

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2012 Update

The original 2008 full report and the 2012 calculation guide are available at www.policyalternatives.ca/livingwage2012

Prepared by
Iglia Ivanova
and Seth Klein

April 2012



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

In 2008, the CCPA, First Call and Victoria's Community Council published the inaugural report Working for a Living Wage. That report calculated that the living family wage 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 calculation can be found at www.policyalternatives.ca/livingwage2012. Since then, however, family costs have continued to rise and changes have occurred to government taxes and transfers. And so this short report updates our calculation, providing the 2012 living wage for Metro Vancouver—now \$19.14/hour.

For more on the Metro Vancouver Living Wage for Families campaign, including information for those wanting to become living wage employers, visit www.livingwageforfamilies.ca.

FAMILIES WHO WORK FOR LOW WAGES face impossible choices—buy clothing or heat the house, feed the children 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 participate in community activities.

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

In BC, the contradiction between years of economic growth and rising insecurity is especially stark. Even at the height of the economic boom of the mid-2000s, median earnings for BC workers were lower than for their parents' generation in the late 1970s, once inflation is taken into account. BC saw the largest decline in median earnings for full-time, full-year workers of the four Canadian provinces where earnings fell since the late 1970s. And that happened during a time when the provincial economy almost doubled in real terms and real GDP per capita rose by more than 25 per cent.

For eight years running, BC has had the highest child poverty rate in Canada. 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 2009 (the last year for which we have data), almost half (48%) lived in families where at least one adult had a full-time, full-year job.



What does it say about our economy when families are doing all the right things—working hard and working long hours—yet have to choose between paying the rent and putting food on the table?

The living wage is one of the most powerful tools available to address this troubling state of poverty amid plenty in BC. It allows us to get serious about reducing child poverty, and ensures that families who are working hard get what they deserve—a fair shake, and a life that's about more than a constant struggle to get by.

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.

WHAT'S IN A LIVING WAGE?

The living wage is calculated as the hourly rate at which a household can meet its basic needs, once government transfers have been added to the family's income (such as the Universal Child Care Benefit) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).

The full details of the calculation methodology are spelled out in the original full report from 2008, on page 23, which is available at www.policyalternatives.ca/livingwage2012. 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 58 per cent of them have two or more children. And while the poverty rate is particularly high for single parent households, 74 per cent of poor children live in two-parent families.)
- Both parents working full-time, at 35 hours per week. (Full-time employment for both parents is the norm for families with children in BC.)
- Estimated family expenses in 10 categories (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 minimal paid vacation and sick time.

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

The living wage calculation is based on the needs of two-parent families with young children, but would also support a family throughout the life cycle so that young adults are not discouraged from having children and older workers have some extra income as they age. Ideally the living wage should be enough for a single parent with one child to get by, and this was the case in Vancouver until this living wage update. However, the living wage in 2012 is no longer sufficient for a single parent with one child. (See page 25 of the original 2008 report for more on single parents.)

A Bare Bones Budget

At \$19.14 per hour for Metro Vancouver—or \$34,835 annually for each parent working full-time—here's what a family could afford:

FOOD: \$759/month (based on estimates by the Dietitians of Canada for a nutritious diet).

CLOTHING AND FOOTWEAR: \$183/month.

SHELTER: \$1,436/month (includes conservative rent estimate for a three-bedroom apartment, utilities, telephone, and insurance on home contents).

TRANSPORTATION: \$468/month (includes the 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: \$1,168/month (for a four year old in full-time care, a seven year old in after-school care, and six weeks of summer care). Notably, child care is the second most expensive item in the living wage family budget after shelter.

MEDICAL SERVICES PLAN (MSP) PREMIUMS: \$128/month

NON-MSP HEALTH CARE: \$133/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).

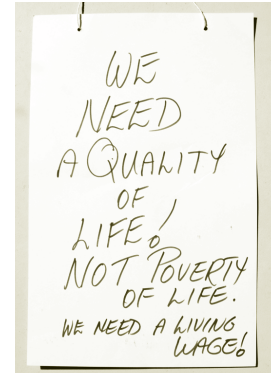
PARENTS' EDUCATION: \$91/month (allows for two college courses per year).

CONTINGENCY FUND: \$223/month (two week's 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: \$699/month (covers personal care, furniture, household supplies, school supplies, some reading materials, minimal recreation and entertainment).

