

# LIVING WAGE 101

- **What is a living wage?**
- **How are other communities using living wage calculations as a community building tool?**
- **What is the best way to move forward in the Central Okanagan?**

**WHAT:** Information and Planning Workshop

**WHEN:** June 28th, 2011

**TIME:** 10 AM— 12 PM

**WHERE:** REGIONAL DISTRICT OF CENTRAL OKANAGAN, 1450 K.L.O. ROAD (WOODHAVEN ROOM)

Please register in advance via e-mail ~ [christene.walsh@cord.bc.ca](mailto:christene.walsh@cord.bc.ca)

*Hosted by the Central Okanagan Regional District and Interior Health, Community Integration and Health Services*

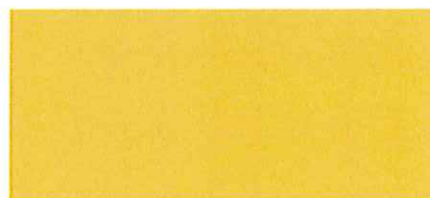
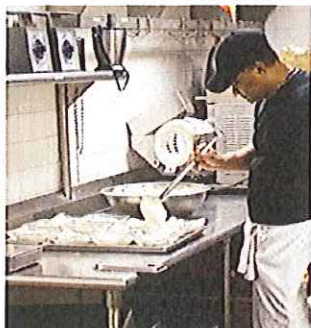
2008

# Working for a Living Wage

## Making Paid Work Meet Basic Family Needs in Vancouver and Victoria

by Tim Richards,  
Marcy Cohen,  
Seth Klein and  
Deborah Littman

SEPTEMBER 2008



LIVING WAGE  
MEANS  
DON'T NEED A  
2ND JOB TO  
EARN A LIVING!  
WE NEED  
A QUALITY  
OF LIFE!  
NOT POVERTY  
OF LIFE.  
WE NEED A LIVING  
WAGE!  
NEED TO HAVE  
A DECENT LIVING  
AND A VIBRANT  
COMMUNITY



WORKING FOR A LIVING WAGE: MAKING PAID WORK MEET  
BASIC FAMILY NEEDS IN VANCOUVER AND VICTORIA – 2008

By Tim Richards, Marcy Cohen, Seth Klein and Deborah Littman

September 2008

Co-published by the Canadian Centre for Policy Alternatives, First Call: BC Child and Youth Advocacy Coalition, and the Community Social Planning Council of Greater Victoria

This study is part of the Economic Security Project, a research alliance led by the Canadian Centre for Policy Alternatives – BC Office and Simon Fraser University. The ESP is a five-year research initiative studying how public policy in BC affects the economic security of vulnerable populations. The ESP is funded primarily by a grant from the Social Science and Humanities Research Council of Canada (SSHRC) through its Community-University Research Alliance program.

Thanks also to the United Way of the Lower Mainland, the Human Early Learning Partnership, and the Hospital Employees' Union for their financial assistance of this project.



SIMON FRASER  
UNIVERSITY



Social Sciences and Humanities  
Research Council of Canada

Conseil de recherches en  
sciences humaines du Canada



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.

This publication is available under limited copyright protection. You may download, distribute, photocopy, cite or excerpt this document provided it is credited and not used for commercial purposes. Permission is required for all other uses.

Printed copies: \$10. Download free from the CCPA website. Making a donation to the CCPA or taking out a membership will help us continue to provide people with access to our ideas and research free of charge.

Copyedit, design and photography: Nadene Rehnby and Pete Tuepah,  
[www.handsonpublications.com](http://www.handsonpublications.com)

ISBN 978-1-897569-00-9



CCPA  
CANADIAN CENTRE  
for POLICY ALTERNATIVES  
BC Office

1400 – 207 West Hastings St., Vancouver, BC V6B 1H7  
tel: 604-801-5121 | [ccpabc@policyalternatives.ca](mailto:ccpabc@policyalternatives.ca)

[www.policyalternatives.ca](http://www.policyalternatives.ca)

