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the **view** from **here**

how a living wage can reduce poverty in Manitoba

NOVEMBER 2009

The Collaborative Process

This Living Wage project was sponsored and facilitated by the Canadian Centre for Policy Alternative, Manitoba (CCPA Mb). The CCPA is an independent, non-partisan research institute concerned with issues of social and economic justice. CCPA Mb. would like to thank its sister office, CCPA B.C. for allowing us to use its original research and methodology so we could produce this Manitoba-specific report (*Working for a Living Wage: Making paid Work Meet Basic Family Needs in Vancouver and Victoria*, available at: http://www.policyalternatives.ca/reports/2008/09/reportsstudies1958/?pa=4B59033D.)

This report is the result of a collaborative process with the Social Planning Council of Winnipeg (SPCW), Winnipeg Harvest, and the United Way of Winnipeg. The project was partially inspired by reports prepared by Winnipeg Harvest and the SPCW called, *a.l.l.(one for 2001, another for 2003): Acceptable Living Level, Manitoba*. The a.l.l. reports are clear and well researched analyses of how much income Manitoban families needed to live at an acceptable, but modest, level. The reports relied on low-income consultants from local communities to research the prices of life's necessities. They also consulted with these community researchers about the challenges and realities of trying to make ends meet with limited resources. The lived experience of these researchers lent an authenticity to the results that even Human Resources and Skills Development Canada recognized when it adopted elements of the 2001 report for its *Low Income in Canada 2000–2006: Using the Market Basket Measure*.

Recognizing the value in the a.l.l. reports, CCPA Mb. saw the need to update the data. It also wanted to add more depth to the income debate by including the role of government initiatives such as the Child Tax Credit. This living wage report blends the methodologies of the a.l.l. report and CCPA B.C.'s living-wage report and as such is not simply a remake of the a.l.l. It is a comprehensive look at the roles of both the public and private sector in determining a living wage. It will be an invaluable resource for all who advocate for economic justice in Manitoba.

Acknowledgments

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SUMMARY

The View From Here: How a living wage can reduce poverty in Manitoba

Families who work for low wages face impossible choices — buy food or heat the house, feed the children or pay the rent. The result can be spiraling 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.

Despite stable economic growth and consistently low unemployment, Manitoba's poverty rate has remained above the national rate. In 2007, (the most recent year for which data are available) 9.8 per cent of Manitobans were living on low incomes, the third highest of all provinces after British Columbia and Quebec. In addition, in 2005 Winnipeg tied for the highest poverty rate of all large urban areas in Canada at 15 per cent.

In 2007, Manitoba recorded the second highest child poverty rate in the country. Between 2002 and 2007, 24 per cent of all Manitoba children lived in poverty for at least one year, 12 per cent lived in poverty for one to three years, and 9 per cent for four or more years.

The living wage is one of the most powerful tools available to address this troubling state of poverty amid plenty in Manitoba. 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.

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.

A living wage is not the same as the minimum wage, which is the legal minimum 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.

A Bare Bones Budget

At $13.44 per hour for Winnipeg — or $24,461 annually for each parent working full-time — here's what a family could afford:

Food: $662/month (based on estimates by Health Canada for a nutritious diet)

Clothing and footwear: $172/month

Shelter: $1,067/month (includes conservative rent estimate for a three-bedroom apartment, utilities, and insurance on home contents)

Transportation: $421/month (includes one bus pass and the cost of owning and operating a used car)

Child Care: $629/month (for a four year old in full-time care, a seven year old in after-school care, and summer daytime care)

Private Health Insurance (including dental and drug coverage): $135/month

Parents' education: $210/month (allows for two 3 credit university courses per year per parent)

Contingency fund: $157/month (provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.)

Other: $555/month (covers personal care, furniture, household supplies, school supplies, some reading materials, minimal recreation and entertainment)

The living wage for Brandon is $11.10 per hour, and for Thompson is $11.18. Differences are based on variations in the expenses based on actual costs of living in the different cities and regional differences in government provided benefits.

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
- Anything other than the smallest cushion for emergencies or hard times.

This report calculates a living wage for Manitoba's two largest cities, and its largest northern city. One must be careful not to assume that these wages would be sufficient in the rest of the province. Remote northern communities, for example, face far higher costs and the living wage for their residents would be considerably higher.

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).

For a full description of the calculation method used see section 4 of this report. The living wage is based on:

- A family of two parents with two children aged four and seven.
- Both parents working full-time, at 35 hours per week.
- Estimated family expenses in 10 categories (more on this below).
- 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. The living wage is not enough for a single parent with one child to get by, and a single parent with two children would have an even tougher time. (See page 17 for more on single parents.)

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 competence. 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 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 were more likely than other youth to have a tough time socially and in school.[1]

A series of recent national studies about work-life conflict document the high costs of

UK Employers Get Behind the Living Wage

Living wage movements have been gaining steam in the UK, across the US and in a number of Canadian cities.

In the UK, a growing number of leading corporate, public and non-profit employers see the benefits of paying living wages, including: HSBC Bank, Morgan Stanley, Lehman Brothers, Citigroup, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers, Lovells, Credit Suisse, Macquerie Capital, Greater London Authority, London's Underground subway system, four East London Health Trusts, Queen Mary University, London School of Economics, the School of Oriental and African Studies, and Westway Development Trust.

While the exact terms differ from employer to employer, all have signed a basic "Charter for Socially Responsible Contracting," stipulating all direct and contract staff are: paid no less than a living wage as set annually by the Greater London Authority; eligible for 20 days paid holiday plus statutory holidays; eligible for 10 days full sick pay per year; allowed free and unfettered access to a trade union.

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.

Other research has shown that paying living wages has concrete benefits for employers, including reduced absenteeism; increased skill, morale and productivity levels; ability to attract and keep employees in a tight labour market; 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 30 for a discussion of employer concerns about paying a living wage.)

Getting there

The living wage is first and foremost a call to private and public sector employers to sustain families. This can be achieved through wages or a combination of wages and benefits (such as health benefits, coverage of health insurance premiums, transit passes, etc.).

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.

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 living wage family, these transfers include:

- Canada Child Tax Benefit (reduced after the family's net income is greater than $38,885);
- GST Rebate (reduced after the family's net income is greater than $32,312);
- Provincial Child Care Subsidy (starts to decline at a family net income threshold of $21,371 and ceases entirely at the income level of our living wage family);
- Manitoba Shelter Benefit (not available to families with gross income over $26,136); and
- Others including the Working Income Tax Benefit and the Manitoba Child Benefit.

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, if we had a universal public child care system, the living wage calculation would no longer have to include over $600 per month in child care costs. Increasing the stock of affordable housing, or making public transit more affordable, would likewise decrease the amount employers need to pay in order to provide a living wage.

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.

SECTION 1

Introduction

Families who work for low wages face impossible choices — buy food or heat the house, feed the children or pay the rent. The result can be spiraling 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 their school work or participate in community activities[2].

In Britain, the United States and now in Canada there is increasing support for a "living wage" as a way to ensure that families are not faced with these impossible choices. In Britain, for example, many leading companies and public sector employers have signed living wage agreements that cover both their direct and contract employees. In the United States over 125 municipalities have passed living wage ordinances.

The living wage initiative as defined in this report differs in a number of ways from calls to increase the statutory minimum wage. The minimum wage is based on individual earnings and is the legislated limit below which the hourly wages of an individual cannot fall. The living wage focuses on family earnings and sets a higher test. It begins by asking the question: In a given community, what wage level is sufficient for working families to pay for basic necessities, support the healthy development of their children, and participate in their communities, without experiencing undue financial stress?

