

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

2018 Update

The original 2008 full report and the 2018 calculation guide are available at policyalternatives.ca/livingwage2018

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CCPA
CANADIAN CENTRE
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BC Office

The 2018 living wage for Metro Vancouver is \$20.91/hour. This is the amount needed for a family of four with two parents working full-time at this hourly rate to pay for necessities, support the healthy development of their children, escape severe financial stress and participate in the social, civic and cultural lives of their communities.

The Metro Vancouver living wage was first calculated in 2008 by the Canadian Centre for Policy Alternatives, First Call: BC Child and Youth Advocacy Coalition and Victoria's Community Social Planning Council. In 2008, 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, can be found at policyalternatives.ca/livingwage2018.

Since 2008, of course, the cost of living has increased significantly and government taxes and transfers have changed—so each year we update our calculation. Notably, the 2018 living wage is 29 cents/hour more than last year. Although the cost of living continues to rise, the new BC Child Care Fee Reduction Initiative and the 50 per cent cut to Medical Services Plan (MSP) premiums absorb some of the higher costs (read more about this on page 5).

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, purchase groceries or pay the rent. The result can be spiralling debt, constant anxiety and long-term health problems. In many cases it means that parents are working long hours, often at multiple 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. 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. BC's child poverty rate (18.3 per cent) remains above the national average and is much higher than the lowest provincial child poverty rate of 14.4 per cent in Quebec.¹ The story of child poverty is very much a story of low wages. In 2012, 72,200 British Columbians with children were working yet lived in poverty (22,300 single parents and

¹ First Call, 2017. 2017 BC Child Poverty Report Card. p. 8.

49,900 in two-parent families).² In 2011 (the last year for which we have data), one out of every three poor children in BC (32 per cent) lived in families where at least one adult had a full-time, year-round job and a majority lived in families with some paid work (part-year or part-time).³

The living wage is a powerful tool 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.⁴ 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.

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, a study on living wage employers in London (UK) found that turnover rates were cut by 25 per cent on average after organizations implemented a living wage policy.⁵ (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 federal and provincial child benefits) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).



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 (the last year for which we have data), one-third lived in families where at least one adult had a full-time, year-round job.

2 Ivanova, Igluka. 2016. *Working Poverty in Metro Vancouver*, p. 28.

3 First Call, 2015. *2015 BC Child Poverty Report Card*. p. 25.

4 Ross, David and Paul Roberts. 1999. *Income and Child Well-Being: A New Perspective on the Poverty Debate*. Ottawa: Canadian Council of Social Development.

5 Wills, Jane and Brian Linneker. 2012. *The Costs and Benefits of the London Living Wage*. September. London: University of London and Trust for London.

A Bare Bones Budget

At **\$20.91** per hour for Metro Vancouver—or **\$38,056** annually for each parent working full-time—here's what a family could afford:

FOOD: \$867/month. Derived from the 2017 food costing data provided by Population and Public Health, BC Centre for Disease Control, part of the Provincial Health Services Authority. These estimates do not consider special dietary needs, cultural or other food preferences, and the cost of condiments or spices.

CLOTHING AND FOOTWEAR: \$146/month.

SHELTER AND TELECOMMUNICATIONS: \$1,906/month. Includes a conservative rent estimate for a three-bedroom apartment, utilities, Internet, two basic cell phone plans, and insurance on home contents.

TRANSPORTATION: \$521/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: \$1,365/month. For a four year old in full-time licensed group care and a seven year old in before- and after-school care, full-time care during winter break (one week, the other assumed covered by statutory holidays and informal arrangements) and spring break (two weeks) and six weeks of full-time summer care. This amount assumes the family's child care provider is receiving the new BC Child Care Fee Reduction grant, which lowers the monthly fee by \$100 for the four year old beginning in April 2018. Even with the fee reduction, child care remains the second largest expense in the living wage family budget after shelter.

MSP PREMIUMS: \$75/month. MSP was cut by 50 per cent in January 2018.

NON-MSP HEALTH CARE: \$148/month. The cost of a basic extended health and dental plan with Pacific Blue Cross Insurance, which does not include expenses only partially covered by the insurance plan.

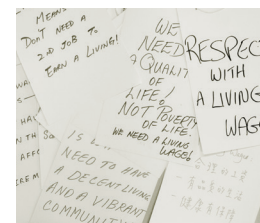
PARENTS' EDUCATION: \$94/month. Allows for two college courses per year.