# Contents

|   |    |
|---|----|
| The Collaborative Process .....   | 4  |
| About the Authors .....   | 5  |
| Acknowledgments .....   | 5  |
| <br>  |    |
| SUMMARY .....   | 6  |
| <i>A Bare Bones Budget</i> .....  | 8  |
| <i>UK Employers Get Behind the Living Wage</i> .....                                    | 10 |
| <br>  |    |
| SECTION 1 Introduction .....  | 13 |
| <br>  |    |
| SECTION 2 What is the Living Wage?.....   | 16 |
| <br>  |    |
| SECTION 3 Why a Living Wage and Why Now? .....  | 19 |
| <br>  |    |
| SECTION 4 Calculating the Living Wage .....   | 23 |
| <i>Changes in Family Expenses Over Time</i> .....                                       | 24 |
| <i>Single Parent Families and the Living Wage</i> .....                                 | 25 |
| <i>Thinking Living Wage: Thinking Climate Change</i> .....                              | 26 |
| <i>Shortfalls of Government Transfers</i> .....   | 32 |
| <br>  |    |
| SECTION 5 Different Ways of Achieving the Living Wage .....                             | 35 |
| <i>Employers: Does the Living Wage Seem Financially Unattainable?</i> .....             | 37 |
| <br>  |    |
| SECTION 6 Living Wages Benefit Both Families and Employers.....                         | 38 |
| <i>Fears Concerning the Living Wage Affecting Business Profitability Overstated ...</i> | 41 |
| <br>  |    |
| SECTION 7 Conclusion .....  | 43 |
| <br>  |    |
| Notes .....   | 45 |
| References .....  | 47 |
| <br>  |    |
| APPENDIX Principles for Calculating a Living Wage for Vancouver and Victoria .....      | 50 |

## THE COLLABORATIVE PROCESS

The Living Wage project has been sponsored and facilitated by the Canadian Centre for Policy Alternatives, an independent, non-partisan research institute concerned with issues of social and economic justice, and First Call: BC Child and Youth Advocacy Coalition, a cross-sectoral, non-partisan coalition made up of over 80 provincial and regional organizations that advocates for the well-being of children and youth. The collaboration process brought together diverse organizations and individuals from Metro Vancouver and Greater Victoria. These include organizations that work with families with low incomes, and individuals with academic and social policy expertise. The meetings and discussions included, among others, representatives from the United Way of the Lower Mainland, the Community Social Planning Council of Greater Victoria, and the Hospital Employees' Union (HEU), as well as academics from the University of British Columbia (UBC) and independent social policy experts.

The Vancouver/Victoria living wage working group included:

Jenny Cleathero, Researcher, United Way of the Lower Mainland

Marcy Cohen, Research and Policy Director, HEU

Michael Goldberg, Research Consultant

Iglia Ivanova, Public Interest Researcher, CCPA

Seth Klein, BC Director, CCPA

Paul Kershaw, Human Early Learning Partnership, UBC

Steve Kerstetter, Research Consultant

Adrienne Montani, Provincial Coordinator, First Call

Tim Richards, Senior Instructor, Faculty of Law, University of Victoria

Andy Wachtel, Researcher, United Way of the Lower Mainland

Jennifer Whiteside, Research Analyst, HEU

Jane Worton, Community Social Planning Council of Greater Victoria

Dan Zuberi, Assistant Professor, Department of Sociology, UBC

The process entailed four stages. The first involved articulating the foundational principles that would guide the calculation of the living wage. These would affect, for example, the level of family expenses and hours worked by each parent. The next stage involved calculating the amount of the living wage. This entailed estimating family expenses and factoring in tax deductions from employment income and income from government transfers. The third stage involved focus groups with both low-income parents and employers concerning the assumptions and the budget expenditures incorporated into the living wage calculation, for example with respect to the amounts of family expense items and the hours of paid work per week of the parents. The fourth stage involved revising the calculation based on the focus group feedback, and revisiting the assumptions and changing factors affecting both employment income and family expenses. The result is a living wage grounded in the realities and needs of people in paid employment on low income, developed with the further knowledge and expertise of social policy analysts and employers.

## ABOUT THE AUTHORS

TIM RICHARDS is a Senior Instructor in the Faculty of Law at the University of Victoria. From 1994 to 2002 he worked as a front-line legal advocate assisting people in poverty with their income assistance and Employment Insurance rights. In addition to teaching, he does social policy research and analysis on various poverty issues.

MARCY COHEN coordinates the community health stream of the CCPA/SFU Economic Security Project and is Research Director for the Hospital Employees' Union. Marcy has published extensively with the CCPA and in academic journals on long-term care, community health, and workforce restructuring.

SETH KLEIN is the BC Director of the Canadian Centre for Policy Alternatives, and Co-Director of the Economic Security Project. He has a BA in international relations and a BEd from the University of Toronto, and an MA in political science from Simon Fraser University. His primary area of research is welfare and social policy. His most recent publication is *Living on Welfare in BC: Experiences of Longer-Term "Expected to Work" Recipients* (with Jane Pulkingham).

DEBORAH LITTMAN is a National Officer for UNISON, the UK's largest public service union. She specializes in bargaining research and campaigning around low pay and the living wage. Deborah has helped UNISON to build alliances with local community organizations. She is a Trustee of London Citizens, a broad-based community alliance that has fought successful living wage campaigns in the health, hotel, and university sectors. For more information see [www.unison.org.uk/pay](http://www.unison.org.uk/pay), [www.londoncitizens.org](http://www.londoncitizens.org), [www.fairpaynetwork.org](http://www.fairpaynetwork.org).