The *minimum* wage is the statutory legal minimum in any given jurisdiction, and traditionally, minimum wage campaigns have tended to call for a minimum wage that would be high enough such that a single individual working full-time, full-year would have an income at the poverty line (in most of Canada, this would currently be about $10.40). In contrast, the *living wage* is about what a family with children would need to earn in order to have an after-tax income that allows it to meet basic needs and to participate in the civic and social life of their community. But it is also a conservative, reasonable measure. Importantly, living wage campaigns do not seek to make the living wage the legal minimum, but rather, seek to convince employers (municipalities, public sector, for-profit, and not-for-profit) to adopt the living wage for their own staff and to apply the same standard to their main contrac-

tors. The living wage calculation invites employers to consider the issue of compensation, not through the traditional lens of what is the norm in a given labour market (or the least one can pay while still attracting and retaining employees), but rather, through the lens of what it actually costs to live and raise children in Manitoba.

The living wage builds on the fundamental principle of decency in the workplace outlined by Harry Arthurs in his recent review of Canadian federal labour standards; that is, that no matter how limited the bargaining power of a worker, they should not be expected to work "under conditions that Canadians would not regard as 'decent.'"[3] This includes, but is not limited to, the fact "that no worker and by implication their (sic) family should receive a wage that is insufficient to live on…or be required to work so many hours that he or she is effectively denied a personal or civil life."[4] In other words, living wages provide the financial means for everyone — adults, youth and children — to live with dignity and to participate fully in their communities.

These values are very consistent with the values of a cross-section of the Canadian public. In 2002, after day-long dialogue sessions organized by the Canadian Policy Research Network around the discussion theme "The Kind of Canada We Want," the researchers reported that participants put a high value on mutual responsibility of citizens to one another, including "the right of every child, youth, and adult to receive support to become a fully contributing citizen."[5] They also noted that this represented a strengthening and broadening of the desire to include all members of society, whereas in previous surveys, only investment in children was identified as a core value.

In the sections of the report to follow we develop a living wage for Winnipeg, Brandon, and Thompson based on these key values and using the actual costs of basic necessities in these communities. The report also identifies the barriers to achieving a living wage built into the way governments have structured benefit provisions, particularly for families with children (i.e. the income level at which the Canada Child Tax Benefit starts to be reduced), and as a result opens up a dialogue about the appropriate role for employers, government and citizens in supporting living wage policies. In other words, in addition to identifying the responsibility of employers to pay a living wage, the report opens up the possibility that employers and other citizens' groups could also become advocates for more appropriate government policies in support of living wages. For example, a higher Child Tax Benefit, lower transit fees, universal child care, and more affordable housing would all have the effect of lowering the effective living wage rate. Thus, the structure of the living wage calculation invites us to think about the respective roles of the government and the labour market — who should do the heavy lifting when it comes to eliminating poverty in Canada? Clearly, the more who pitch in the lighter the load.

The living wage has the potential to improve the fortunes of low income individuals and families with children. But the benefits of a living wage are much broader still. As the report shows, whether you focus on broad issues like social cohesion or more narrowly on the productivity concerns of employers, developing a living wage to support families with children is a timely and important new policy initiative. And for those who long to seek an end to child poverty, this is truly where "the rubber hits the road." Most poor children have parents in the paid labour force. If parents do not receive a wage that, in combination with state benefits, allows them to escape poverty and financial stress, even when working full time, then child poverty will not be eliminated. It is the firm view of this project that with living wage policies we can indeed build labour market and public policies that will make child poverty history.

SECTION 2

What is the Living Wage?

Foundational Principles

The living wage is founded on values of fairness central to the well-being of individuals, families, communities, and the economy. While the actual living wage calculation in this report is focused on couple families with young children, living wage calculations for other family types are presented as well. The presented living wage is also assessed to provide an adequate income throughout the life cycle so that young adults will not be discouraged from having children and older workers will have the means to support aging parents. Unfortunately we did not have sufficient data to calculate a living wage for seniors and/or people with disabilities. We hope that subsequent research will rectify this omission.

The following are the goals of the living wage, and thus the benefits that it would bring to our society. A living wage would:

- Enable families who are working to escape from poverty;
- Promote social inclusion;
- Support healthy child development principles;
- Promote gender equality;
- Ensure that families are not under severe financial stress; and
- Engender significant and wide-ranging community support.

The living wage is a vehicle for promoting the benefits of social programs[6] and does not presume that labour market wages alone can solve all problems of poverty and social exclusion. It is a conservative, reasonable estimate that pushes low-income workers into a zone of greater security, allowing them to better care for their families.

The living wage is clearly not the only measure needed to achieve these objectives, but it would be a significant step towards their achievement in our society. The principles of the living wage are presented in greater detail in the appendix.

The Living Wage is Not the Minimum Wage

The living wage differs from the minimum wage in a number of respects. In the last few years in Canada there has been a concerted effort to increase the statutory minimum wage to $10 (in 2005 dollars) based on the principle that no individual Canadian should work full-time, full-year and still live in poverty. However, the minimum wage does not adequately address the income security needs of families with children.

The minimum wage sets a statutory minimum below which the wages of an individual cannot fall, whereas the living wage focuses on families and is based on the actual cost of living in a given community.

Defining the Living Wage

The living wage is the hourly rate of pay that enables the wage earners living in a household to:

- Feed, clothe and provide shelter for their family;
- Promote healthy child development;
- Participate in activities that are an ordinary element of life in a community; and
- Avoid the chronic stress of living in poverty

The living wage is high enough that families can weather a temporary crisis without falling into poverty. Our living wage assumes an employee benefit of two weeks of paid sick time (plus the statutory requirements for paid vacation and statutory holidays under employment standards), but does not include saving for retirement, debt servicing (e.g. interest on loans or credit cards), a disability plan or home ownership. There is only very limited provision for family members to participate in further education, take vacations, and pay for entertainment or recreational activities. It is a bare bones budget. As readers move through the details of our calculation below, they will be hard pressed to point to an expenditure that seems "too generous" or unreasonable.

The report presents the specific assumptions underlying the living wage, describes the method by which it was calculated, and then explains the different means by which the living wage can be achieved. But before we turn to the actual living wage calculation we will first provide the social and economic context that explains why the idea of a living wage is gaining momentum at this time across Canada.

SECTION 3

Why a Living Wage and Why Now?

Implementation of a living wage is both timely and urgent. It is urgent due to the great financial hardships faced by families, hardships that did not significantly lessen in the last economic boom, and that are worsening in the current economic crisis. It is timely because, as outlined later in this report, the experience from the UK and elsewhere indicates the success of the living wage in combating issues of poverty and social exclusion.

Many families with children report that they are working longer hours but having a harder and harder time making ends meet. Their experiences are borne out in a recent research report from the national CCPA Growing Gap project, *The Rich and the Rest of Us,* showing that "the majority of Canadian families are falling behind compared to a generation ago."[7] As the report notes, the bottom half of Canadian families with children under 18 are working more and yet have experienced a 24 per cent drop in their share of total earnings compared to the late 1970s.[8] This decrease in wages is despite the fact that up until very recently the economy was performing better than it had in decades.

There are, in addition, ongoing disparities in earnings between men and women, immigrants and non-immigrants, and couple and single parent families. On average, women in Canada working full-time, full-year earn 70.5 per cent of what men earn. Recent immigrants are now at greater risk of working in low-wage jobs than other Canadians, with visible minority immigrants having the most serious exposure to low income, regardless of how long they have lived in Canada[9].