CONTINGENCY FUND: \$244/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: \$764/month. Covers toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, 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.
- 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 severe financial stress and participate in the social, civic and cultural lives of their communities.

For Metro Vancouver, the living wage in 2018 is **\$20.91**.

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/livingwage2018. The living wage is based on:

- A family of two parents with two children aged four and seven. In BC, 77 per cent of families with children are headed by couples, and 57 per cent of them have two or more children.⁶ And while the poverty rate is particularly high for single-parent households, half of BC's poor children live in two-parent families.⁷
- Both parents working full-time, 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 2017 BC workers worked an average of 35.5 hours per week.⁸
- 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 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.

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. Visit policyalternatives.ca/livingwage2018.

If you are calculating the living wage for your community, please let us know by contacting the CCPA-BC office or the Living Wage for Families Campaign.

This methodology now serves as the model for living wage calculations across the country. More than 50 communities in Canada (including 20 communities in BC) have calculated 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 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, the methodology was reviewed by a roundtable of social policy experts and community advisors and two focus groups with low-wage parents in 2014, which resulted in some refinements. Additional refinements were made in 2017 because Canadian families are shifting away from landlines to cell phones and internet access at home has become a requirement for participating in community life and for accessing public services and education. This is particularly true in small towns where government offices have closed and in-person education opportunities are not easily available.⁹

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. This was the case in Metro Vancouver until the 2012 living wage update but since 2012, the living wage 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 policynote.ca/living-wage-not-for-single-parents. In short, too many programs intended for low-income families (such as the BC child care subsidy and the BC rental assistance program) have income

6 Statistics Canada. 2017. Cansim Tables 111-0011.

7 First Call, 2017. *2017 BC Child Poverty Report Card*. p. 14..

8 Statistics Canada. 2018 Cansim Table 282-0028. Average actual hours in all jobs (worked in reference week).

9 According to the CRTC, more Canadian households have cell phones than landlines and 87 per cent of Canadians use Internet at home in 2015 (the latest year with data available). CRTC, 2017, *Canada's Communication System: An Overview for Canadians. Section 2.0*. <https://crtc.gc.ca/eng/publications/reports/policymonitoring/2017/cmr2.htm#s20>

thresholds that are much too low and the subsidy amounts provided have been frozen for years while costs of living keep rising. As a result, the value of these subsidies has eroded over time and families are left with large out-of-pocket costs even if they qualify for the full subsidy. We will have to wait until next year to see whether the new BC affordable child care benefit will change this trend.

EXPLAINING THE INCREASE IN THE 2018 LIVING WAGE UPDATE

The 2018 living wage for Metro Vancouver is \$20.91/hour—up 29 cents from \$20.62/hour last year or 1.4 per cent. This is the first increase after two years of small decreases following the introduction of the federal Canada Child Benefit, which boosted family incomes enough to fully absorb the higher costs of living, until now.

The core take-away from this year's calculation is that rising housing costs are swamping affordability improvements in other areas. Although the 50 per cent cut to MSP premiums and the initial Child Care Fee Reduction lower the cost of living for the living wage family, these gains are more than offset by sharp increases in rental costs.

Shelter is the most expensive item in the Metro Vancouver family budget, and it is also one of the fastest growing. CMHC data show that the median monthly rent for a three-bedroom unit in Metro Vancouver rose by \$100 in 2017 to \$1,600, a whopping 6.7 per cent increase. While any family lucky enough to have stable housing would have only seen a rent increase of up to 3.7 per cent (the allowable rent increase in BC for 2017), families that had to move for a new job or because their landlord was selling or renovating the property faced extremely low vacancy rates and soaring rental prices in the region. The CMHC median monthly rent data reflect the existing combination of long-tenure tenancies and new rentals on the market, and are therefore lower than the typical rent a family would encounter when they have to move.

Shelter costs further rose because of increased utilities charges. BC Hydro rates went up by 3.5 per cent in April 2017 and another 3 per cent in April 2018. Fortis BC also increased their natural gas delivery rates in 2017.

Transportation costs for the living wage family rose by \$37 a month or 7.6 per cent. This is largely due to the increased cost of owning and operating a car as estimated by Statistics Canada's Market Basket Measure, including a big hike in gasoline prices in 2017 and higher ICBC basic insurance rates. The cost of monthly transit passes rose slightly in July 2017 with another increase scheduled for July 2018.