## ACKNOWLEDGMENTS

The authors and committee members would like to thank Shannon Daub, David Green, and Jane Pulkingham for reviewing an earlier draft of this paper and providing helpful comments, and everyone who participated in focus groups (parents, employers and community group representatives) during the development of the living wage calculation. Their feedback was much appreciated. Thanks also to Whitney Borowko and Raquel Trinidad for their research assistance on the project.

## SUMMARY

---

# Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Vancouver and Victoria

What does it say about 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?

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.

In BC, the contradiction between a strong economy and growing insecurity is especially stark. We are one of only two Canadian provinces where median earnings for individuals fell between 2000 and 2005. We also have the highest child poverty rate in Canada, and are the only province where child poverty rates were actually higher in 2006 than in 1997.

The story of child poverty is very much a story of low wages. More than half of BC's poor children live in families where at least one person has a full-time job.

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.

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.

### 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 are spelled out in this report, beginning on page 23. The living wage is based on:

- A family of two parents with two children aged four and seven. (In BC, 85 per cent of families are headed by couples, and 62 per cent have two or more children.)
- 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 (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.

---

### 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 their communities.

For Metro Vancouver, it is \$16.74 per hour, and for Victoria (BC’s Capital Region), \$16.39 per hour.



The story of child poverty is very much a story of low wages. More than half of BC's poor children live in families where at least one person has a full-time job.

## A Bare Bones Budget

At \$16.74 per hour for Metro Vancouver—or \$30,467 annually for each parent working full-time—here's what a family could afford:

**FOOD:** \$652/month (based on estimates by the Dietitians of Canada for a nutritious diet)

**CLOTHING AND FOOTWEAR:** \$191/month

**SHELTER:** \$1,259/month (includes conservative rent estimate for a three-bedroom apartment or townhouse, utilities, telephone and insurance on home contents)

**TRANSPORTATION:** \$523/month (includes two-zone bus pass and the cost of owning and operating a used car)

**CHILD CARE:** \$982/month (for a four year old in full-time care, a seven year old in after-school care, and six weeks of summer care)

**MEDICAL SERVICES PLAN (MSP) PREMIUMS:** \$108/month

**NON-MSP HEALTH CARE:** \$133/month (for Pacific Blue Cross Insurance; does not include expenses only partially covered by the insurance plan)

**PARENTS' EDUCATION:** \$83/month (allows for two college courses per year)

**CONTINGENCY FUND:** \$195/month (provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc.)

**OTHER:** \$570/month (covers personal care, furniture, household supplies, school supplies, some reading materials, minimal recreation and entertainment)

The living wage for BC's Capital Region is \$16.39 per hour, due to minor variations in the expenses based on actual costs of living in the Capital Region.

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.

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 also enough for a single parent with one child to get by. A single parent with two children would have a much tougher time. (See page 25 for more on single parents.)

## WHY A LIVING WAGE?

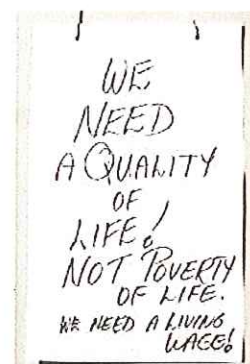
Living wages benefit families, communities and employers, now and into the future.

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.

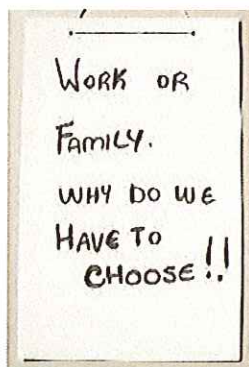
According to the National Longitudinal Survey of Children and Youth, parents in households with low incomes are more than twice as likely as parents in either middle- or high-income families to be chronically stressed. Not having enough money to buy household essentials and feeling that unrealistic expectations 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 were 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; 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 41 for a discussion of employer concerns about paying a living wage.)



The living wage is based on the principle that work should ensure individuals and families can live with dignity and therefore can fully participate in family, community and work life.



The living wage is first and foremost a call to private and public sector employers to sustain families—to pay wages to both direct and contract employees sufficient to provide the basics. But government policies and programs also have a direct impact on our standard of living, and as a result, on the living wage calculation.

## 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, City Group, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers, Lovells, Credit Suisse and Macquerie, 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.

## 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 MSP 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 include:

- Canada Child Tax Benefit (reduced after the family's net income is greater than \$38,370);
- GST Rebate (not available to families with a net income above \$46,616);

- Provincial 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, and BC Tax Reduction.

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 for children under six years old, 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.