Despite stable economic growth and consistently low unemployment, Manitoba's poverty rate has remained above the national rate. In 2007, (the most recent year from which data are available) 9.8% of Manitobans—109,000 people—were living on low incomes. This figure is 0.6 per cent above the national rate and the third highest of all provinces after British Columbia and Quebec.[10] In 2005 Winnipeg and Vancouver had the highest poverty rate of all large urban areas in Canada, at 15%.[11]

In Manitoba, 32% of recent immigrants were living in poverty in 2006.[12] Acording to 2006 Census data, the rate of Aboriginal poverty was 29%, almost three times the overall poverty

rate of 11.4 per cent. While off-reserve Aboriginal poverty is present throughout Manitoba, it is concentrated in Winnipeg. Thirty seven per cent of all Aboriginal people in Winnipeg are living in poverty. They make up approximately 10 per cent of Winnipeg's population, yet Aboriginal people constitute 25 per cent of those living in poverty.[13]

In 2007 (the latest year for which we have data), Manitoba recorded the second highest child poverty rate in the country[14]. Between 2002 and 2007, 24 per cent of all Manitoba children lived in poverty for at least one year, 12 per cent lived in poverty for one to three years, and 9 per cent for four or more years.[15] In Manitoba, 81 per cent of single parent families are headed by women[16], with over 40 per cent below the poverty line[17]. In 2006, 62 per cent of Manitoba's children who were below the poverty line (9.4 per cent of all children) lived in families in which family members together worked at least the equivalent of one full time full year position.[18,19]

Parents are working more and more hours just to get by, to the point that today it is the norm for both parents in couple families with children to work full time and for women with children under three to be in the paid workforce[20]. The result has been a dramatic increase in work-life conflict. The negative impact this conflict has on both family dynamics and on productivity (i.e. due to direct and indirect costs of increased absenteeism), is now well documented (for further discussion see *Living Wages Benefit Both Families and Employers* on page 28). [21]

Current government policies exacerbate rather than mitigate the hardships faced by low-income families. By international standards there has been little public investment in early learning and child care in Canada. As Paul Kershaw notes in an article for the Institute for Research on Public Policy:

> Among 14 nations for which there is comparable expenditure data, the OECD reports that Canada ranks last (by a wide margin) in terms of child care spending, allocating just one-quarter of a per cent of GDP to this policy domain, compared to Denmark, the international forerunner, which allocates 2 per cent.[22]

With insufficient public investment in child development, the capacity to manage the negative impact of work-life conflict depends in large measure on household income.

The financial hardship faced by low-income families has numerous negative consequences for family members. In the National Longitudinal Survey of Children and Youth (NLSCY), parents in households with low incomes are more than twice as likely as parents in either moderate or high-income families to be chronically stressed.[23] Not having enough money to buy household essentials and feeling that unrealistic expectations were being placed on their time are two of the primary stressors identified in this research. Not only are these parents more likely to suffer from poor health and to be higher users of health services, they are less able to provide a positive nurturing environment for their children. The NLSCY found that the adolescents living with chronically stressed parents were more likely than other youth to have emotional and behavioural problems and as a consequence to have difficulties both academically and socially.[24]

This research study is reflective of a growing body of evidence showing that access to optimal environments (i.e. engaged, supportive emotional environments) for young children are powerful determinants of life-long health, general competence, and social-emotional adjustment.[25] This literature establishes a clear link with family earnings, showing that 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.[26] A very large research study — in 470 neighbour-

hoods across BC — found, for example, that 43 per cent of the overall vulnerability of kindergarten children could be explained by the social economic status of the parents.[27]

The long-term personal and societal implications of not providing adequate support for families with children are clearly articulated by Esping Andersen, an internationally recognized political economist:

> If childhood poverty translates into less education, inferior cognitive skills, more criminality and inferior lives, the secondary effect is a mass of low-productivity workers, highly vulnerable to unemployment and low pay in the 'new economy.' They will yield less revenue to tax authorities and probably require more public aid during their active years.[28]

The living wage provides a foundation and a framework for ensuring that individuals and families with children can live with dignity and therefore have the means to fully contribute to society now and into the future. The last section of this report looks in more detail at the benefits of a living wage for employers and for the economy more generally.

SECTION 4

Calculating the Living Wage

The foregoing information articulates the assumptions underlying the living wage and the social and economic context in which it is calculated. The next section of the report provides the methodology that substantiates the amount of the living wage.

Living wages were calculated for Manitoba's two largest cities and its largest northern city: Winnipeg, Brandon and Thompson. One must be careful not to assume that these wages would be sufficient in the rest of the province, particularly in remote, northern communities. Table 2 outlines the population statistics of these three communities as of the 2006 Census.

Together, in 2006 the census regions for all three cities contained 66 per cent of Manitoba's total population. While the Portage la Prairie census region contained a slightly larger population (20,494) than the Thompson region, it was felt it was important to have a city from the Northern part of the province represented.

Our study found that that the living wage for Winnipeg is $13.44 per hour, $11.10 per hour for Brandon, and $11.18 per hour for Thompson. Based on 35 hours of work per week and 52 weeks of employment each year, this translates into a family annual income of $48,922 for Winnipeg, $40,404 for Brandon and $40,695 for Thompson. (This wage presumes that employees are entitled to two weeks of paid sick time, plus the statutory requirements for paid vacation and statutory holidays under employment standards.)

This section of the report explains how the living wage has been calculated. The amount is influenced by a wide range of variables, the most important of which are the characteristics of the family, including whether it is a single or two-parent family, the number and age of the children, and the hours per week of paid work for each parent. The assumptions with respect to each of these variables are presented below. In some cases commentary and comparisons with alternatives are presented in text boxes. A companion calculation guide to this report has been published and is available at [http://www.policyalternatives.ca/reports_studies/]. The calculation guide provides a detailed step by step account of the calculation of the living wage and serves as a reference for those interested in the

TABLE 2 **Manitoba Population Statistics**

	Population	Census Agglomeration/Region
Manitoba	1,148,401	
Winnipeg	633,451	694,668
Brandon	41,511	48,256
Thompson	13,446	13,593
Total	688,408	756,517
Percentage of Manitoba Population	59.9%	65.9%

details of the calculation or wish to calculate a living wage for their other communities.

The Formula

The primary determinants of the living wage are income from employment and family expenses. However, the calculation also factors in the income the family receives from government transfers and deductions from income for statutory contributions (EI and CPP) and income taxes. Thus, the living wage is the hourly rate of pay at which a household can meet its expenses once government transfers have been added and government deductions have been subtracted.

The living wage is calculated using the following formula:

Annual Family Expenses

Income from Employment (Living Wage)

PLUS

Income from Government Transfers

MINUS

EI Premiums, CPP Premiums,
Federal Taxes, and Provincial Taxes

Family Characteristics

Families are very diverse with respect to the number, age and gender of both the parents and the children. Within and between cultures the expectations concerning the size and composition of families vary and there is no typical family. We focus on a family composed of two parents aged 25 to 44, and two children, a boy aged seven and a girl aged four. The rationale for this is that the wages people receive from work should be sufficient to ensure that people are able to choose to have two children without an undue risk of falling into poverty. In Manitoba, 83 per cent of families with children at home are headed by couples, and of those, 62 per cent have two or more children.[29] The size and composition of the family, therefore, ensures that the expenses are comparable for many families (see also *Single Parent Families and the Living Wage* on page 17).

Changes in Family Expenses over Time

Due to the age of the children, child care is a significant expense for the family. As the children become older, this expense will decrease. However, the family will also face increased costs in regard to food, clothing, recreation, and post-secondary education. While the living wage calculation we use does not include saving for child post-secondary studies (such as an RESP), we assume that, as the children age and child care costs decline, some money will become available for this purpose.

