

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2015 Update

The original 2008 full report and the 2015 calculation guide are available at policyalternatives.ca/livingwage2015

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*In 2008, the Canadian Centre for Policy Alternatives, First Call: BC Child and Youth Advocacy Coalition and Victoria's Community Social Planning 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/livingwage2015. Since then, however, daily living costs for families have continued to rise and changes have occurred to government taxes and transfers. And so this short report updates our calculation, providing the 2015 living wage for Metro Vancouver—now \$20.68/hour.*

For more on the Metro Vancouver Living Wage for Families campaign, including information on how to become a living wage employer, visit livingwageforfamilies.ca.

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

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

In BC, the contradiction between years of economic growth and rising insecurity is especially stark. Median earnings for BC workers are 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 five Canadian provinces where earnings fell since the late 1970s. And that happened during a time when the provincial economy more than doubled in real terms and real GDP per capita rose by more than 30 per cent.

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

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.

WHY A LIVING WAGE?

Living wages benefit families, communities and employers, now and into the future.

A growing body of evidence tells us that growing up in an engaged, supportive environment is a powerful lifelong determinant of a person's health and general well-being. Children from low-income families are less likely to do well at school, have lower literacy levels and are more likely as adults to suffer from job insecurity, underemployment and poor health.

According to the National Longitudinal Survey of Children and Youth, parents in households with low incomes are more than twice as likely as parents in either middle- or high-income families to be chronically stressed. 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.)

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 Canada Child Tax Benefit, CCTB) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).



There is something wrong with our economy when families are doing all the right things—working hard and working long hours—yet have to choose between paying the rent and putting food on the table.

A Bare Bones Budget

At \$20.68 per hour for Metro Vancouver—or \$37,638 annually for each parent working full-time—here's what a family could afford:

FOOD: \$783/month (based on estimates by the Provincial Health Services Authority for a nutritious diet).

CLOTHING AND FOOTWEAR: \$191/month.

SHELTER: \$1,573/month (includes conservative rent estimate for a three-bedroom apartment, utilities, telephone, and insurance on home contents).

TRANSPORTATION: \$517/month (includes the amortized cost of owning and operating a used car as well as a two-zone bus pass for one of the parents, replaced by a discounted student transit pass, the U-Pass, for eight months of the year).

CHILD CARE: \$1,324/month (for a four-year-old in full-time care, a seven-year-old in before and after school care, full-time care during winter break (one week, the other assumed covered by the statutory holidays and informal arrangements) and spring break (two weeks), and six weeks of full-time summer care). Notably, child care is the second most expensive item in the living wage family budget after shelter.

MEDICAL SERVICES PLAN (MSP) PREMIUMS: \$144/month.

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

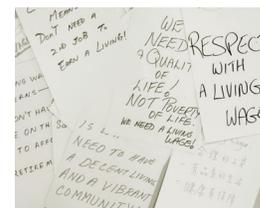
PARENTS' EDUCATION: \$91/month (allows for two college courses per year).

CONTINGENCY FUND: \$241/month (two weeks' wages for each parent, which provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.).

OTHER HOUSEHOLD EXPENSES: \$734/month (covers toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, Internet, minimal recreation and entertainment, family outings (for example to museums and cultural events), birthday presents, modest family vacation and some sports and/or arts classes for the children).

This living wage calculation does not cover:

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



A LIVING WAGE IS:

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

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

For Metro Vancouver, the living wage in 2015 is \$20.68.

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/livingwage2015. 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, 59 per cent of BC's 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. According to data from the Labour Force Survey, in 2014 BC workers worked an average of 35 hours per week.¹
- Estimated family expenses in 10 categories (see box on page 3).
- The cost of government deductions (provincial and federal taxes, Employment Insurance premiums and Canada Pension Plan contributions).
- The value of government transfers like the Canada Child Tax Benefit (more on this below).
- Employers providing the statutory minimum paid vacation and no paid sick time. In BC, there is no requirement for employers to provide paid sick leave.



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

This methodology now serves as the model for Living Wage calculations across the country, with close to 40 communities in Canada (including 18 communities in BC) calculating their local living wage based on this approach at the time of publication. See livingwagecanada.ca, an online portal supporting this national living wage movement.

This methodology was developed in collaboration with academic and social policy experts and organizations that work with low-income families, and was informed by the feedback from focus groups of low-income working parents and employers in 2008. To ensure that the calculation continues to reflect the realities of low income families in Metro Vancouver, we convened a roundtable of social policy experts and community advisors to review the methodology in the fall of 2014, followed by two focus groups with low wage parents. The review resulted in two changes in the calculation:

- Adding the costs of full-time care for the seven-year-old child during school breaks, since this care is not covered under the regular monthly fees for before-and-after school care unlike care during PD days (which typically is covered). These costs had previously not been included in the child care expenses and added \$41/month (\$495 for the year).
- Claiming the federal and provincial Children's Fitness and Arts Tax Credits. We assume that the Metro Vancouver living wage family spends \$500 per child (\$1,000 total) on eligible sports and arts programs.² The funds come from the "Other Household and Social Participation Expenses" amount. This reduces the family's tax bill by \$200.60.

