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CANADIAN CENTRE  
for POLICY ALTERNATIVES  
MANITOBA OFFICE

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# FAST FACTS

**November 5, 2009**

## How a Living Wage Can Reduce Poverty in Manitoba

In this time of economic turmoil, living-wage policies are one way to stimulate our local economy. A living-wage policy is employed by at least 122 US cities and being considered by more than 70 other US cities. Many large corporations in Europe have adopted a living-wage policy. A living-wage is not the minimum wage which is the statutory minimum for wages. A living-wage allows families to live at a basic and decent level.

A single person earning minimum wage in Manitoba will earn about \$15,912 per year for a 35-hour week, before taxes and deductions. At \$9.00 per hour the minimum wage is \$5,754, or 26 per cent, below the poverty line, as defined by the before-tax low income cutoff (LICO). A minimum-wage couple will earn \$31,824. If that minimum-wage couple has dependents, then the family has little income left to pay for things like transportation, clothing, tenant insurance or school supplies.

Twenty per cent of Winnipeg's workers earn minimum wage. In other words, 20 per cent of our labour force has little discretionary purchasing power and cannot afford certain items the rest of us consider necessities. These workers' discretionary incomes are extremely limited, meaning that Winnipeg businesses are losing out on a considerable amount of economic activity. A

living-wage strategy would correct this shortfall and realize benefits for us all.

Using original research developed by our B.C. office, CCPA Mb. prepared a report called *the view from here: how a living wage can reduce poverty in Manitoba*. Our new report expands on one of the policy recommendations found in *the view from here: Manitobans call for a poverty reduction plan*.

The living wage is a call to private and public-sector employers to pay wages, to both direct and contract employees, sufficient to provide the basics to families with children. The living wage sets a higher test than the minimum wage - it reflects what earners in a family need to earn based on the actual costs of living. The following table shows the hourly living wage for three Manitoba communities:

Family Type	Winnipeg	Brandon	Thompson
Two working parents, two children	\$13.44/hr	\$11.10/hr	\$11.18/hr
Single-parent, one child	\$18.64	\$16.99	\$16.39
Single-parent, two children	\$25.44	\$18.31	\$18.88



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## *FAST FACTS continued ...*

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The living wage is calculated as the hourly wage at which a household can meet its basic needs once government transfers have been added to the family's income and deductions have been considered. Because government transfers and deductions are part of the calculation, the living wage explicitly considers the direct benefits families realize from things like the Universal Child Care Benefit.

But the report goes further than considering direct benefits; it also considers indirect government transfers such as public services and infrastructure. For example, if Manitoba had a universal childcare program, families' costs would decrease by \$600/month, and the living wage would be reduced accordingly. Employers can reduce their wage bill AND pay a living wage if they convince government to increase benefits to low-wage earners and expand public services like our universal healthcare system.

A living wage makes sense for employees, employers and government. Low-wage workers face long hours, often at multiple jobs, trying to provide for their families. There is a high cost for this "role overload" in both personal and financial terms. Researchers estimate that absenteeism costs employers \$6 billion a year in indirect and direct costs, and costs the government another \$6 billion in healthcare delivery.

Some significant corporations are convinced that the living wage has "something in it for them" and have incorporated a living wage into their procurement policies. They include: HSBC Bank, Morgan Stanley, Citigroup, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers and Credit Suisse. Public-sector supporters include the London School of Economics, and London's Underground. A living wage lowers costs associated with employee turnover and absenteeism, increases skill levels and employee productivity, improves customer retention and builds corporate responsibility.

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 workers' lives. Less than half the workers were able to provide adequate food for their families. Once they received a living wage, 85 per cent of them were able to buy the food they needed.

All three levels of government could employ a living wage policy to ensure their sub-contracted workers are paid a living wage. Senior levels of government could also offer funds through the economic stimulus package to municipalities to help cover the costs to pay living wages to people who work on behalf of cities. This could be part of a larger strategy to address poverty, something long overdue.

The difference between earning an annual minimum wage of just over \$15,000 and an annual living-wage of \$24,461 per worker in a two-parent family is significant in terms of the quality of life and the ability to participate in the community. While government contracts that pay poverty wages contribute to a province of winners and losers, living wages are a win-win for everyone, fostering a society where everyone belongs.

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This document contains parts of a letter originally published in the Winnipeg Free Press, print edition April 2, 2009 A1, and segments of *the view from here: how a living wage can reduce poverty in Manitoba*. This report can be downloaded at: <http://www.policyalternatives.ca/da794529/>



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