Hours of Paid Employment

The living wage is based upon both parents working in paid employment for 35 hours per week.[32] While the average weekly work hours for dual

Single Parent Families and the Living Wage

While single parent families are fewer in number than couple families, they face a far higher rate of poverty. In 2006 in Manitoba, single parent families comprised 17 per cent of all families, with couple families making up the remaining 83 per cent. Children in single parent families were more than three times more likely to live in poverty. In Manitoba in 2007, children in single mother families faced a poverty rate of 28.1 per cent, in comparison to a poverty rate of 8.8 per cent for children in two parent families.[30]

Thus, two factors support the importance of the living wage in meeting the needs of single parent families. The first is that single parent families are far more likely to be living in poverty than couple families. Second, single parent families are predominantly led by mothers, contributing to poverty being experienced disproportionately by women.

As with the living wage for two parent families, the living wage for single parent families is responsive to a range of factors, including family size, estimated family expenses, hours of work per week, and government taxes and transfers. We recalculated the living wage for a single parent family with one child in which the parent is a woman working 35 hours per week and the child is four years of age. This family composition was chosen because the majority of single parent families have one child. We also calculated the living wage for a single parent with the same aged children as the two-parent family. In Manitoba in 2006, 58 per cent of single parent families had one child, while 28 percent had two children.[31]

As indicated in Table 2, the living wage for the two-parent, two-child family is not sufficient to meet the needs of a single-parent family with either one or two children.

TABLE 2 **Living Wages for Single Parents with One and Two Children**

	Winnipeg	Brandon	Thompson
Two-parent, two-child living wage	$13.44	$11.10	$11.18
Single-parent, one-child living wage	$18.64	$16.99	$16.39
Single-parent, two-child living wage	$25.44	$18.31	$18.88

The higher living wages for the single parent families are primarily due to the lack of a second income earner and the inability to realize the economies of scale available to the two parent family. It should be noted that as with our two parent family, neither single parent family qualifies for the Manitoba childcare subsidy when earning the living wage.

The relatively high living wage of the two-child single-parent family serves as an indicator of the challenge faced by such a family to attain a reasonable standard of living. While the single parent is partially compensated for the lost income earner through increased transfers, the increase is minimal. For example, the two-child single-parent family for Winnipeg only receives an additional $11.31 per month through the Canada Child Tax Credit and an additional $3.31 per month through the GST credit. The single parent also pays significantly more in net taxes (taxes minus transfers) than the two-parent family. The net contribution of the two-parent family to government is $792, while the two-child single-parent contributes a net amount of $3488.

earning couples with paid jobs in 2008 was 75 hours, or 37.5 per person, a 35 hour work week was chosen in consideration of increasing evidence that work-life conflict has been a problem for Canadian families, with an array of negative consequences, particularly for families with chil-

Single Parent Families and the Living Wage

For comparison, living wages were also calculated for two sample single member households: a male aged 25 to 44 and a female full time post-secondary student aged 19 to 24.

TABLE 3 **Living Wages for Single Member Households**

	Winnipeg	Brandon	Thompson
Two-parent, two-child living wage	$13.44	$11.10	$11.18
Unattached Individual (Male)	$10.19	$9.65	$11.30
Unattached Full-time Post-secondary Student (Female)	$13.52	$12.93	$13.51

The living wage for the unattached individual in Winnipeg is over $3 below the living wage for the two parent family, while the living wage for the full time student is just above the two parent family living wage. In Brandon the gap is somewhat smaller.

While the tax and transfer system somewhat compensates couple families for the additional cost of having children and single individuals pursuing a post-secondary education, there is still a significant gap. As shown in Table 2, this gap is even larger for single parent families, who need significantly higher wages to achieve a reasonable standard of living.

dren. A 2001 study by Linda Duxbury and Chris Higgins that interviewed a sample of over 31,000 Canadian employees indicated that families are suffering from high levels of work life conflict. Fifty-eight per cent of individuals in their study were experiencing high levels of role overload, or difficulty meeting the necessary total demands on time and energy, while 30 per cent reported moderate levels of role overload.

Calculation of Family Expenses

Family expenses were calculated by defining 10 categories of expenses and estimating amounts for each. The method is therefore a direct measure approach of costing specific expenses. The calculation builds upon the Market Basket Measure (MBM), developed by Human Resources and Social Development Canada (HRSDC).[33] The MBM was developed to provide a perspective on low income in Canada and defines five categories of expenses. The MBM calculations are based on the actual costs of goods and services in a given community (and are thus much finer than measures such as Statistics Canada's low-income cut-off). The MBM expenses for food, clothing and footwear, and shelter are based on median expenditures, and transportation and other expenses are based on less than median expenditures. Median family expenditures are almost invariably less than average family expenditures.[34]

The living wage calculation adds four further categories of expenses to the MBM: child care, private medical expenses, an amount for education expenses for the parents, and a contingency amount.[35]

Table 4 summarizes the family expenses for each category for Winnipeg, Brandon and Thompson.

The following sections provide a short explanation concerning the source, amount, and calculation of each expense.[37] The amounts are current to December 2008.

TABLE 4 **Family Expenses: Two Adults and Two Children (4 and 7 Years Old)**

Expense Item	Winnipeg		Brandon		Thompson	
	Monthly	Annually	Monthly	Annually	Monthly	Annually
Food	661.83	7941.96	677.15	8125.80	692.29	8307.52
Clothing and Footwear	172.40	2068.83	172.40	2068.83	235.85	2830.16
Shelter	1067.98	12815.74	832.98	9995.74	832.98	9995.74
Transportation	421.60	5059.23	410.80	4929.63	417.20	5006.43
Other[36]	555.42	6665.02	565.31	6783.66	759.81	9117.75
Child Care	628.93	7547.20	628.93	7547.20	628.93	7547.20
Private Health Insurance	134.70	1616.40	134.70	1616.40	134.70	1616.40
Contingency Savings Account	156.80	1881.60	129.50	1554.00	130.43	1565.20
Adult Education	210.17	2522.00	210.17	2522.00	210.17	2522.00
Total	$4,009.83	$48,117.99	$3,761.94	$45,143.26	$4,042.37	$48,508.40

Food

For Winnipeg, the food amount is based upon data gathered for a recent study by Candice Rideout and Lorraine Peitsch on food prices in Winnipeg.[38] Needs and subsequent costs were specified for 23 different groups according to age and gender based on the 2007 Canada Food Guide. Data were obtained through surveying costs at 56 Winnipeg food stores. Food prices for Brandon were based on the estimate for Winnipeg and the food price difference according to the 2006 MBM, which shows food prices in Brandon 2.3 per cent higher than Winnipeg. The amount for Thompson was calculated using the similar methodology with price surveys undertaken at three major grocery chains in the city.[39]

Amount per month: Winnipeg: $661.83; Brandon: $677.15; Thompson: $692.29.

Clothing and Footwear

The clothing and footwear amount is based on the MBM. The 2006 MBM amount was updated by the Consumer Price Index to 2008 and is equivalent to approximately $40 per month, per family member. The Thompson amount was calculated based on the cost differential between Winnipeg and Thompson for a surveyed basket of goods, and the MBM amount for Winnipeg.

Amount per month: Winnipeg: $172.40; Brandon: $172.40; Thompson: $ 235.85;

Shelter

The shelter amount is composed of rent, utilities, and content insurance for possessions. The rent and utilities amount is based on median rents for three-bedroom apartments. Data on the median market rent, inclusive of utilities, is complied by the federal government and is made available by the Government of Manitoba.[40] The monthly rental expense for Winnipeg is $1050; for Brandon is $815; and $815 for Thompson.

The expense for content insurance is estimated at $217 per year and is based on median household expenditure on tenants insurance in 2006, adjusted for inflation.

Amount per month: Winnipeg: $1067.98; Brandon: $832.98; Thompson: $$832.98.