---

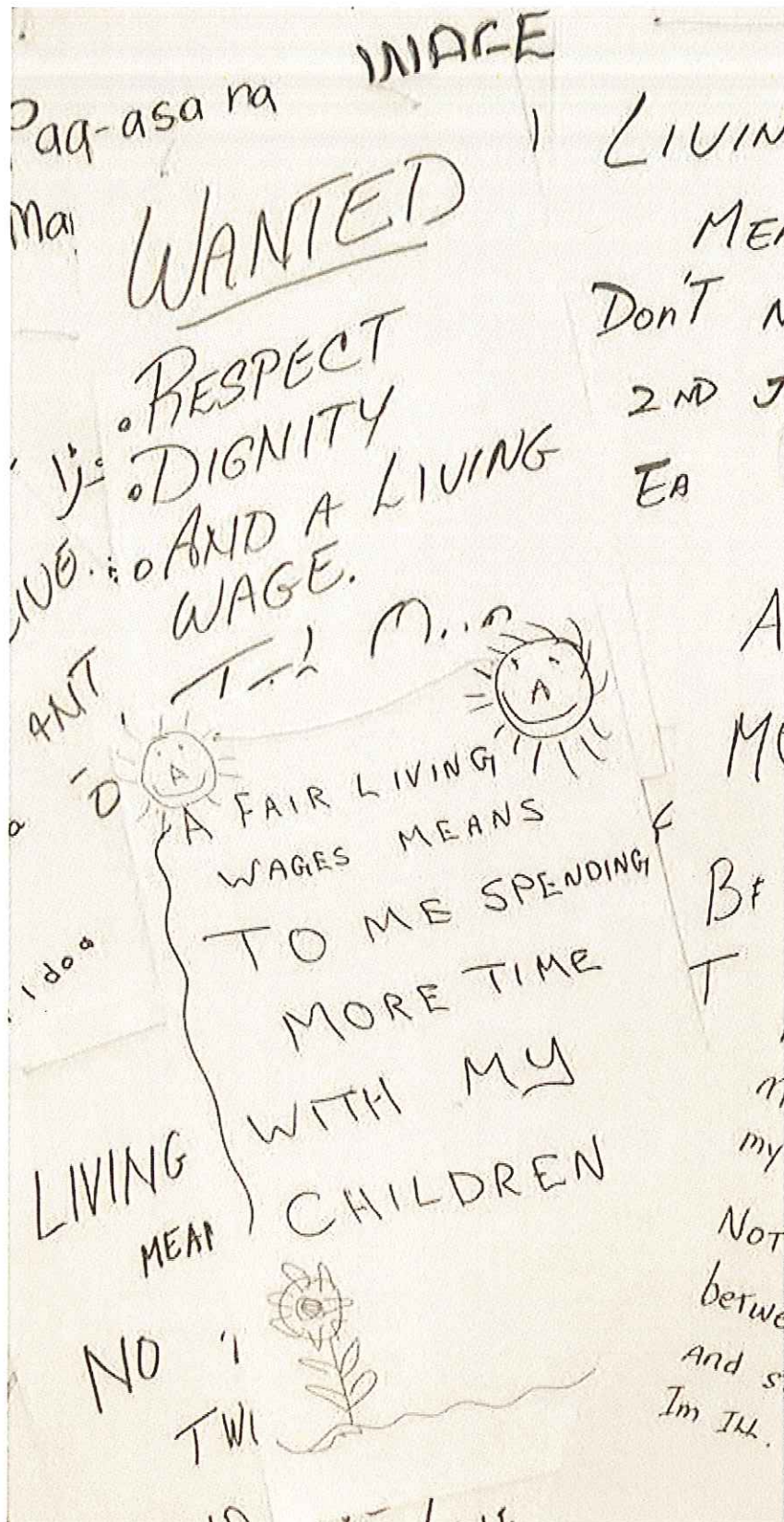
#### LIVING WAGE CALCULATIONS FOR OTHER COMMUNITIES

An accompanying guide and spreadsheet is available for those seeking to calculate the living wage in other BC and Canadian communities. This technical guide can be downloaded at: [www.policyalternatives.ca/Reports/2008/09/bclivingwage/](http://www.policyalternatives.ca/Reports/2008/09/bclivingwage/).

If you do use this guide to calculate the living wage for your community, please let us know, and tell us what the value of the living wage is where you live. Just contact the CCPA's BC office.

IN OUR OWN WORDS

This report is illustrated with placards made by workers in low-wage jobs about what a living wage means to them.



# 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.<sup>1</sup>

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

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.

that allows it to meet basic needs and to participate in the civic/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 contractors.

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 here in southwestern British Columbia.

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 contractors.

The principles underlying the living wage build on the fundamental principle of decency at work 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.’”<sup>2</sup> This includes, but is not limited to, the fact “that no worker and by implication their 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.”<sup>3</sup> In other words, living wages are part of creating a society in which people can deal with each other as equals because living wages provide the financial means for everyone—adults, youth and children—to live with dignity and to participate fully in their communities.

