

Working for a Living Wage

2016

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2016 Update

The original 2008 full report and the 2016 calculation guide are available at policyalternatives.ca/livingwage2016

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CCPA
CANADIAN CENTRE
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The 2016 living wage for Metro Vancouver is \$20.64 an hour. This is the amount needed for a family of four with two parents working full-time to pay for necessities, support the healthy development of their children, escape financial stress and participate in 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. That full report, detailing the principles, rationale, methodology, data sources, and business case for the living wage can be found at policyalternatives.ca/livingwage2016.

Since 2008, of course, the cost of living has increased and government taxes and transfers have changed—so each year we update our calculation. Notably, the 2016 living wage is 4 cents less than last year's—the first ever decrease. Although the cost of living continues to rise, the new, more generous Canada Child Benefit boosts family incomes enough to absorb the higher costs (read more about this on page 5).

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 the adults in the family are working long hours, often at two or three jobs, just to pay for basic necessities. They have little time to spend with their family, much less to help their children with school work or to participate in community activities.

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

In BC, the contradiction between years of economic growth and rising insecurity is especially stark. Median employment income for lone-parent families has stagnated in the last 40 years, once inflation is taken into account. Two-parent families with children saw their median earnings go up by 9 per cent during a 40-year-period when the provincial economy grew by more than 36 per cent in real, per capita terms and a lot more families had two earners instead of one.¹

¹ Source: Statistics Canada, Cansim Tables 206-0021, 384-0038 and 051-0001.

BC's child poverty rate remains high, and has ranked worst or second-worst in Canada in eight of the last twelve years.² The story of child poverty is very much a story of low wages. In 2011 (the last year for which we have data), one out of every three poor children (32 per cent) lived in families where at least one adult had a full-time, full-year job and a majority lived in families with some paid work (part-year or part-time).³

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 who are working hard get what they deserve—a fair shake, and a life that's about more than a constant struggle to get by.

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



There is something wrong with our economy when families have to choose between paying the rent and putting food on the table.

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 the National Longitudinal Survey of Children and Youth, parents in households with low incomes are more than twice as likely as parents in either middle- or high-income families to be chronically stressed.⁴ Not having enough money to buy household essentials and feeling that unrealistic expectations were being placed on their time are two of the primary sources of stress identified in this research. These parents are more likely to suffer from poor health and to be higher users of health care services. Adolescents living with chronically stressed parents 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.⁵ (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.)

² Source: Statistics Canada, Cansim Table 206-0041 (based on MBM).

³ Source: First Call, 2015. *2015 BC Child Poverty Report Card*. p. 25.

⁴ Ross, David and Paul Roberts. 1999. *Income and Child Well-Being: A New Perspective on the Poverty Debate*. Ottawa: Canadian Council of Social Development.

⁵ 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 \$20.64 per hour for Metro Vancouver—or \$37,565 annually for each parent working full-time—here's what a family could afford:

FOOD: \$831/month. Based on estimates by the Provincial Health Services Authority for a nutritious diet, which do not consider special dietary needs, cultural or other food preferences, and the cost of condiments or spices.

CLOTHING AND FOOTWEAR: \$184/month.

SHELTER: \$1,652/month. Includes a conservative rent estimate for a three-bedroom apartment, utilities, telephone, and insurance on home contents.

TRANSPORTATION: \$505/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: \$1,356/month. For a four-year-old in full-time 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. Child care is the second most expensive item in the living wage family budget after shelter.

MEDICAL SERVICES PLAN (MSP) PREMIUMS: \$150/month.

NON-MSP HEALTH CARE: \$139/month. The cost of a basic extended health and dental plan with Pacific Blue Cross Insurance; does not include expenses only partially covered by the insurance plan.

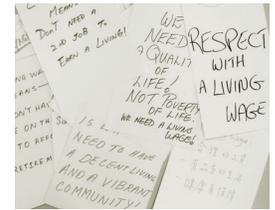
PARENTS' EDUCATION: \$92/month. Allows for two college courses per year.

CONTINGENCY FUND: \$241/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: \$765/month. Covers toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, Internet, 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; or
- Much of a cushion for emergencies or tough times.