This living wage calculation does not cover:

- Credit card, loan, or other debt/interest payments;
- Savings for retirement;
- Owning a home;
- Savings for children's future education;
- Anything beyond minimal recreation, entertainment, or holiday costs;
- Costs of caring for a disabled, seriously ill, or elderly family member; or
- Much of a cushion for emergencies or tough times.



A LIVING WAGE IS:

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

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

For Metro Vancouver, the living wage in 2012 is \$19.14.

EXPLAINING THE INCREASES IN THE 2012 LIVING WAGE UPDATE

The 2012 living wage for Vancouver is \$19.14—up 33 cents from \$18.81 last year (an increase of 1.8 per cent).

So, what's driving the increases?

The most expensive items of the family budget—shelter and child care—saw big increases in 2011. Shelter costs rose by \$76/month (or close to 6%), driven by soaring rents in Vancouver (up by \$68/month) and modest increases in the cost of utilities and telephone.

As in previous updates, child care took a big jump of \$33/month over 2011, a 3 per cent increase. Child care fees have seen a steep increase since the federal government cancelled the early learning and child care agreements with the provinces in 2006, cancelling out and then some what families receive in the federal Universal Child Care Benefit each month. The BC government provides child care subsidies for low-income parents, but rates have not increased since 2005.

Finally, MSP premiums have been increasing by 6 per cent a year over the last three years (and are slated to increase again in 2013).

The reason the living wage did not increase faster than general inflation is that some family expenses saw a slight decline.

The food amount was down slightly over last year, by \$9/month. This was due to a change in the methodology of *The Cost of Eating in BC 2011* report of the Dietitians of Canada, which resulted in lower cost of food in 2011 than in 2009, despite the fact that food prices in BC (as measured by CPI) increased by 6 per cent over the time period.

Most notably, transportation costs fell by \$28/month (despite increases in car costs) due to the introduction of the universal U-Pass for students in all publicly funded post-secondary institutions in BC as of September 2010. While the larger educational institutions like SFU and UBC had already successfully negotiated discounted transit passes with Translink, the BC student movement was successful in bringing the program to all students enrolled in at least one regular studies course (three credits) per semester at the same low cost (\$30 per month). The program is a partnership between the province, TransLink, BC Transit, local governments, post-secondary institutions and students and is partially funded by the provincial government. The parent who is enrolled in two regular courses per year in a public post-secondary institution is eligible for the U-Pass, which reduces the family public transit costs from \$110 to \$30 per month for the eight months (two semesters of four months each). Without the U-Pass, the living wage in 2012 would have to be 22 cents per hour higher to meet the family's living expenses.

This illustrates the important role public programs play in enhancing affordability. When accessible public services, such as affordable public transportation, carry more weight, the living wage is moderated, easing the role of employers in ensuring that families can meet their core budgetary needs.

Up until the 2012 living wage update, single-parent families in Vancouver were found to have a lower living wage than two-parent families because they qualified for a number of government transfers that supplemented their earned income, such as the child care subsidy (\$550 per month), the provincial rental assistance program, the low income carbon tax credit, the GST rebate, the HST tax credit and partial MSP premium assistance. In the 2012 calculation, the single-parent family continues to qualify for these transfers, but the amounts received are no longer sufficient to keep up with the family expenses. This is because many of the government transfers available



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 2009, almost half lived in families where at least one adult had a full-time, full-year job.

to lower income families have either remained frozen for a number of years or are being clawed back quickly as the family income level increases. The most generous transfer program, the BC child care subsidy, for example, has been capped at a maximum of \$550 per month since 2005, while average group child care fees in Vancouver have increased by 33 per cent over this period, from \$604 in 2005 to \$801 in 2011 (according to the Westcoast Child Care Resource Centre's fee surveys). Because single parents in Vancouver are now caught in this paradoxical situation of losing benefits too quickly, the \$19.14 living wage is no longer sufficient for the single parent family to meet their expenses.

This drives home the fact that public policy decisions can greatly affect affordability and quality of life for lower-earning families. It is very important that all government transfers are reviewed regularly to ensure that the amounts provided are keeping up with the costs of the 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. Our calculation indicates these thresholds are in urgent need of upward adjustment.

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, under-employment 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. Not having enough money to buy household essentials and feeling that unrealistic expectations were being placed on their time are two of the primary sources of stress identified in this research. These parents are more likely to suffer from poor health and to be higher users of health care services. Adolescents living with chronically stressed parents were more likely than other youth to have a tough time socially and in school.