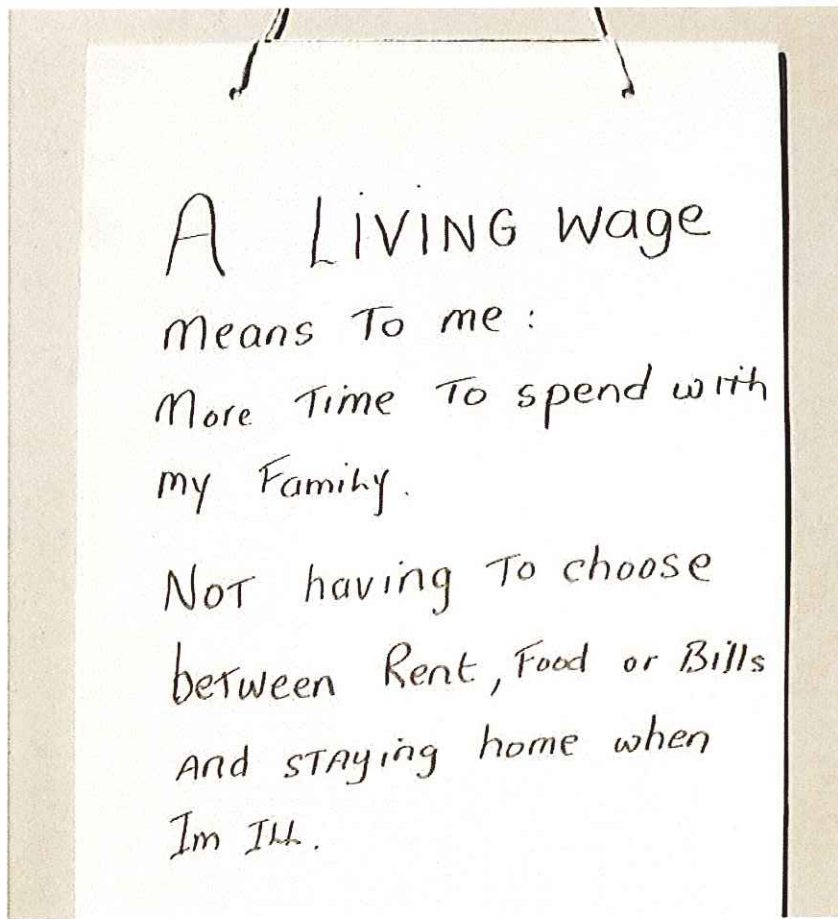
These values are very consistent with the values of a cross-section of the Canadian public. In 2002, after day-long dialogue sessions organized by the Canadian Policy Research Network around the discussion theme “The Kind of Canada We Want,” the researchers reported that participants put a high value 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.”<sup>4</sup> They also noted that this represented a strengthening and broadening of the sense of mutual responsibility since 1995 to include all members of society, whereas previously only investment in children was identified as a core value.

In the sections of the report to follow we develop a living wage for Metro Vancouver and Victoria (BC’s Capital Region) based on these key principles and 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 what heavy lifting when it comes to the task of eliminating poverty in Canada?

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.

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. For those who long to seek an end to child poverty, this is truly where “the rubber hits the road.”





# What is the Living Wage?

## FOUNDATIONAL PRINCIPLES

While the actual living wage calculation is focused on couple families with young children, the intent is to ensure that the wage is adequate for single parents, and also that it provides 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.

The living wage is founded on values of fairness central to the well-being of individuals, families, communities, and the economy. And while the actual living wage calculation is focused on couple families with young children, the intent is to ensure that the wage is adequate for single parents, and also that it provides 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.

The collaborative process outlined at the beginning of this report, involving social policy experts, academics, and organizations representing low-wage families, articulated the following as the foundational or underlying principles of the living wage, and thus the benefits that it would bring to our society.

The living wage:

- Enables families who are working to escape from poverty;
- Promotes social inclusion;
- Supports healthy child development principles;
- Promotes gender equality;
- Ensures that families are not under severe financial stress;
- Is a conservative, reasonable estimate;
- Engenders significant and wide-ranging community support; and
- Is a vehicle for promoting the benefits of social programs<sup>5</sup> and does not presume that labour market wages alone can solve all problems of poverty and social exclusion.

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.