A LIVING WAGE IS:

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

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

For Metro Vancouver, the living wage in 2016 is \$20.64.

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/livingwage2016. The living wage is based on:

- A family of two parents with two children aged four and seven. In BC, 76 per cent of families with children are headed by couples, and 57 per cent of them have two or more children.⁶ And while the poverty rate is particularly high for single parent households, 58 per cent of BC's poor children live in two-parent families.⁷
- Both parents working full-time, at 35 hours per week. Full-time employment for both parents is the norm for families with children in BC. According to data from the Labour Force Survey, in 2015 BC workers worked an average of 35.9 hours per week.⁸
- Estimated family expenses in 10 categories (see box on page 3).
- The cost of government deductions (provincial and federal taxes, Employment Insurance premiums and Canada Pension Plan contributions).
- The value of government transfers like the Canada Child Tax Benefit (more on this below).
- Employers providing the statutory minimum paid vacation and no paid sick time. In BC, there is no requirement for employers to provide paid sick leave.



The story of child poverty is very much a story of low wages. The vast majority of BC's poor children live in families with some paid work. And in 2011, one-third lived in families where at least one adult had a full-time, full-year job.

This methodology now serves as the model for Living Wage calculations across the country. More than 50 communities in Canada (including 21 communities in BC) have calculated their local living wage based on this approach at the time of publication. 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. To ensure that the calculation continues to reflect the realities of low-income families in Metro Vancouver, the methodology was reviewed by a roundtable of social policy experts and community advisors and two focus groups with low-wage parents in 2014.

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

The living wage calculation is based on the needs of two-parent families with young children, but would also support a family throughout the life cycle so that young adults are not discouraged from having children and older workers have some extra income as they age. In most communities, the living wage is enough for a single parent with one child to get by as well, and this was the case in Metro Vancouver until the 2012 living wage update. Importantly, however, the living wage since 2012 is no longer sufficient for a single parent with one child in Metro Vancouver. The problem is explained in more detail in a separate article which can be found at

⁶ Source: Statistics Canada. Cansim Tables 111-0011.

⁷ Source: Statistics Canada. Cansim Tables 206-0041. Based on Low Income Measure after-tax.

⁸ Source: Average actual hours in all jobs (worked in reference week). Cansim Table 282-0028.

policynote.ca/living-wage-not-for-single-parents. In short, too many programs intended for low-income families (such as the BC child care subsidy and the BC rental assistance program) have income thresholds that are much too low and the subsidy amounts provided have been frozen for years while costs of living kept rising. As a result, the value of these subsidies has eroded over time and families are left with large out-of-pocket costs even if they qualify for the full subsidy.

EXPLAINING THE DECREASE IN THE 2016 LIVING WAGE UPDATE

The 2016 living wage for Metro Vancouver is \$20.64—down 4 cents from \$20.68 last year. This is not because the cost of living is going down. Quite the opposite—despite lower costs of clothing and footwear, and lower gas prices reducing transportation costs, family expenses in Metro Vancouver rose by 3.1 per cent last year, much faster than general inflation (1.2 per cent for Metro Vancouver in 2015).

Housing affordability has exploded as a major concern over the last year, and with good reason—shelter is the most expensive item in the Metro Vancouver family budget, and it is one of the fastest-growing. Rent costs are up by \$75 a month, a 5.5 per cent increase. While any family lucky enough to have stable housing would only see a rent increase of up to 2.9 per cent (the allowable rent increase in BC for 2016), families that have to move for a new job or because their landlord is selling or renovating the property face extremely low vacancy rates and soaring rental prices in the region.

BC Hydro rates went up by 6 per cent in April 2015 and another 4 per cent in April 2016, hitting families who rely on electricity for heating particularly hard. However, in this year's living wage calculation, BC Hydro increases were offset by the drop in prices for natural gas and other fuel oils that make up Statistics Canada's price index for water, fuel and electricity.

Food costs rose by \$575 this year or 6 per cent, putting a lot of pressure on low-income family budgets. This is the fastest increase in Metro Vancouver food prices by far since the living wage was first calculated in 2008. The Provincial Health Services Authority report *Cost of Eating in BC 2015* shows that food prices went up even faster in Northern and Interior BC communities.

