whopping 6.4 per cent increase, according to the Canada Mortgage and Housing Corporation (CMHC) rental market survey. While any family lucky enough to have stable housing would have only seen a rent increase of up to 4.0 per cent (the allowable rent increase in BC for 2018), families that had to move for a new job or because their landlord was selling or renovating the property faced extremely low vacancy rates and soaring rent prices in the region. The CMHC median monthly rent data reflect the existing combination of long-tenure tenancies and new rentals on the market, and are therefore lower than the typical rent a family would encounter when it has to move.

Shelter costs further rose because of increased utilities charges. BC Hydro rates went up by 3 per cent in April 2018 and another 1.8 per cent in April 2019. Fortis BC also increased their natural gas delivery rates in 2019.

Transportation costs for the living wage family rose by \$23 a month or 4.4 per cent. This is largely due to the increased cost of owning and operating a vehicle as estimated by Statistics Canada’s Market Basket Measure, including a big hike in gasoline prices in 2018 and higher basic

The core take-away from this year’s calculation is that public investments to improve child care affordability are making a difference and helping families with young children weather cost increases in other areas. Without the BC affordable child care benefit and the fee reduction initiative, the Metro Vancouver living wage would have been \$22.47 per hour.

Living Wages in BC

This year, twelve BC communities are releasing their 2019 living wage calculations at the same time:

- Metro Vancouver \$19.50
- Greater Victoria \$19.39
- Revelstoke \$18.90
- Greater Trail \$18.83
- Nelson \$18.46
- Columbia Valley \$15.92
- Parksville/Qualicum \$15.81
- Fraser Valley \$15.54
- Comox Valley \$15.97
- Cranbrook \$14.38
- Kamloops \$15.93
- North Central BC \$14.03

For a full list of communities, see www.livingwageforfamilies.ca.

EMPLOYERS GET BEHIND THE LIVING WAGE

A growing number of local governments are seeing the value of becoming living wage employers. Eight local governments and one school district have adopted living wage policies as of April 2019, including New Westminster, Huu-ay-aht First Nations, Vancouver, Port Coquitlam, Pitt Meadows, Quesnel, the District of Central Saanich, Yuułuʔiłʔatḥ Government (Ucluelet First Nation), and School District 69 (Parksville). Over 140 BC employers across the province, including businesses, non-profit organizations, unions and cooperatives, have been certified as living wage employers (for a full list see livingwageforfamilies.ca).

These employers have committed to pay all their direct staff and contract employees a living wage and to require their major service providers to also pay a living wage, including for janitorial, security and food-service contracts. The Living Wage for Families Campaign runs the living wage certification for employers in BC.

insurance rates. The cost of monthly transit passes rose slightly in July 2018 with another increase scheduled for July 2019.

Food costs in Metro Vancouver increased by \$15 a month or 1.8 per cent. Food comprises 14 per cent of the living wage family's budget and higher food prices put even more pressure on lower-income families.

The costs of clothing and footwear went up by 6.4 per cent after declining for four years in a row, adding \$9 per month to the living wage family budget. MSP premiums remain at \$75/month for a family, after a 50 per cent cut in January 2018. MSP will be eliminated in 2020, which will lessen the pressure on family budgets next year.

Child care fees, the second-largest expense for the Metro Vancouver family, increased by 2.6 per cent this year after a slight decline last year. BC's new child care fee reduction initiative has enjoyed a strong take-up rate, with the vast majority of licensed providers opting in by the end of 2018 according to government data. The program saves the living wage family \$1,200 in 2019, and has moderated fee increases for children under age five in licensed child care after a decade of fee increases that regularly outpaced inflation. However, fees for licensed child care for school-aged children are continuing to rise.

These increases in family expenses for the Metro Vancouver living wage family are more than offset by a new provincial government program designed to assist lower- and middle-income families with their child care expenses. The new BC affordable child care benefit, introduced in September 2018, is a more-generous version of the previous provincial child care subsidy. While under the former subsidy, support was only available to families with annual income below \$55,000, the eligibility income threshold has now been extended to \$111,000 for parents with children in child care regardless of the child's age. Further, the maximum subsidy was significantly increased for infant and toddler care, an enormous benefit to low- and modest-income parents of young children.

The new affordable child care benefit reduces out-of-pocket child care costs for the model living wage family whose annual income qualifies them for support while they were considered too rich to need help under the old system. The Metro Vancouver living wage family would be eligible for a total of \$7,013 under the new program, which reduces their out-of-pocket child care expenses to \$9,795 for the year or 42 per cent lower than they would have been without the new benefit. The BC government estimates that the extension in the eligibility threshold would quadruple the number of families that receive support (from 20,000 to 80,000).

The core take-away from this year's calculation is that public investments to improve child care affordability are making a difference and helping families with young children weather cost increases in other areas. Without the BC affordable child care benefit and the fee reduction initiative, the Metro Vancouver living wage would have been \$22.47 per hour. This highlights the power of public policy to reduce out-of-pocket costs for families and significantly improve affordability, and it is precisely why the living wage takes into account federal and provincial taxes and transfers.