The proposed statutory minimum wage of \$10/hour is 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.

| Table 1: Comparison of the Minimum and Living Wage                                   |  |
|--|--|
| The Minimum Wage   | The Living Wage  |
| Is the wage for an individual (not responsive to family circumstances)               | Is calculated based on the expenses of a family of four with two young children and is responsive to family circumstances                    |
| Is not necessarily responsive to actual costs of living in a given community         | Reflects actual costs of living in a given community   |
| Is a provincial/federal statutory minimum  | Is determined through community consultation, negotiations, contracting conditions, municipal policy/bylaws, etc.                            |
| Is not affected by employer-provided benefits or government tax or transfer programs | Is affected by benefits provided by employers and government taxation policies and programs that support low-income individuals and families |

### DEFINING THE LIVING WAGE

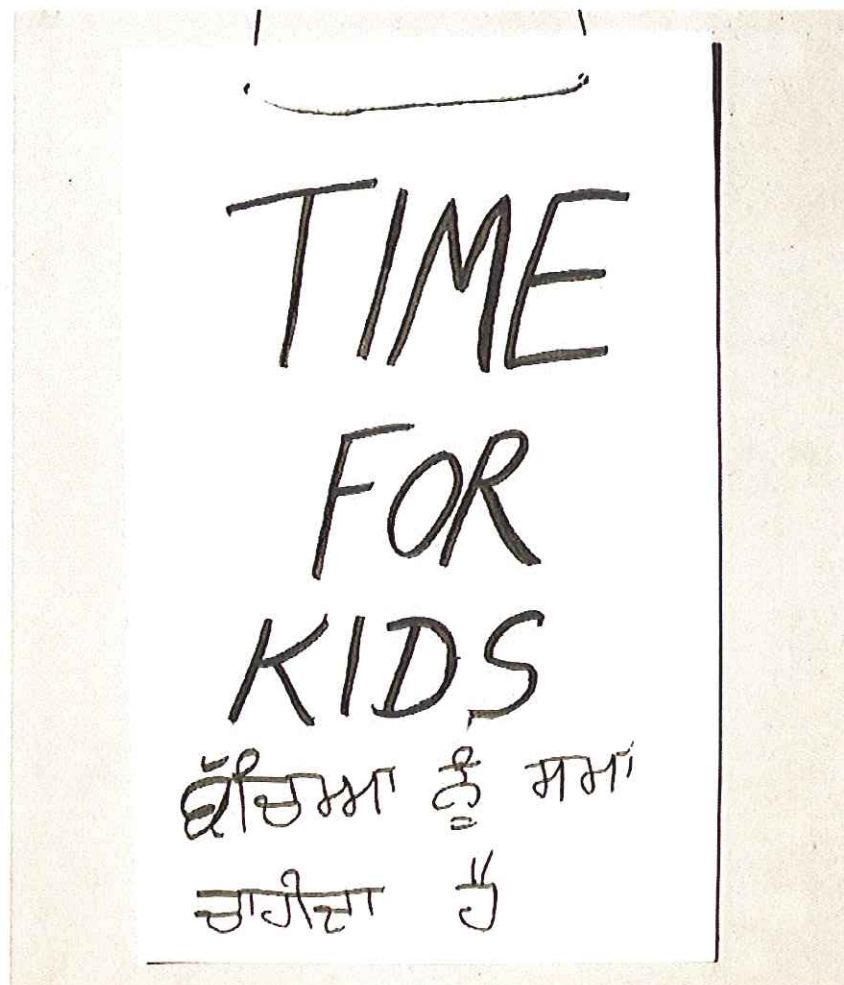
The living wage is the hourly rate of pay that enables the wage earners living in a household to:

- 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, but very modest in comparison to community standards. The living wage, as outlined in this report, is, effectively, a bare bones budget.

The living wage is high enough that families can weather a temporary crisis without falling into poverty, but very modest in comparison to community standards. The living wage, as outlined in this report, 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. And 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, effectively, 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 in BC and across Canada.



## 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 have not significantly lessened despite the current economic boom. 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.

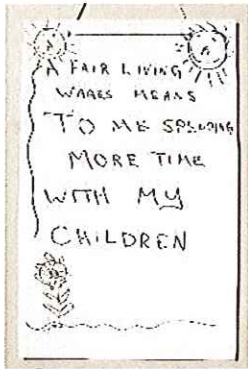
Many families with children report that they are working longer hours but having a harder and harder time making ends meet. Their experiences are borne out in a recent research report from the national CCPA Growing Gap project, *The Rich and the Rest of Us*, showing that “the majority of Canadian families are falling behind compared to a generation ago.”<sup>6</sup> 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.<sup>7</sup> All despite the fact that the economy is performing better than it has in decades and unemployment is at a 30 year low.

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.<sup>8</sup> In Vancouver, 80 per cent of single parent families are headed by women, with almost half living below the poverty line. The incidence of poverty among single-parent families in Vancouver rises to 60 per cent in families

Despite the fact that BC has one of the most buoyant economies in the country, it was one of only two provinces in Canada where median earnings for individuals actually fell between 2000 and 2005. BC also recorded the highest child poverty rate in the country for the fifth year in row.

headed by a visible minority parent or an Aboriginal parent and 70 per cent in families headed by a recent immigrant.<sup>9</sup>

The contradiction between a booming economy and low-wage work is particularly acute in British Columbia. Despite the fact that BC has one of the most buoyant economies in the country, has had years of steady growth and record low unemployment, BC was one of only two provinces in Canada where median earnings for individuals actually fell between 2000 and 2005.<sup>10</sup> BC had by far the steepest decline, with median earnings for individuals falling by 3.4 per cent compared to 0.3 per cent in Quebec (the only other province to experience a decline in median earnings).