Child care fees, the second largest expense for the Metro Vancouver family, are up \$382 this year or 2.4 per cent. Child care fees have seen a steep increase since the federal government scrapped the early learning and child care agreements with the provinces in 2006, more than cancelling out what families with young children got in the federal Universal Child Care Benefit (UCCB). Moreover, Metro Vancouver school districts have added an extra week to spring break over the last few years, largely as a cost-savings measure in response to persistent underfunding from the provincial government. This has further increased families' child care costs.

Living Wages in BC

The 2008 Working for a Living Wage report calculated the living wage for families in Metro Vancouver and Greater Victoria, and was co-published by CCPA-BC, First Call, and Victoria's Community Social Planning Council.

This year, six BC communities are releasing their 2016 living wage calculations at the same time:

- Metro Vancouver \$20.64
- Greater Victoria \$20.02
- Kamloops \$17.21
- Parksville/Qualicum \$16.76
- Prince George \$16.52
- Fraser Valley \$16.28

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

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/livingwage2016.

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.

EMPLOYERS GET BEHIND THE LIVING WAGE

In the past year, the Cities of Vancouver and Port Coquitlam adopted living wage policies, taking the first step to become living wage employers. These two cities join New Westminster and the Huu-ay-aht First Nation, the two local governments that already pay a living wage. A growing number of leading corporate and non-profit employers have also seen the benefits of paying living wages. Fifty-seven organizations across BC have been certified as living wage employers. The largest living wage employers are SAP–Vancouver (the world’s largest inter-enterprise software company), Vancity (Canada’s largest credit union), the Canadian Cancer Society–BC and Yukon Division, and the United Way of the Lower Mainland (for a full list see livingwageforfamilies.ca).

These employers have committed to paying all their direct staff and contracted service staff a living wage, including janitorial, security and food-service staff.

The Living Wage for Families Campaign works with local living wage community coalitions to certify living wage employers across the province.

The BC government provides child care subsidies for low-income parents, but rates have not increased since 2005 for children aged five and younger, and since 2011 for school-aged children in before- and after-school care.

MSP premiums rose in 2016 for the seventh consecutive year, and have added \$504 to the family’s annual expenses since the Metro Vancouver living wage was first calculated in 2008.

The living wage takes into account federal and provincial taxes and transfers, and changes in government policies (notably at the federal level) explain why the Metro Vancouver living wage went down in 2016.

The new, non-taxable Canada Child Benefit, which replaces the old system of federal child benefits as of July 1, 2016, is a lot more generous for families with income under \$100,000. The difference is so significant that even though this benefit is only available for six months of the year, it boosts the family income enough to largely offset the increase in the cost of living in Metro Vancouver. Without the Canada Child Benefit, the Metro Vancouver living wage would have been 61 cents higher.

Other public policy changes that moderated the living wage include the increase of the federal child care expense deduction, which allows families to deduct an additional \$1,000 in child care fees for each child from their taxable income, and the non-taxable BC Early Childhood Tax Benefit, which provides \$55/month to the living wage family (2016 is the first full year of this benefit, which came into effect in April 2015). These two policy changes lower the Metro Vancouver living wage by 20 cents and 7 cents per hour, respectively.

The elimination of income-splitting does not affect the living wage family because both parents are in the same bottom tax bracket and this short-lived tax cut only benefitted parents in different tax brackets (e.g., one spouse staying at home or working part-time, while the other earns a high income).

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, coverage of MSP premiums, 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 calculator at livingwageforfamilies.ca/employers/living-wage-calculator.

In a time of slow economic growth, it is particularly important that public sector employers (such as municipalities, school boards, health authorities and universities) and financially healthy private sector companies seek to sustain and enhance the earnings of low-income families. Boosting the earnings of these households is one of the most effective ways of stimulating the local economy because lower-income families tend to spend almost all their income in their communities.

In 2010, the City of New Westminster became the first municipality in Canada to officially pass a living wage policy. All direct and contracted staff providing services on city premises are now paid the Metro Vancouver living wage. Since then, three other BC local governments have taken steps to become living wage employers—the Huu-ay-aht First Nation (already certified), and the City of Vancouver and the City of Port Coquitlam.