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

The living wage calculation is based on the needs of two-parent families with young children, but would also support a family throughout the life cycle so that young adults are not discouraged from having children and older workers have some extra income as they age. In most communities, the living wage is enough for a single parent with one child to get by as well, and this was

¹ Source: Average actual hours in all jobs (worked in reference week). Cansim Table 282-0028.

² The maximum amounts that can be claimed in 2014 (\$1,000 per child for fitness programs and \$1,000 for arts programs) are clearly outside the budget of the living wage family in Metro Vancouver.

the case in Metro Vancouver until the 2012 living wage update. Importantly, however, the living wage since 2012 is no longer sufficient for a single parent with one child in Metro Vancouver. The problem is explained in more detail in a separate article which can be found at www.policynote.ca/living-wage-and-single-parents. In essence, too many programs intended for low-income families have income thresholds that are much too low and the subsidy amounts provided have been frozen for years while costs of living kept rising. (See page 25 of the original 2008 report for more on single parents.)

EXPLAINING THE INCREASES IN THE 2015 LIVING WAGE UPDATE

The 2015 living wage for Metro Vancouver is \$20.68—up 58 cents from \$20.10 last year. This is an increase of 2.9 per cent, well outpacing Vancouver’s inflation rate of 1.1 per cent measured by the consumer price index. So, what’s driving the increases?

The most expensive items in the family budget—shelter and child care—saw big increases in 2014, as has been the case in every year since we first calculated the Metro Vancouver living wage in 2008. Both of those expenses went up by \$83/month.

Soaring rents in Metro Vancouver drove up shelter costs. CMHC statistics show the median rent of three bedroom apartments in Metro Vancouver rose to \$1,375/month in 2014, up 5.8 per cent from \$1,300 in 2013. Utilities also went up, with Hydro rates jumping by 9 per cent as of April 1, 2014, and increases are planned for each of the next four years.

Child care fees for full-time care for children three to five rose by 4 per cent to \$905/month. Before and after school care fees increased by 3.8 per cent to \$360/month, but this increase was partially offset by slightly lower fees for summer care. About half of this year’s increase in child care expenses is due to the addition of three weeks of full-time care for the seven-year-old to cover winter and spring breaks—a significant family expense that previous years’ calculations had omitted. All Metro Vancouver school districts have added an extra week to spring break over the last 5 years, largely as a cost-savings measure in response to underfunding from the provincial government. However, this has increased parents’ costs for child care.

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/livingwage2015.

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 by contacting the CCPA-BC office.

Living Wages in BC

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

This year, three BC communities are releasing their 2015 living wage calculations at the same time:

- Metro Vancouver \$20.68
- Greater Victoria \$20.05
- Fraser Valley \$17.27

In other parts of the province, a two-earner family with two children would require the following hourly living wages to meet basic needs (year of calculation is in brackets):

- Kitimat \$20.61 (2015)
- Revelstoke \$18.87 (2014)
- Terrace \$18.17 (2014)
- Regional District of Central Okanagan \$18.01 (2013)
- Kamloops \$17.95 (2012)
- School District 69, Qualicum \$17.66 (2015)
- Port Alberni \$17.22 (2014)
- Prince George \$16.90 (2012)

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

PRIVATE SECTOR EMPLOYERS GET BEHIND THE LIVING WAGE

A growing number of leading corporate and non-profit employers have seen the benefits of paying living wages. Three dozen organizations in Metro Vancouver, employing over 6,000 workers and covering thousands more contracted service workers, have been certified as Living Wage Employers. The largest living wage employers are SAP–Vancouver (the world’s largest inter-enterprise software company), Vancity (Canada’s largest credit union), the Canadian Cancer Society–BC and Yukon Division, and the United Way of the Lower Mainland. A number of new living wage employers joined in the past year, including Arbutus Tree Service, BC Civil Liberties Association, Ethos Law Group and Hastings Law LLP.

These employers have committed to paying all their direct staff and contracted service staff, including janitorial, security and cleaning staff, a living wage. The Living Wage for Families Campaign has partnered with the Community Social Planning Council in Victoria and Living Wage Fraser Valley to extend the Living Wage Employer Recognition Program to Greater Victoria and the Fraser Valley.

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 (UCCB), even with the newly announced increase to \$160/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 2011 for school-aged children in before- and after-school care.

Other items in the family budget that saw increases higher than inflation were: transportation (6 per cent, due largely to an increase in the costs of owning and operating a car as calculated by Statistics Canada), MSP premiums (4 per cent), and non-MSP healthcare expenditures (2 per cent). MSP premiums rose in 2015 for the sixth consecutive year, and have added \$36.50 to the family’s monthly expenses since the Metro Vancouver living wage was first calculated in 2008.