More than half of BC's poor children live in families where at least one person had a full-time, full-year job.

In fact, Metro Vancouver has the highest percentage of working poor in the country at 14.5 per cent—40 per cent more than the national average.

In addition, in 2006 (the latest year for which we have data), BC recorded the highest child poverty rate in the country for the fifth year in row.<sup>11</sup> We are the only province where child poverty rates are actually higher in 2006 than 1997, even with increases in child benefits. Nor are these high levels of child poverty merely a consequence of cuts in the welfare system. More than half of BC's poor children live in families where at least one person had a full-time, full-year job.<sup>12</sup> In fact, Metro Vancouver has the highest percentage of working poor in the country at 14.5 per cent—40 per cent more than the national average.<sup>13</sup> Many of these workers are new immigrants and although they have relatively higher levels of education compared to past generations of immigrants, they have fewer opportunities to move out of low-wage work.<sup>14</sup>

Researchers have offered a number of explanations for why so many families are falling behind in comparison to a generation ago and why in particular BC has fared so poorly in comparison to other provinces. Some point to the increase in the contingent workforce as many employers stratify their workforce, providing core workers with reasonable wages and benefits and reducing wages for a second tier of workers, hired on as temporary or casual employees or contracted out to a private company. Others point to the shift to the service economy, the impact of specific government policies (i.e. changes in labour legislation), the reduced importance of internal job ladders and/or the increase in global competition. Various studies produced by the CCPA/SFU Economic Security Project offer explanations for this economic paradox, drawing connections between public policy choices (such as welfare cuts and rollbacks to employment standards) and the inability of low-wage workers to secure improvements. Notwithstanding the considerable controversy on the reasons why these changes have occurred, the negative consequences for families and hidden costs for the economy are increasingly apparent.

Parents are working more and more hours just to get by, to the point where 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.<sup>15</sup> 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 38).<sup>16</sup>

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.*<sup>17</sup>

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.<sup>18</sup> 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.<sup>19</sup>

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.<sup>20</sup> 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.<sup>21</sup> A very large research study—in 470 neighbourhoods 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.<sup>22</sup>

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

The 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.

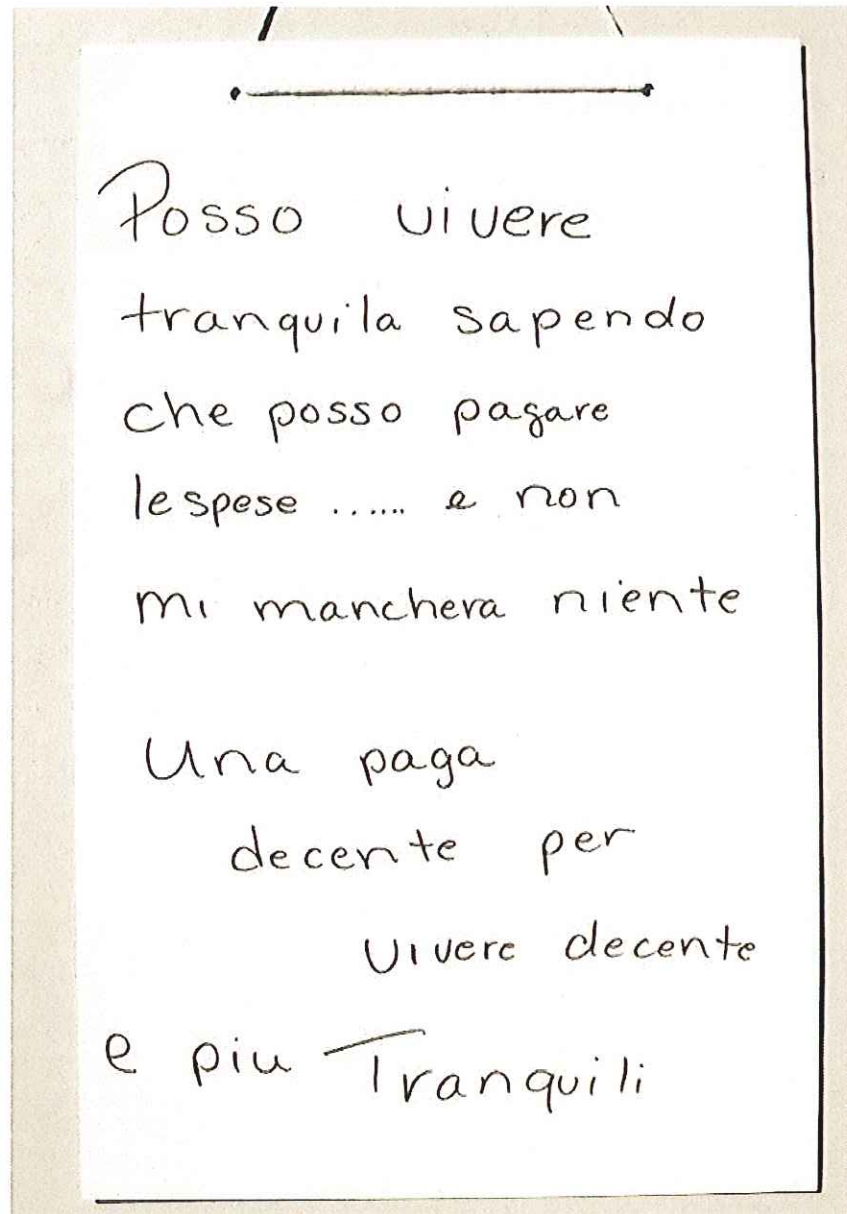
*If childhood poverty translates into less education, inferior cognitive skills, more criminality and inferior lives, the secondary effect is a mass of low-productivity workers, highly vulnerable to unemployment and low pay in the 'new economy.' They will yield less revenue to tax authorities and probably require more public aid during their active years.<sup>23</sup>*