Transportation

The transportation amount includes the expense for both a used vehicle and a monthly bus pass. While public transportation can be a viable option for many families, a family with both parents working full time with one child in full-time day care and the other child in elementary school cannot realistically be managed based only on

public transportation. Further, because both parents are working full time, the parent not using the vehicle requires public transportation for work purposes. We use the MBM expense for owning and operating a used vehicle, updated by the Consumer Price Index to 2008.[41] The public transit amount is for one monthly bus pass.

Amount per month: Winnipeg: $421.60; Brandon: $410.80; Thompson: $417.20.

Other

The "other" expense is a general MBM category that encompasses a variety of expenses including personal care, household supplies and furniture, school supplies and modest levels of reading materials, recreation and entertainment. Following the MBM approach, it is calculated at 71.3 per cent of the total expenses for food and for clothing and footwear. Since the MBM measure for Other goods is not based on the actual prices of the goods in the category, additional research was undertaken to price out a sample basket of Other goods to see if it could be met within the budget given by the MBM. It was found that the MBM amount was sufficient to cover the cost of a broad range of necessities and a modest amount for recreation and leisure activities. The Thompson amount was calculated based on the cost differential between Winnipeg and Thompson for a surveyed basket of goods, and the MBM amount for Winnipeg.

Amount per month: Winnipeg: $555.42; Brandon: $565.31; Thompson: $ 759.81;

Child Care

Estimates of local child care expenses are based on the assumption that the four year old is in full-time day care and the seven year old in care before and after school as well as during workdays that are non-school days. Maximum child care rates are legislated in Manitoba, and are legislated through the Manitoba Community Child Care Standards Act. It is assumed the children attend a licensed child care centre and the centre charges the maximum daily rate, which is standard practice.

Amount per month: Winnipeg: $628.93; Brandon: $628.93; Thompson: $ $628.93;

Private Health Insurance Costs

In addition to the allocation for health expenses in the MBM other category, we budget for a private health insurance plan to help cover expenses not covered by Manitoba Health. The rates for the Plus Plan are $134.70 for a family. The plan includes ambulance/hospital benefits, prescription drug coverage, vision and dental among other services.

Amount per month: Winnipeg: $134.70; Brandon: $134.70; Thompson: $134.70;

Parents' Education

This expense is for the parents to pursue part-time/continuing education at the post secondary level. The amount is the approximate cost of two courses of three credits each. It includes the cost of enrolling in the courses, student fees, and textbooks. This amount was estimated based on information from the websites of the University of Manitoba, the University of Winnipeg and Red River College.

Amount per month: Winnipeg: $210.17; Brandon: $210.17; Thompson: $210.17;

Contingency Amount

This expense is an estimate of the cost of unexpected occurrences. It is calculated as the amount of income for each parent for two weeks. It would provide for a parent being unable to work due to serious illness of a family member, any out of town travel such as travel to the funeral of a family member, unpaid time due to transition between jobs, or a cushion to cover the two-week waiting period for Employment Insurance in the event that a parent is laid off from their job.

Shortfalls of Government Transfers

The calculations in this report highlight the inadequacies of government transfers for modest-income families. The following information explains how government policies and programs limit the benefits to our model living wage family in Winnipeg.

Canada Child Tax Benefit (CCTB): The family does not receive the National Child Benefit Supplement, an additional supplemental element of CCTB, because this benefit ceases at a family net income of $39,082. Because the core benefit is also reduced once the family's net income is greater than $39,085, the CCTB amount received by the family is less than the base rate of $217.82 per month.

GST Rebate: The family receives less than half ($302.88) of the potential federal GST rebate ($752), due to reductions that start at a net family income of $33,512.

Universal Child Care Benefit (UCCB): This is a taxable benefit, and thus the family's net benefit is less than the $100 per month paid by the program.

Provincial Child Care Subsidy: The Provincial Child Care Subsidy starts to decline at a monthly net income threshold of $1,785 and ceases entirely at the income level of our living wage family.

Manitoba Shelter Benefit: The family is not eligible for a subsidy from the Manitoba Shelter Benefit program because this subsidy is not available for families whose annual household income is greater than $26,136.

This indicates that the government programs intended to benefit low and modest-income families have claw back thresholds that are much too low, and thus are reduced or disappear entirely for families whose income levels are well below those needed to meet necessary expenses. In addition, the federal government tax program designed to assist low-income families, the Working Income Tax Benefit (WITB) is not available as our family's net income is greater than $22,769.

Amount per month: Winnipeg: $157.80; Brandon: $129.50; Thompson: $130.43;

Government Transfers

The calculation of the living wage factors in the income the family receives from government transfers. The family receives a partial transfer from the Canada Child Tax Benefit (CCTB) and the GST credit, and receives the Universal Child Care Benefit (UCCB). The family in Winnipeg does not receive the Manitoba Child Care Subsidy because of its level of income (see *Shortfalls in Government Transfers* on page 22), while the Brandon family receives a partial subsidy.

The amount of these transfers is for the July 2008 to June 2009 period, and is based on the family earning the calculated living wage.

Government Deductions and Taxes

Payroll deductions and government taxes reduce the employment income available for family expenses. The living wage calculation factors in payroll deductions for Employment Insurance and Canada Pension Plan premiums. In addition, it deducts provincial and federal income taxes from income from paid work. The calculation assumes that the family claims all available expenses and tax credits. Further, the tax credits are allocated between parents to maximize the benefits to the family.

TABLE 5 **The Living Wage Family: Summary of Income, Expenses, Deductions and Taxes**

	Winnipeg	Brandon	Thompson
Total gross annual family income	$48,921.60	$40,404.00	$40,695.20
Minus deductions from income (EI, CPP, provincial and federal taxes)	- 4769.17	-2618.06	-2630.26
Family take home pay	= $44,152.43	= $37,785.94	= $38,064.94
Plus government transfers (CCTB, UCCB, GST rebate and Child Care Subsidy)	+ 3977.14	+7367.13	+10,447.68
Total disposable income	= $48,129.57	= $45,153.07	=48,512.62
Annual family expenses (as shown in Table 4)	- 48,117.99	- 45,143.26	- 48,508.40
Annual income less expenses	= $11.59	= $9.81	= $4.22
Living wage	= $13.44/hour	= $11.10/hour	= $11.18/hour

The tax rules and formulas are for the 2008 tax year. At the federal level, the tax credits claimed are for EI and CPP premiums, the Canada Employment Amount, the Child Tax Credit, the Public Transit Amount, Medical Expenses, and the Tuition, Education and Textbook amount. At the provincial level, the tax credits are for EI and CPP premiums, Medical Expenses, the Tuition, Education and Textbook amount, the Provincial Tax Credit, and the Education property tax credit.

Summary of Income, Expenses and Taxes for Winnipeg, Brandon and Thompson

Table 5 summarizes the family's income and expenses at the living wage, factoring in payroll deductions and government taxes, and the amount of government transfers to the family.

The Living Wage is a Conservative Estimate

In summary, the living wage is a conservative estimate for the following reasons.

Family Expenses

- The living wage calculation uses the same expenses as the MBM, which was developed as a perspective on low income. The MBM is based on median or lower than median estimates for expenses. It provides very little for holidays, entertainment and recreation.
- The expenses do not include many that families must pay, such as debt servicing. This is a notable omission, as typically, family expenses vacillate greatly, while their income is the same each week. When large expenses must be paid, the family's cash flow can easily go into deficit, or be carried on credit cards, requiring interest payments that our calculation does not include.
- The family expenses do not include many that are considered normal, such as savings for retirement or owning a home. There is only limited provision for post-secondary education for either parents or children.
- The family expenses do not include financial challenges related to family members who have disabilities or a serious illness, or who are elderly.
- The living wage calculation does not allow for remittances to family members abroad (something many low-wage immigrant workers do for relatives in their country of origin, and view as a high priority).