Food costs in Metro Vancouver increased by \$21 a month or 2.5 per cent. Food comprises 14 per cent of the living wage family's budget and higher food prices put even more pressure on lower-income families.

There were some notable family expense decreases this year. The costs of clothing and footwear continued to go down for the fourth year in a row, trimming \$16 per month from the living wage family budget. More substantially, after seven consecutive years of increases between 2010 and 2016, MSP



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Living Wages in BC

This year, nine BC communities are releasing their 2018 living wage calculations at the same time:

- Metro Vancouver \$20.91
- Fraser Valley \$17.40
- Parksville/Qualicum \$17.02
- Greater Victoria \$20.50
- Kamloops \$17.31
- Comox Valley \$16.59
- Revelstoke \$19.37
- Powell River \$17.15
- North Central BC \$16.51

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

was cut by 50 per cent as of January 2018. The resulting savings of \$75 per month more than offset the increases in all other family expenses except shelter costs.

Child care fees, the second largest expense for the Metro Vancouver family, decreased slightly this year due to the new Child Care Fee Reduction Initiative, an opt-in grant available to all licensed child care providers that receive provincial operating funding. Providers who opt in and meet basic criteria will receive additional grants to reduce parent fees by predefined amounts depending on the age of the children they serve and the type of care provided (family or group care). In addition to the fee reduction grant, participating providers receive a 10 per cent increase on their base operating grant.

Child care providers were invited to opt in when they renew their 2018/19 operating funding contracts with the Province in March or April 2018. It is also possible to opt in at any time during the year to receive the grant beginning the following month. It is too early to know what share of licensed child care providers will opt in but initial government data suggest a strong take-up—86 per cent of providers who had returned their contracts before March 29 had opted into the program. This is why the Metro Vancouver living wage calculation assumes the family's child care provider is receiving the grant and builds in a fee reduction of \$100 per month (the amount available for preschool aged children in group care) for nine months of the year.

The Child Care Fee Reduction Initiative saves the living wage family \$900 in 2018, more than offsetting the combined increase in child care fees for both children from 2017. As a result, the family's annual child care expense is \$425 lower than last year, a reduction of 2.5 per cent. This is the first ever child care cost reduction since the Metro Vancouver living wage was originally calculated in 2008 and it follows a decade of fee increases that well outpaced inflation. Without the Fee Reduction Initiative, child care expenses for the family would have increased by 2.8 per cent this year.

The living wage takes into account federal and provincial taxes and transfers. Notable changes that affect the living wage family include inflation indexing of the Canada Child Benefit as of July 2018, reduction in the Employment Insurance premium rate, cancellation of the negligible BC Back-to-School tax credit and elimination of several federal tax credits as of the 2017 tax year, including the public transit tax credit (as of July 2017), the child fitness and arts tax credit, and the education and textbook amounts.

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, paid sick time, coverage of MSP premiums (until their elimination in 2020), 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 slow economic growth, it is particularly important that public sector employers (such as municipalities, school boards, health authorities and universities) and financially healthy private sector companies seek to sustain and enhance the earnings of low-income families. Boosting the earnings of these households is one of the most effective ways of stimulating the local economy because lower-income families tend to spend almost all their income in their communities.

But the living wage is not just about employers—the labour market alone cannot solve all problems of poverty and social exclusion. Our standard of living is a combination of pay, income supports and accessible public services that reduce costs for families.

First, direct government transfers can put money into the pockets of low-income families. The more generous these transfers, the less wages a family requires to achieve a decent quality of life. The introduction of the Canada Child Benefit—which resulted in small decreases in the Metro Vancouver living

EMPLOYERS GET BEHIND THE LIVING WAGE

A growing number of local governments are seeing the value of becoming living wage employers. Nine local governments have adopted living wage policies as of April 2018, including New Westminster, Huu-ay-aht First Nations, Vancouver, Port Coquitlam, Parksville, Pitt Meadows, Quesnel, Central Saanich, and Yuułu?if?ath Government (Ucleulet First Nation). In the last two years the number of BC businesses and non-profit organizations certified as living wage employers has doubled, with over 110 living wage employers across the province (for a full list see livingwageforfamilies.ca).

