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 wage for families was $16.74/hour in Metro Vancouver, and $16.39/hour in Metro Victoria. That full report, detailing the principles, rationale, methodology, data sources, and business case for the living wage calculation can be found at policyalternatives.ca/livingwage2013. 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 2013 living wage for Metro Vancouver—now $19.62/hour.

For more on the Metro Vancouver Living Wage for Families campaign, including for those wanting to become living wage employers, visit 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.
BC now has the second-highest child poverty rate in Canada, and that’s after eight years in a row of having the highest child poverty rate. The story of child poverty is very much a story of low wages. In 2010 (the last year for which we have data), almost half of poor children (43%) lived in families where at least one adult had a full-time, full-year job and a majority lived in families with some paid work (part-year or part-time).

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 on page 23 of the original full report from 2008, which is available at policyalternatives.ca/livingwage2013. The living wage is based on:

- A family of two parents with two children aged four and seven. (In BC, 76 per cent of families with children are headed by couples, and 57 per cent of them have two or more children. And while the poverty rate is particularly high for single parent households, 66 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.

This methodology is now the model for Living Wage calculations across the country, with 25 communities in Canada (including 10 communities in BC) calculating their local living wage based on this approach at the time of publication.

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...
A Living Wage Is:

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

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

For Metro Vancouver, the living wage in 2013 is $19.62.
EXPLAINING THE INCREASES IN THE 2013 LIVING WAGE UPDATE

The 2013 living wage for Metro Vancouver is $19.62—up 48 cents from $19.14 last year (an increase of 2.5 per cent or almost double Vancouver’s inflation rate of 1.3% in 2012). So, what’s driving the increases?

In Metro Vancouver, transportation, child care and food costs saw significant increases over the previous year. Transportation costs rose by about $28 per month, or 6 per cent, due to a 5 per cent increase in the cost of owning and operating a car combined with significant increases in transit fares (a 13 per cent increase in monthly bus pass costs as of January 2013 and a 17 per cent increase in the U-Pass costs as of May 1, 2013).

The U-Pass program, introduced in 2010 as a partnership between the province, Translink, BC Transit, local governments, post-secondary institutions and students, provides a reduced-cost system-wide transit pass to all students enrolled in a publically funded post-secondary institution in BC. The parent 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’s public transit costs from $124 to $32.50/month for the eight months while in school (the price of the U-Pass increased from $30/month to $35/month as of May 1, 2013). Despite the recent cost increases, the U-Pass continues to significantly reduce the public transit cost of the living wage family. Without the U-Pass, the living wage in 2013 would have to be 25 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.

Child care costs saw a jump of $25/month over 2012, a 2 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, more than cancelling out 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 for children aged between 2.5 and 5 years, and since 2007 for school-aged children in before and after school care.

Food prices in BC increased by 2.2 per cent in 2012 as measured by the BC Consumer Price Index for “Food”, which was double the 1.1 per cent increase of the general Consumer Price Index. Higher food prices added $17/month to the living wage family food budget.

Other basic living expenses that rose faster than inflation include clothing and footwear ($8.50/month or 4.6 per cent) and parent education ($1.45/month or 1.6 per cent). Finally, MSP premiums rose by about 4 per cent in 2013, the fourth consecutive year of increases, with another 4 per cent increase slated for 2014.

The only major family expense that did not grow faster than inflation in 2012 was shelter. According to the CMHC, the median rent of three bedroom apartments in Metro Vancouver remained unchanged at $1,250/month. The consumer price index for utilities (water, fuel and electricity) rose roughly as much as general inflation for the province.

Up until the 2012 living wage update, single-parent families with one child in Vancouver had 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 2013 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 and the family’s total income is about $3,100 short of their family expenses. This is because many of the government transfers available 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 37 per cent over this period, from $604/month in 2005 to $825/month in 2012 (according to the Westcoast Child Care Resource Centre’s fee surveys). So while the subsidy covered almost the entire child care fee in 2005, a Vancouver single parent must pay $275/month out of pocket today over and above the maximum subsidy amount, which adds up to $3,300 per year. In addition, the Vancouver single parent family earning the $19.62 living wage has income that is too high for MSP premium assistance (so faces the full $1,446 MSP premium per year), only receives the minimum Rental Assistance of $50/month (and will lose even that next year if the rental assistance eligibility threshold remains frozen at family gross income of $35,000 per year) and is starting to see its already inadequate child care subsidy amount clawed back. Single parents in Vancouver are now caught in this paradoxical situation of being considered too well-off for many government transfers while being unable to cover basic family expenses in Vancouver, which are growing faster than inflation every year.

This drives home the fact that public policy decisions 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. This represents a major challenge to policymakers—if these benefit thresholds and clawbacks are not adjusted, efforts to help low-income families will continue to operate at cross-purposes.

**Calculating the Living Wage**

An accompanying guide and spreadsheet are available for those seeking to calculate the living wage in other BC and Canadian communities. This technical guide can be downloaded at policyalternatives.ca/livingwage2013.

If you use the guide to calculate the living wage for your community, please let us know the value of the living wage where you live. Just contact the CCPA–BC office.
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 are 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.

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.)

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 livingwageforfamilies.ca/calculator.

In a time of a fragile economic recovery and relatively high unemployment rates, 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.

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 $43,907);
- Federal GST credit (not available to families with a net income above $50,964);
- 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 2013, because eligibility is based on last year’s family income, but it is already running into this barrier, as it no longer qualifies for MSP premium assistance, receives the minimum rental assistance amount of $50/month, and is starting to see its child care subsidy clawed back. Unless we see some policy changes over the coming year, the single-parent family will continue losing significant amounts of transfer income in a number of subsidies and tax credits in 2014 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 U-Pass program for all students in public post-secondary institutions, for example, reduced the 2013 Vancouver living wage by 25 cents per hour. Increasing the stock of affordable housing, or introducing a universal, publicly funded child care system, 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 widely-endorsed $10/day Child Care Community Plan proposed by the Coalition of Child Care Advocates of BC and the Early Childhood Educators of BC (based on research from UBC’s Human Early Learning Partnership) would see parent fees capped at $10/day for full-day programs and $7/day for part-time programs, with no fees for households earning less than $40,000 annually. If implemented, the $10/day plan would reduce the Vancouver living wage by $3.36 per hour to $16.26. (See the Living Wage for Families policy calculator 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.
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.
livingwageforfamilies.ca   lwemployers.ca

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