- The shelter amount is likely below what a low-income family would need if they are required to seek new accommodation in today's low-vacancy rental market.
- The family expenses assume there will be an even flow of income throughout the year with the provision of only a two-week cushion for each parent to cover sick time for themselves or their children and/or the two-week waiting period for EI.
- The expenses assume that the family members are already employed in full time jobs and do not face the additional expenses associated with transition between jobs or from being unemployed to being employed.
- The wage calculation assumes the family is guaranteed a fixed number of hours of work per week. Many families may not have access to such a guarantee and may be forced to work fewer hours when business is slow or their services are not required.
- Notably, most of the expenses included in our calculation are based on 2008 data (not 2009).

Taxes

- The living wage assumes that the family claims all available credits even though not all people claim all available tax credits.
- The community consultants were not sure if they knew about all the credits that were available to them. Some complained that the forms were too complicated, and most could not afford to pay to have an expert prepare their tax return. Future research should consider this anecdotal evidence to determine whether or not access to entitlement is a widespread problem.

SECTION 5

Different Ways of Achieving the Living Wage

A living wage is necessary to ensure families are able to meet their needs, participate in the life of their communities, and cope with a temporary crisis without falling into poverty. There are three ways for employers to achieve this goal, and in some cases employers may want to consider a combination of approaches to achieve the living wage.

The first, and most obvious, would be for employers to increase the wages of their employees to the living wage. This would be an hourly wage of $13.44 in Winnipeg, $11.10 Brandon, and $11.18 in Thompson.

The second would be for employers to provide employment benefits to workers. The living wage can be achieved with a combination of cash and benefits. The living wage presented in this report assumes that the only benefit provided by the employer is two weeks of paid sick time for their employees (plus the statutory requirements for paid vacation and statutory holidays under employment standards). The effect of the employer-provided benefits on the living wage is illustrated by considering the increase in the living wage if the employer does not provide sick time benefits. If the employer does not provide this benefit, and each parent has one week per year away due to illness, then the living wage must increase by 28 cents per hour in Winnipeg from $13.44 to $13.72.

The converse is also true. The living wage decreases when employers provide other benefits. For example, in Table 6, the living wage is recalculated based first on the assumption that the employer pays 50 per cent of the family's private health insurance premiums, and then again on the assumption that the employer pays 100 per cent of the family's premiums. In this scenario, the living wage in Winnipeg decreases by 31 cents per hour if employers pay 50 per cent of the MSP premiums and by 65 cents per hour if the employer pays 100 per cent of the premiums.

The third way an employer can help attain the living wage is by advocating for a redesign of government transfers and other programs targeted at families with children. By joining the call for more progressive public policies, employers can help their workers meet more of their basic needs through the public provision of goods and services. As indicated above, most government transfers and subsidies are reduced or eliminated at income levels well below the living wage. If

Employers: Does the Living Wage Seem Financially Unattainable?

Many employers may be supportive of the living wage, but are concerned that if they pay the living wage they will not be able to compete with other employers. In this case, it is advantageous to advocate for programs that would ensure that as a society we collectively address the needs of families with children. This could include advocacy for:

- More affordable housing;
- A child tax benefit of $5,100 per year, per child, as is recommended by many child advocacy organizations, and a higher CCTB income threshold;
- A universal, publicly-funded child care program;
- Lower tuition fees for post-secondary education;
- Improved public transportation, reduced transit fees, or free transit; and
- Shifting the burden of taxation and compulsory deductions from lower-income families to higher-income families.

All of these measures would decrease the income families require from employment, and therefore reduce the living wage. For example, if child care were fully subsidized, the living wage for our sample Winnipeg family would fall from $13.44 to $11.06, a drop of $2.38.

There are, however, additional efficiency and productivity benefits of paying the living wage that you may not have considered. These benefits are outlined in the next section and begin with the experience in the UK, where a number of leading public and private sector employers have adopted living wage policies.

TABLE 6 **Living Wage When Employers Pays Employee's Private Health Insurance Premiums**

	No employer-paid premiums	Employer pays 50% of premiums		Employer pays 100% of premiums	
		Hourly rate	Difference	Hourly rate	Difference
Winnipeg	$13.44	$13.13	–$0.31	$12.79	– $0.65
Brandon	$11.10	$10.50	–$0.60	$9.85	– $1.25
Thompson	$11.18	$10.68	–$0.50	$10.26	– $0.92

these programs were redesigned to ensure that more of the costs of raising the next generation were shared and financed through the tax system, the family would require a lower living wage (see *Employers: Does the Living Wage Seem Financially Unattainable* on page 37).

SECTION 6

Living Wages Benefit Both Families and Employers

Many employers need to be convinced that the living wage has "something in it for them." In the UK there are a growing number of leading companies that see the benefits of paying living wages and that have incorporated the living wage into their procurement policies.[42] They include HSBC Bank, Morgan Stanley, Lehman Brothers, Citigroup, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers, Lovells, Credit Suisse and Macquerie Capital. Public sector organizations involved include the Greater London Authority, four East London health trusts, Queen Mary University, the London School of Economics, and the School of Oriental and African Studies. Cleaners working for London's Underground subway system also just won a living wage agreement, after having to take strike action. A growing group of non-profit organizations have also adopted living wage policies, including Big Issue, Child Poverty Action Group, ACEVO, Institute for Public Policy Research, and Westway Development Trust. Multinational property developer Westfield has pledged that the White City Shopping Centre in West London will become the first living wage retail development.[43] London Citizens (the citizens' group that has led the campaign for a living wage in London) has also secured a commitment by the Olympic Delivery Authority to implement fair employment practices, including the London living wage, for the 2012 Olympics.[44]

While the exact terms differ from employer to employer, all have signed a basic "Charter for Socially Responsible Contracting," which stipulates that all staff, including contract staff are: paid no less than a living wage as set annually by the Greater London Authority (£7.45 or approximately $14.14 in July 2008); eligible for 20 days' paid holiday, plus statutory holidays; eligible for 10 days full sick pay per year; and allowed free and unfettered access to a trade union.[45] A study has calculated that as of December 2007 the Living Wage Campaign had won pay raises for an estimated 5,800 workers, amounting to an estimated total gain of £19,438,500 (approximately $40 million Canadian).[46] In some cases, like Queen Mary University, the employer has agreed not only to introduce living wage policies for the contract cleaning staff, but also to bring the cleaning service in-house with the same terms and conditions as regular employees.

The benefits derived from paying a living wage are significant and measurable. A 2005 study of low-paid contract cleaners at the Royal London Hospital found that earning a living wage made a dramatic difference to the ability of workers to support their families.[47] The researchers asked workers what difference the new pay rate made to their ability to pay for food, clothing, housing, child-related expenses, and holidays. Less than half of the workers surveyed said they had been able to afford adequate food on their previous salary. Once they received a living wage, 85 per cent were able to pay for the food their family needed. The living wage had a similar impact on workers' ability to pay for other necessities for themselves, and most importantly, for their children.

Other research has shown that paying living wages has tangible benefits for employers as well. It can help to lower costs related to employee turnover and absenteeism, increase the skill level, morale and productivity of employees, improve customer retention and satisfaction, and contribute to corporate social responsibility. Some of these tangible benefits are discussed below.

Efficiency and Productivity

In Canada, work-life researchers Linda Duxbury and Chris Higgins, in a series of national studies, document the very high costs of role overload (i.e. having too much to do in a given amount of time) in both personal and financial terms. They estimate the direct and indirect costs to employers in absenteeism at $6 billion a year, and to the health care system, as a result of higher use of health services, at another $6 billion.[48] Their findings are unequivocal: employees with high levels of role overload are less able to resolve family conflicts, are in poorer physical and mental health, and make greater use of the health care system.