These employers have committed to paying all their direct staff and contract employees a living wage, including janitorial, security and food-service staff. The Living Wage for Families Campaign works with local living wage community coalitions to certify living wage employers across the province.

wage for two consecutive years in 2016 and 2017 despite rising costs of living—shows how significant government transfers can be. However, most other government transfers and subsidies are reduced or eliminated once a family reaches an income level well below the living wage. For example:

- Federal GST credit (not available to families with a net income above \$53,269).
- 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 12 years).
- BC Rental Assistance Program (not available to families with gross income over \$35,000 at the time of writing, to be increased to \$40,000 in September 2018).
- Working Income Tax Benefit (not available to families with net income over \$29,597 to be increased to \$36,483 next year).
- BC Low Income Climate Action Tax Credit (not available to families with net income over \$57,158 even after the increase that came into effect in April 2018).

Provincial and federal governments must review all low-income transfers and credits regularly to ensure that the amounts provided are keeping up with the actual 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 hardest hit are headed by earners who are already marginalized and tend to do poorly in the labour market, including single mothers, indigenous people and recent immigrants.

This year, there were welcome enhancements to benefits for modest-income families in the BC and federal budgets. Notably, the Canada Child Benefit will be indexed to inflation starting July 2018 to ensure its value to families does not erode over time. And a new, more generous BC affordable child care benefit will be available to families with incomes up to \$110,000 with infants and toddlers in licensed care starting in September 2018 and will extend to three to five year olds in 2019/20.

The living wage is also affected by indirect government transfers in the form of public services and infrastructure that shift certain costs away from individual families. The U-Pass program is a great example. It provides a reduced-cost system-wide transit pass to all students enrolled in publicly funded post-secondary institutions in BC. A parent taking two courses is eligible for the U-Pass, which lowers the family's public transit costs from \$126 to \$41/month for the eight months they are in school. Without the U-Pass, the living wage in 2018 would be 25 cents/hour higher.

The 50 per cent MSP cut and the Child Care Fee Reduction Initiative are other examples illustrating the important role public policy plays in enhancing affordability. These two policy changes lower the Metro Vancouver living wage by 36 cents/hour each.

Affordable housing, universal affordable child care, national pharmacare or dental coverage for children and modest income families, and policies ensuring paid sick leave are other examples of government actions that would lower the living wage, easing the role of employers in ensuring that families can meet their core budgetary needs. For example, if BC fully implemented the widely endorsed \$10-a-day child care plan, the Metro Vancouver living wage would go down by \$3.94 per hour to \$16.97.

And so, a key way in which employers can reduce the payroll costs of the living wage is to advocate for progressive 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 largest expense for the living wage family after rent. If BC fully adopted the \$10-a-day child care plan, the Metro Vancouver living wage would be much lower.



Without full child care plan: living wage **\$20.91**.



\$10 a day Child Care Plan: living wage **\$16.97** (a reduction of \$3.94 per hour)

See www.10aday.ca.



living wage

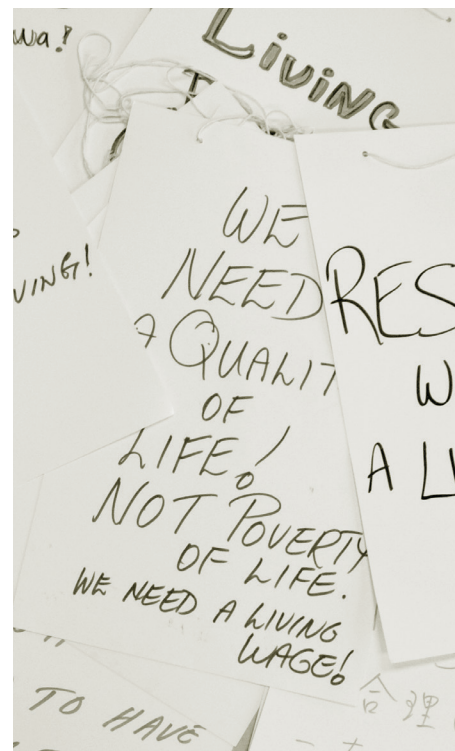
for families campaign

The Living Wage for Families Campaign 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, and immigrant and community groups. 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 across BC that pay a living wage. It has worked with local partners to encourage local municipalities to pass living wage bylaws.

Contact us at 604.975.3347 or info@livingwageforfamilies.ca.

livingwageforfamilies.ca



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First Call: BC Child and Youth Advocacy Coalition is a non-partisan coalition of over 100 provincial and regional organizations who have united their voices to put children and youth first in BC through public education, community mobilization, and public policy advocacy.

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