The only major family expense that declined in 2014 was clothing and footwear, down \$4 per month due to slightly lower clothing and footwear prices as estimated by Statistics Canada.

The U-Pass program, introduced in 2010 as a partnership between the province, Translink, BC Transit, local governments, post-secondary institutions and students, provides a reduced-cost system-wide transit pass to all students enrolled in a publically funded post-secondary institution in BC. The parent taking two courses is eligible for the U-Pass, which reduces the family’s public transit costs from \$124 to about \$37/month for the eight months while in school. Despite 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 2015 would have to be 24 cents 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.

The living wage takes into account federal and provincial taxes and transfers. Notable changes that affect the living wage family include the introduction of the non-taxable BC Early Childhood Tax Benefit for children under the age of six as of April 1, 2015 (the living wage family receives \$55/month), and the federal plans to increase the UCCB by \$60/month and introduce a new UCCB benefit of \$60 for children aged six to seventeen (both taxable). The enhanced UCCB replaces the current child tax credit, increasing the family’s federal tax bill by \$676.50. Income-splitting does not benefit the living wage family because both parents are in the same bottom tax bracket and it only benefits parents in different tax brackets (e.g., one spouse staying at home or working part-time, while the other earns a high income).

GETTING THERE: THE ROLE OF EMPLOYERS AND GOVERNMENT

The living wage is first and foremost a call to public and private sector employers (primarily larger ones) to sustain families. This can be achieved through wages, or a combination of wages and non-mandatory benefits, such as extended health benefits, coverage of MSP premiums, subsidized transit passes, etc. If an employee receives non-mandatory benefits, the hourly wage they need to be paid to reach a living wage rate will be reduced. For more details, see the Living Wage for Families calculator at livingwageforfamilies.ca/employers/living-wage-calculator.

In a time of fragile economic recovery and a weak job market, 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 \$43,953);
- Federal GST credit (not available to families with a net income above \$51,232);
- BC Child Care subsidy (starts to decline for the seven-year-old at a net income above \$23,196 and for the four-year-old above \$35,016 and ceases entirely at the income level of our living wage family, frozen for the last 10 years);
- BC Rental Assistance Program (not available to families with gross income over \$35,000, frozen since 2008); and
- Others including the Working Income Tax Benefit, the BC Sales Tax Credit, and MSP premium assistance (income ceiling frozen since 2010).

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. 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 2015 Metro Vancouver living wage by 24 cents per hour. Affordable housing, universal affordable child care, national pharmacare or dental coverage for children and modest income families, or the elimination of MSP premiums—these would all decrease the amount employers need to pay to provide a living wage. For example, the widely-endorsed \$10aDay Child Care Plan 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 \$10aDay plan would reduce the Metro Vancouver living wage by \$3.93 per hour to \$16.75. (See the Living Wage for Families policy calculator at livingwageforfamilies.ca/about/public-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 quality of life for all families.

\$10 A DAY CHILD CARE PLAN AND THE LIVING WAGE

The living wage can be achieved through a combination of pay, income supports and accessible public services that reduce costs for families. Child care is the second-biggest expense for the living wage family after rent. If BC adopted the \$10 a Day Child Care Plan, we would significantly reduce the living wage.



No child care plan:
living wage \$20.68.



\$10 a day Child Care Plan:
living wage \$16.75
(a reduction of
\$3.93 per hour).

See www.10aday.ca/.
See livingwageforfamilies.ca/about/public-policy.

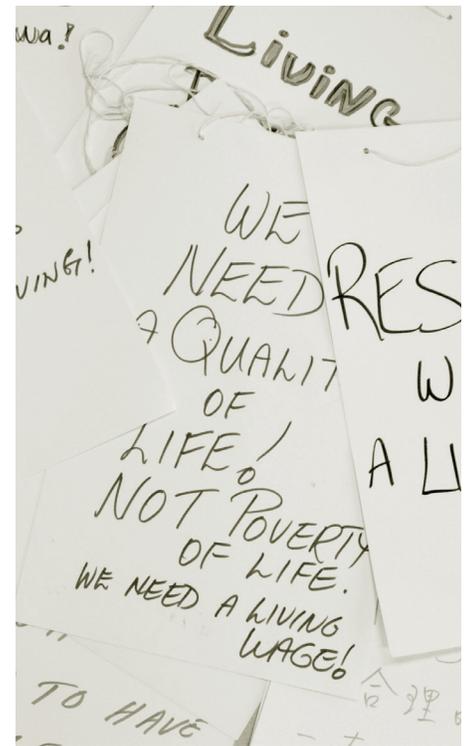


living wage for families campaign

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 bylaws.

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

livingwageforfamilies.ca



first call

BC Child and Youth Advocacy Coalition

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

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

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