Other research shows that paying low wages results in higher turnover rates. For example, a survey of health support workers in 12 community hospitals in the US found turnover rates of 100 per cent because of a combination of low wages and a tight labour market.[49] Similar concerns about high turnover rates and recruitment problems have arisen for support staff (i.e. housekeepers and food service workers) working for private contractors in the Vancouver, Fraser, and Vancouver Island Health Authorities. In fact, because of the difficulty in recruiting housekeepers to work in Victoria's hospitals, the contractor has applied and was granted the right to bring in temporary workers from the Philippines. Clearly, all workers, whether they are Canadian citizens or migrants workers, should be paid the living wage.

Bringing in temporary workers is a stop-gap measure. In the UK, as noted above, many leading employers are finding that paying a living wage is a far more effective way to combat the recruitment and retention problems traditionally associated with low-wage work. For example, KPMG in London found that turnover rates were cut in half after it implemented a living wage policy for all its direct and contract staff in 2006. "No one abused the new sick pay scheme," said Head of Corporate Services Guy Stallard, "and absenteeism is very low. We get the benefit of reduced training costs and increased staff continuity. It is a much more motivated workforce."[50]

Similarly, Barclays Bank, under pressure from The East London Communities Organisation (TELCO), set a requirement that its cleaning contractor provide cleaners moving to Barclays' new headquarters at Canary Wharf with an hourly rate of £6.00, 28 days' holiday, pension contributions, sick pay, bonuses, and training to an industry recognized standard. As John Cotton, Barclays' Canary Wharf program director, explained at the time:

> When we set up the deal we wanted to ensure that we could recruit and retain

Fears Concerning the Living Wage Affecting Business Profitability Overstated

There are some, particularly from the business community, who may fear that widespread adoption of the living wage would undermine local competitiveness, result in job loss, and could potentially have an inflationary effect (similar arguments to those traditionally made against raising the minimum wage).

There may be an element of truth to these arguments, but if these impacts do indeed result, the effect is likely to be minimal. Overall, these arguments do not represent reasonable grounds for rejecting calls for a living wage. Let us briefly address each in turn.

Competitiveness: Here, the fear is that, if widely adopted, the living wage would raise costs and undermine the ability of local firms to compete with other jurisdictions. However, low wages are currently concentrated in service-sector industries. In these industries (with some exceptions), buyers can only buy locally. Thus, arguably, the only real competitive challenge would come from those *local* firms that refuse to pay the living wage. However, as noted above, paying a living wage can have many advantages: lower recruitment, retention and training costs (due to reduced staff turn-over); higher staff morale, productivity and loyalty; and the ability to market one's firm to the public and clients as committed to paying a family living wage. And, if a growing number of civic governments and public institutions adopt the living wage, those contractors who similarly make this commitment will have an upper hand in winning service and supply contracts.

Job loss: There is a large literature on the alleged disemployment effects of minimum wage increases. A 2007 CCPA study reviewed and weighed the evidence, and found that the minimum wage is, if anything, a bit player in determining employment levels.[55] The weight of the evidence suggests little or no impact on employment levels from minimum wage increases. Recessions, an increase in women's labour force participation, economic growth — these things have a far greater impact on employment rates than the minimum wage. There simply isn't evidence that raising the minimum wage would cause significant job losses.

That said, the living wage is different, and the size of the wage increases that could potentially result from a successful living wage campaign may be greater than what has previously been studied in the minimum wage literature. Firms adopting the living wage *could* end up employing fewer workers (particularly if productivity improves). However, there would still likely be an overall net benefit to low-wage workers. Moreover, it is equally possible that productivity improvements and increased demand for living wages from public contractors and consumers may lead to living wage employers hiring more workers.

Inflation: There is little to suggest that widespread adoption of the living wage would be unduly inflationary, but the exact impact is unknown. If many employers adopted the living wage, there could be a slight pass-through effect on prices, but this would likely be minimal. Wages constitute only one component of prices, and local low-wage workers in turn constitute only a small share of the total wage bill. Thus, even if low-wage workers saw a sizeable increase in their wages, the impact on overall costs and prices would be minor. That said, if workers who provide local services (such as child care providers or public transit workers) were to see their wages go up significantly due to a successful living wage campaign, this could have an inflationary pass-though effect on fees, and would then lead to the need to further increase the living wage calculation (given the important role of child care and transit expenses in our calculation), unless these cost increases were covered by government, thereby making fee increases unnecessary.

> quality people, in the same way that we try to do with directly employed staff…[51]
>
> Clearly, there are some cost consequences of what we've done, but they for us are completely commercially viable because they provide us with a quality of employee and a commitment of employee which we believe will actually give us a better cleaned building.[52]

The new policy resulted in a dramatic drop in absenteeism. Turnover fell from 30 per cent to 4 per cent while performance and customer satisfaction levels improved.[53] In 2006 Barclays announced it would roll out this package across its 2000-strong UK branch network, and the company recently agreed to pay all of its 1,000 cleaning, catering, and post room staff across London £7.50 an hour. Facilities management director Jon Couret said: "Although these employees are not directly employed by Barclays, we have a responsibility to ensure they receive a fair, well-rounded remuneration package, and this deal delivers that."[54]

Protecting and Enhancing Reputation of the Institution in the Wider Community

Private companies and public institutions are conscious of their image, but high-minded mission statements mean little if the public becomes aware that they hide the exploitation of low-paid staff.[56] As multinational clothing firms like Gap and Nike discovered to their cost, it doesn't help sales to be associated with sweatshop labour.

Private firms are becoming increasingly aware that commitment to corporate responsibility is essential to their "brand." As a US business ethics journal points out: "Good corporate governance can be as effective a marketing tool as a good quarter."[57] It went on to note that:

> Traditionally, firms have been judged on how well they serve stockholders. But in the 21st century — a new era of ecological limits, corporate ethics crises, and rising societal expectations — this traditional focus offers too narrow a definition of success. Firms rely upon healthy relations with many stock-holders. That means not only creating healthy returns for shareholders but emphasizing good jobs for employees, a clean environment, responsible relations with the community, and reliable products for consumers.[58]

For publicly-funded institutions with responsibility for the health and well-being of their communities, the importance of a living wage policy goes beyond good publicity — it goes directly to their stated commitment to tackle the socio-economic determinants of health. When more people are paid a living wage there is the potential to improve the quality of life and reduce health expenditures for the entire community. Closing the income gap reduces the number of adults and children who are suffering hardships such as poor health, low quality of housing, and lack of nutritious food. Reduced school dropout rates, higher levels of literacy, greater community and volunteer participation rates, and lower health care costs are all potential benefits of improved income security provided through reducing income inequalities.[59]

SECTION 7

Conclusion

There is a paradox when, despite steady economic growth and consistently low unemployment rates, we have the second highest level of child poverty in the country and the third highest poverty rate. The living wage provides a way to address this paradox. It provides a means for ensuring that individuals and families with children can live with dignity and therefore fully participate in their communities and at work. It also increases the likelihood that children in these families will have access to the supports they need to succeed at school and to later contribute socially and economically to our society. The goal of the living wage, then, is to ensure the well-being of families, communities, and our wider society now and into the future.

The living wage is, in effect, a call to both public and private sector employers to pay wages to both their direct and indirect (i.e. contract) employees sufficient to provide for the basics for families with children. And while the report clearly focuses on the role of employers in taking their fair share of responsibility for the well-being of their workforce, it also presents alternative ways for both employers and citizens' groups to support living wages.

The report highlights that individual and family well-being is affected by the cumulative effects of wage rates, government transfer programs, child care policies, and the medical and other benefits workers receive through their employment. It encourages employers and citizens' groups to advocate with government to improve transfer and tax programs, thereby significantly reducing pressure to implement the living wage.