A series of recent national studies about work-life conflict document the very high costs of role overload (having too much to do in a given amount of time) in personal and financial terms. Researchers Linda Duxbury and Chris Higgins estimate the direct and indirect costs to employers in absenteeism at \$6 billion a year. They estimate a further \$6 billion cost to the health care system.

Living Wages Throughout BC

A number of BC communities have calculated their living wage. As of 2011, a two-earner family of four with two adults and two children would require the following hourly living wages to meet their basic needs:

- Sunshine Coast \$18.80
- Greater Victoria \$18.03
- Kamloops \$17.27
- Kelowna \$16.98
- Abbotsford \$16.42
- Parksville/Qualicum \$16.27
- Williams Lake \$15.77
- Cranbrook \$14.16

LIVING WAGE CALCULATIONS FOR OTHER COMMUNITIES

An accompanying guide and spreadsheet are available for those seeking to calculate the living wage in other BC and Canadian communities. This technical guide can be downloaded at www.policyalternatives.ca/livingwage2012.

If you do use this guide to calculate the living wage for your community, please let us know, and tell us what the value of the living wage is where you live. Just contact the CCPA's BC office.

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, KPMG in London found that turnover rates were cut in half after it implemented a living wage policy for all direct and contract staff in 2006. (See *Fears Concerning the Living Wage Affecting Business Profitability Overstated* on page 41 of the original 2008 report for a discussion of employer concerns about paying a living wage.)



The living wage is first and foremost a call to private and public sector employers to sustain families—to pay wages to both direct and contract employees sufficient to provide the basics. But government policies and programs also have a direct impact on our standard of living, and as a result, on the living wage calculation.

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 graphic on page 7 and the Living Wage for Families calculator at www.livingwageforfamilies.ca/calculator.

In a time of economic recession or jobless recovery, it is particularly important that public sector employers (municipalities, school boards, health authorities, etc.) and financially healthy private sector companies seek to sustain and enhance the earnings of low-income families. Given that low-income families tend to spend almost all their income in their communities, boosting the earnings of these households is one of the most effective ways of stimulating the local economy. 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.

But the living wage is not just about employers—the labour market alone cannot solve all problems of poverty and social exclusion. Government policies and programs also have a direct impact on our standard of living, and as a result, on the living wage calculation.

Private Sector Employers in Metro Vancouver Get Behind the Living Wage

In Metro Vancouver, a growing number of leading corporate and non-profit employers have seen the benefits of paying living wages. Twenty-six organizations in Metro Vancouver, employing over 5,000 workers and covering thousands more contracted service workers, have been certified as Living Wage Employers. These include SAP–Vancouver (the world's largest inter-enterprise software company and the world's fourth-largest independent software supplier), Vancity (Canada's largest credit union, with \$14.5 billion in assets, more than 417,000 members and 59 branches), the Canadian Cancer Society–BC and Yukon Division, the United Way of the Lower Mainland and Small Business BC's Best Employer in 2012, Eclipse Awards.

These employers have committed to paying all their direct staff and contracted service staff, including janitorial, security and cleaning staff, a living wage. For more information go to www.lwemployers.ca.

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

- Canada Child Tax Benefit (reduced after the family's net income is greater than \$42,744);
- Federal GST/HST credit (not available to families with a net income above \$49,601);
- BC HST Credit (not available to families with a net income above \$49,200);
- BC Child Care Subsidy (starts to decline at a monthly net income threshold of \$1,933 and ceases entirely at the income level of our living wage family);
- BC Rental Assistance Program (not available to families with gross income over \$35,000); and
- Others including the Working Income Tax Benefit, the BC Sales Tax Credit, and MSP premium assistance.

The single-parent family remains eligible for most government subsidies and tax credits in 2012, because eligibility is based on last year's family income, but unless we see some policy changes over the coming year, the single-parent family will run into this barrier and begin losing a number of subsidies and tax credits in 2013 and will need a considerably higher living wage to maintain a modest standard of living.