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. The more generous these transfers are, the less a family requires in wages to achieve a decent quality of life. The introduction of the new Canada Child Benefit shows just how big an impact government transfers can have. 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 \$52,065);
- BC Child Care subsidy (starts to decline for the seven-year-old at a net income above \$23,196 and for the four-year-old above \$35,016 and ceases entirely at the income level of our living wage family, frozen for the last 11 years);
- BC Rental Assistance Program (not available to families with gross income over \$35,000, frozen since 2008);
- Working Income Tax Benefit (not available to families with net income over \$28,813); and
- BC Low Income Climate Action Tax Credit (not available to families with net income over \$52,852).

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 who are the hardest hit are the ones headed by earners who are already marginalized and tend to do poorly in the labour market. Single-mother, Aboriginal and recent immigrant families tend to have lower earnings and face higher unemployment rates, which puts them at a disproportionately higher risk of poverty.

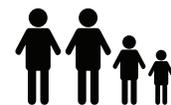
The living wage is also affected by indirect government transfers, in the form of public services and infrastructure that shift certain costs off the shoulders of individual families. For example, the U-Pass program, introduced in 2010 as a partnership between the province, Translink, BC Transit, local governments, post-secondary institutions and students, provides a reduced-cost system-wide transit pass to all students enrolled in a publically funded post-secondary institution in BC. The parent taking two courses is eligible for the U-Pass, which reduces the family's public transit costs from \$124 to about \$39/month for the eight months they're in school. Despite recent cost increases, the U-Pass continues to significantly lower the public transportation costs of the living wage family. Without the U-Pass, the living wage in 2016 would have to be 24 cents higher.

Affordable housing, universal affordable child care, national pharmacare or dental coverage for children and modest income families, the elimination of MSP premiums, and policies ensuring paid sick leave are other examples of government actions that would significantly moderate the living wage, easing the role of employers in ensuring that families can meet their core budgetary needs. For example, if BC implemented the widely-endorsed \$10-a-day child care plan, the Metro Vancouver living wage would go down by \$3.90 per hour to \$16.74.

And so, 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-biggest expense for the living wage family after rent. If BC adopted the \$10-a-day child care plan, the Metro Vancouver living wage would be much lower.



No child care plan:
living wage \$20.64.



\$10 a day Child Care Plan:
living wage \$16.74
(a reduction of
\$3.90 per hour).

See www.10aday.ca/



living wage

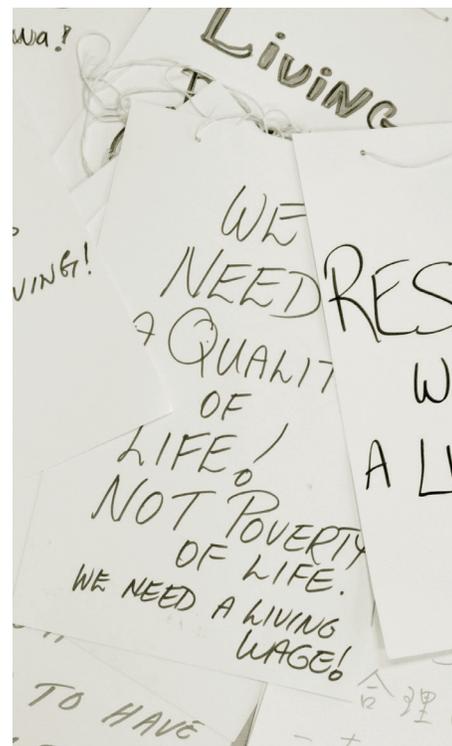
for families campaign

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 an advisory committee 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 recognition process to recognize employers across BC that pay a living wage. It has worked with local partners to encourage local municipalities to pass living wage bylaws.

Contact us at info@livingwageforfamilies.ca.

livingwageforfamilies.ca



firstcall

BC CHILD AND YOUTH
ADVOCACY COALITION

firstcallbc.org

First Call: BC Child and Youth Advocacy Coalition is a non-partisan coalition of over 95 provincial and regional organizations who have united their voices to put children and youth first in BC through public education, community mobilization, and public policy advocacy.

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