In Canada, living wage initiatives are relatively recent. In 2006, the Community Social Planning Council of Greater Victoria, working through the Quality of Life CHALLENGE (a coalition of business and community groups), was the first community in Canada to research and set a living wage rate. When the living wage rate of $14.88 was announced and featured as a front page story in the Victoria Times Colonist, a number of businesses not involved in the project raised their wages based on the newspaper story and research report.[60]

> One of the region's biggest private employers, the West Corporation, sent a copy of the article to its American head office and successfully won a $2 an

hour increase in wages for its call centre workers…. Something tangible and documented seemed an important catalyst for companies that wanted to be good employers.[61]

It is the sincere hope of the authors that this report will spur public and private sector employers in Manitoba to become advocates for living wage policies in their own organizations and in the broader economy.

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APPENDIX

Principles for Calculating a Living Wage for Winnipeg, Brandon, and Thompson

A living wage enables families who are working to escape from poverty.

- A living wage is an hourly rate of pay that enables families to cover the basic costs of daily living including housing, food, clothing, and transportation costs.
- It allows families to maintain a decent, healthy standard of living and live with dignity.
- It is above a survival wage level, but far below an affluent wage.

A living wage promotes social inclusion.

- A living wage enables families to obtain the basic goods and services that the majority of families enjoy. For example, in London's living wage calculation, an item (e.g. a computer or a TV) was included in the calculation if 80 per cent of people in the city owned one.
- A living wage also allows families to participate in activities that are ordinary elements of community life, including sports, recreation, and school field trips.

A living wage supports healthy child development principles.

- Research shows that attention to early childhood development is one of the best ways to ensure life-long health and well-being.
- By promoting economic security and including the costs of quality child care and support for school age children's participation in school and community activities, a living wage encourages the optimal healthy growth and development of young children and youth.

A living wage promotes gender equality.

- Women comprise a disproportionate share of the low-wage workforce, are more likely to be poor than men, and continue to have the primary responsibility for child care and household responsibilities.
- The living wage provides enough support so that families have the freedom to choose to have children and not be dissuaded by poverty wages.

A living wage ensures that families are not under severe financial stress.

- Families who earn a living wage would have financial stress that is moderate, not extreme.
- Low-wage earners and their families are frequently living paycheque to paycheque with no savings to deal with things like an illness, a broken appliance, or emergencies.
- A living wage would include a financial cushion to ensure that families experiencing unexpected financial costs do not suffer undue hardship.
- A living wage is a conservative, reasonable estimate.
- Families earning a living wage rent their home, use public transportation, and do not earn enough to save for retirement or their children's education.

A living wage engenders significant and wide-ranging community support.

- Community organizations, employers and the public should be able to identify with the living wage calculation and see the value to the entire community of having its residents earn a living wage.
- Campaigns in other jurisdictions have been most successful when a broad-based coalition of community groups and employers work together to promote a living wage.

A living wage is a vehicle for promoting the benefits of social programs. It does not presume that labour market wages alone can solve all problems of poverty and social exclusion.

- While decent wages are a necessary component of combating poverty and social exclusion in Canada, they are not sufficient.
- Government-provided benefits including child care, child tax benefits, and health care play a critical role for families in the labour market; if these benefits are available, they could reduce the level of the living wage.
- A strong social safety net will continue to be necessary for those who are out of the labour market due to temporary unemployment, personal challenges, or disability.

Notes

1 As cited Ross and Roberts, 1999

2 Littman, 2008

3 Arthurs, 2006, p. 47.

4 Ibid.

5 Dobbin, 2005.

6 These programs include income support benefits such as the Canada Child Tax Benefit and would include government supported child care.

7 Yalnizyan, 2007, p. 3.

8 Ibid., p. 4, from 27 per cent between 1976 and 1979 to 20.5 per cent between 2001 and 2004.

9 Frenette and Morissette, 2003; Pico and Hou, 2008, p. 61; Statistics Canada, 2008.

10 Statistics Canada, 2008b, Table 802.

11 Human Resources and Skills Development Canada, 2007

12 Statistics Canada, 2006c

13 Statistics Canada, 2006c

14 Statistics Canada, 2008b, Table 802.

15 Statistics Canada, 2008b, Table 807.

16 Statistics Canada, 2006c

17 Statistics Canada, 2008b, Table 802.

18 First Call, 2007, Fact Sheet 7.

19 Social Planning Council of Winnipeg, 2008

20 Statistics Canada, 2006a; Creese and Strong-Boag, 2008, p. 4.

21 Higgins et al., 2004.

22 Kershaw, 2007

23 As cited in Ross and Roberts, 1999.

24 Ibid.

25 Hertzman, 2004.

26 Health Officers Council of British Columbia, 2007, p. 4.

27 Kershaw et al, 2006. The measures of vulnerability are in five domains: physical health, social competence, emotional maturity, language and cognitive development, and communications skills and general knowledge.

28 In Kershaw, 2005, pp. 164–165, from Esping-Andersen, Gosta, 2002.

29 Statistics Canada, 2006c

30 Statistics Canada, 2009

31 Statistics Canada, 2006c

32 The 35 hours of paid work in these calculations may be the equivalent of at least 37.5 hours if the unpaid time for the required meal break was included. If the employer included two additional 15 minute breaks, the total would be 40 hours per week.

33 Human Resources and Social Development Canada, 2006.

34 The reason for this is that average expenditures are pulled upward by elevated incomes and expenditures of the higher earning portions of the population.

35 The MBM also incorporates expenses for child care and medical expenses, but factors these in by deducting these from income rather than costing them as expense categories.

36 "Other" expenses include personal care items, household supplies and furniture, school supplies, and modest levels of reading materials, recreation and entertainment.

37 For detailed references on calculation methods and information sources, see the Calculation Guide that accompanies this report, available at http://www.policyalternatives.ca/reports_studies/

38 Rideout and Peitsch, 2009

39 Prices in Thompson for food may be underestimated in our analysis compared to Winnipeg; Three of the four stores surveyed in Thompson were large discount retailers, while in Winnipeg 128 Stores were surveyed, leading to a higher representation for smaller higher cost retailers. This was partially accounted for by ignoring food price inflation that took between the surveying of the Winnipeg stores and the Thompson stores, which was estimated to be 4.6 per cent.

40 Manitoba Family Services and Housing, 2009

41 Human Resources and Social Development Canada, 2006. According to this report, this is the cost of paying for and operating a five-year-old, four-door, four-cylinder Chevrolet Cavalier, and includes the cost of a driver's license, registering the vehicle, auto insurance, 1,500 litres of regular unleaded gasoline and the cost of two oil changes and one tune-up annually

42 Littman, 2008, p. 4.

43 Ibid.

44 Olympic Delivery Authority, 2007.

45 Ibid.

46 Wills, 2008. Also see www.geog.qmul.ac.uk/livingwage/.

47 Sokol et al., 2006.

48 Higgins et al., 2004, pp. xviii and 3–4.

49 Applebaum et al., 2003.

50 Littman, 2008, from a meeting with KPMG.

51 Cottell, 2005.

52 BBC Radio, Nice Work, March 22, 2005.

53 Interview with Barclays Press Office, March 16, 2008.

54 Barclays, 2006. Barclays has continued to raise its London living wage rates ahead of increases set by the Greater London Authority.

55 Murray and Mackenzie, 2007.

56 Littman, 2008, p. 4.

57 Business Ethics Online.

58 Raths, 2006.

59 Health Officers Council of British Columbia, 2007.

60 Pearson, 2007, p. 31.

61 Ibid.

62 Guttormson, 2008.

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