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. The introduction of the U-Pass for all students in public post-secondary institutions, for example, reduced the 2012 Vancouver living wage by 22 cents per hour. Increasing the stock of affordable housing, or introducing a universal, publicly funded child care system for children under six, or a national pharmacare or dental coverage program for children and modest income families, would likewise decrease the amount employers need to pay to provide a living wage. For example, the Community Plan for a Public System of Integrated Early Care and Learning, proposed by the Child Care Advocates of BC and the Early Childhood Educators of BC, would see child care fees capped at \$10 a day for a full-time program and \$7 a day for a part-time program, and would reduce the living wage by \$3.23 per hour to \$15.91. (See the Living Wage for Families policy calculator www.livingwageforfamilies.ca/policy.)

And so, a key way employers can reduce the payroll costs of the living wage is to advocate for policy changes to increase government benefits to low-income earners and enhance public services that improve our quality of life.

LIVING WAGE BASED ON EMPLOYER BENEFITS

The Metro Vancouver living wage can be achieved through a combination of pay and non-mandatory benefits provided by the employer.



No benefits: wage **\$19.14**



MSP paid: wage **\$18.53**
(worth \$0.61 per hour).



MSP plus extended health paid: **\$17.97**
(worth \$1.17 per hour).

See www.livingwageforfamilies.ca/calculator

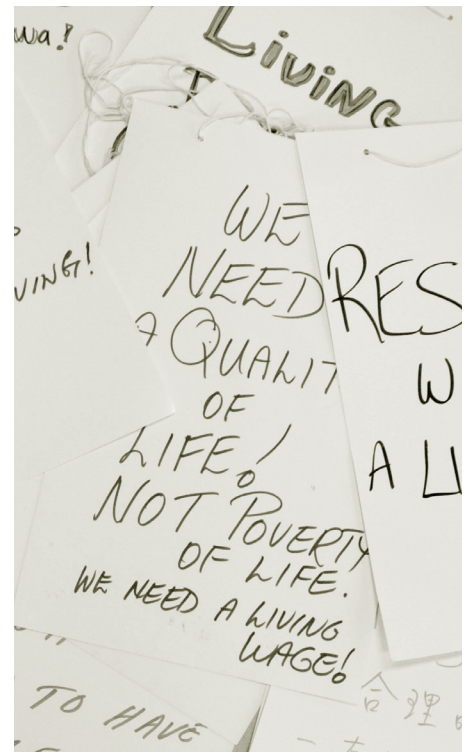


The Living Wage for Families Campaign for Metro Vancouver was formally launched in the fall of 2008 with the publication of *Working for a Living Wage* and is guided by an Advisory Committee made up of representatives from unions, businesses, parents, immigrant and

community groups, as well as individual low-wage workers. 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 that pay a living wage. It has worked with local partners to encourage local municipalities to pass living wage by-laws. It is undertaking a listening campaign with low wage workers and has undertaken training workshops on the living wage with a variety of agencies.

Contact us at info@livingwageforfamilies.ca, or through First Call.

www.livingwageforfamilies.ca www.lwemployers.ca



First Call: BC Child and Youth Advocacy Coalition is a non-partisan, province-wide coalition of organizations and individuals committed to promoting child and youth rights and well-being. We focus on public policy, public awareness and mobilizing communities for BC's children.

www.firstcallbc.org

202 – 1193 Kingsway
Vancouver, BC
V5V 3C9
604.873-8437
info@firstcallbc.org



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social and economic justice. Founded in 1980, it is one of Canada's leading progressive voices in public policy debates. The CCPA is a registered non-profit charity and depends on the support of its more than 10,000 members across Canada.

1400 – 207 West Hastings Street
Vancouver, BC V6B 1H7
604.801.5121
ccpabc@policyalternatives.ca

www.policyalternatives.ca



The original living wage research was part of the Economic Security Project, a research alliance led by the CCPA-BC and Simon Fraser University. The ESP was funded primarily by a grant from the Social Science and Humanities Research Council of Canada (SSHRC) through its Community-University Research Alliance program.

Thanks to Jonathan Koltai for his research assistance on this year's update. And thanks to Tim Richards and Michael Goldberg for their advice and guidance.

The opinions in this report, and any errors, are those of the authors, and do not necessarily reflect the views of the publishers or their funders, sponsors or supporters.

This publication is available under limited copyright protection. You may download, distribute, photocopy, cite or excerpt it provided it is credited and not used for commercial purposes. Permission is required for all other uses.

Copyedit, design and photography:
Nadene Rehnby and Pete Tuepah,
www.handsonpublications.com

April 2012