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 non-mandatory benefits such as extended health benefits, paid sick time, coverage of MSP

premiums (until their elimination in 2020), subsidized transit passes, etc. If an employee receives non-mandatory benefits, the hourly wage they need to be paid to reach a living wage rate will be reduced. For more details, see the Living Wage for Families Campaign's calculator at www.livingwageforfamilies.ca/calculator.

In a time of heightened affordability pressures and high rates of working poverty, it is important that both public sector employers (such as municipalities, school boards, health authorities and universities) and private sector companies seek to sustain and enhance the earnings of low-income families. Boosting the earnings of these households is a key contribution employers can make to support poverty reduction efforts across the province. It is also an effective way of stimulating the local economy because lower-income families tend to spend almost all of their income in their communities.

But the living wage is not just about employers—the labour market alone cannot solve all problems of poverty and social exclusion. Our standard of living is a combination of pay, income supports and accessible public services that reduce costs for families.

First, direct government transfers can put money into the pockets of low-income families, as the new affordable child care benefit did this year, resulting in a significant decrease in the Metro Vancouver living wage despite rising costs of living. However, most other government transfers and subsidies are reduced or eliminated once a family reaches an income level well below the living wage. For example:

- Federal GST credit (not available to families with a net income above \$54,296).
- BC Rental Assistance Program (not available to families with gross income over \$40,000).
- Working Income Tax Benefit (not available to families with net income over \$30,043 to be increased to \$36,483 when this program is replaced with the Canada Workers Benefit for the 2019 tax year).
- BC Low Income Climate Action Tax Credit (not available to families with net income over \$60,689).

Provincial and federal governments must review all low-income transfers and credits regularly to ensure that the amounts provided are keeping up with the actual expenses they are meant to defray (such as child care fees or rent), and that they are not clawed back at income levels that leave many families struggling with a bare-bones budget. When government transfers fail to keep up with the rising cost of living, the families hardest hit are headed by earners who are already marginalized and tend to do poorly in the labour market, including single mothers, Indigenous people and recent immigrants.

The living wage is also affected by indirect government transfers in the form of public services and infrastructure that shift certain costs away from individual families. The U-Pass program is a great example. It provides a reduced-cost system-wide transit pass to all students enrolled in publicly funded post-secondary institutions in BC. A parent taking two courses is eligible for the U-Pass, which lowers the family's public transit costs by two-thirds to only \$41/month for the eight months they are in school. Without the U-Pass, the living wage in 2019 would be 28 cents/hour higher.

Affordable housing, universal affordable child care, paid sick leave and national pharmacare or dental coverage for children and modest income families are other examples of government actions that would lower the living wage, easing the role of employers in ensuring that families can meet their core budgetary needs. For example, if BC fully implemented the widely endorsed \$10-a-day child care plan, the Metro Vancouver living wage would go down by an additional \$1.90 per hour to \$17.60.

A key way in which employers can reduce the payroll costs of the living wage is to advocate for progressive policy changes to increase government benefits to low-income earners and enhance public services that improve quality of life for all families.

\$10 A DAY CHILD CARE PLAN AND THE LIVING WAGE

The living wage can be achieved through a combination of pay, income supports and accessible public services that reduce costs for families. Child care is the second-largest expense for the living wage family after rent. If BC fully adopted the \$10-a-day child care plan, the Metro Vancouver living wage would be much lower.



Without full child care plan: living wage \$19.50.



\$10 a day Child Care Plan: living wage \$17.60 (a reduction of \$1.90 per hour).

See www.10aday.ca/



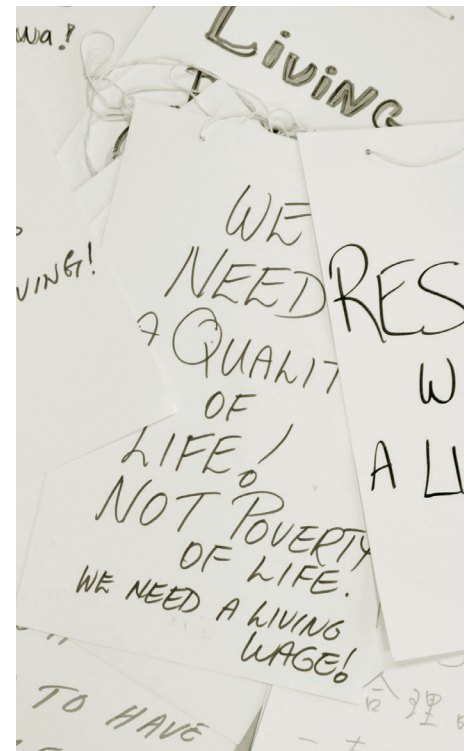
living wage for families campaign

The Living Wage for Families Campaign was formally launched in the fall of 2008 with the publication of *Working for a Living*

Wage and is guided by advisory committees made up of representatives from unions, businesses, parents, and immigrant and community groups. 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 certification process to recognize employers across BC that pay a living wage. It has worked with local partners to encourage local governments to pass living wage policies.

Contact us at 604.975.3347 or info@livingwageforfamilies.ca.

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