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.

---

IN OUR OWN WORDS

"I can live in tranquility knowing I can pay my expenses and not want for anything. Decent pay for decent life in tranquility."



# Calculating the Living Wage

THE FOREGOING INFORMATION articulates the principles 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. The result is that the living wage for Metro Vancouver is \$16.74 per hour and for BC's Capital Region is \$16.39 per hour. Based on 35 hours of work per week and 52 weeks of employment each year, this translates into an annual income of \$30,466.80 in Vancouver and \$29,829.80 in Victoria. (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.)

The purpose of this section of the report is to explain 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, the hours per week of paid work for each parent and the family's level of material well-being. 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.

---

## LIVING WAGE CALCULATIONS FOR OTHER COMMUNITIES

An accompanying guide and spreadsheet is available for those seeking to calculate the living wage in other BC and Canadian communities. This technical guide can be downloaded at: [www.policyalternatives.ca/Reports/2008/09/bclivingwage/](http://www.policyalternatives.ca/Reports/2008/09/bclivingwage/).

If you do use this guide to calculate the living wage for your community, please let us know, and tell us what the value of the living wage is where you live. Just contact the CCPA's BC office.



## THE FORMULA

The primary determinates 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 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:

$$\text{Annual family expenses} = \text{Income from employment (living wage)} + \text{Income from government transfers} - \text{EI and CPP premiums, federal and provincial taxes}$$

## 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 chose a family composed of two parents 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 BC in 2006, 85 per cent of families were couple families and of those 62 per cent had two or more children.<sup>24</sup> 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 25).

### 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. Many of the low-income parents in the focus groups, asked to comment on the living wage, said they felt that saving to support post-secondary education for their children was essential if the next generation was to avoid falling into poverty. 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.

## 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 BC, single parent families comprised 15 per cent of all families, with couple families making up the remaining 85 per cent. However, single parent families were more than four times more likely to live in poverty. In BC in 2006, single parent mother families faced a poverty rate of 42.8 per cent, in comparison to a poverty rate of 10.8 per cent for two parent families.<sup>25</sup> The proportions of children in poverty in each family type illustrate this reality. Nationally, in 2004, 44 per cent of poor children were in single parent families, and 54 per cent were in two parent families.<sup>26</sup>

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. Nationally, in 2003, the poverty rate of women-led single parent families was 48.9 per cent. This was two and a half times greater than the poverty rate of male-led single parent families, which was 20.0 per cent.

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. In BC in 2006, 62 per cent of single parent families had one child.

As indicated in Table 2, the living wage for the two-parent, two-child family (\$16.74) is sufficient to meet the needs of a single-parent family with one child. This is in part because the single-parent family qualifies for the full child care subsidy. A single-parent, two-child family, however, would require a higher living wage.

Table 2: Living Wages for Single Parents with One Child

|                                      | Vancouver | Victoria |
|--------------------------------------|-----------|----------|
| Two-parent, two-child living wage    | \$16.74   | \$16.39  |
| Single-parent, one-child living wage | \$16.73   | \$15.11  |

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.

## HOURS OF PAID EMPLOYMENT

The living wage is based upon both parents working in paid employment for 35 hours per week. Thus, each parent is in full-time employment, which is now the norm for families with children in BC. At 70 hours per week, this family is at the fortieth percentile for couple families in BC in regard to the number of hours worked per week.<sup>27</sup> We had at one point considered 60 hours of work to make it possible for the family to manage without a car and reduce their carbon footprint, but determined that, if the couple must work 70 hours combined, they would be unable to juggle work and family responsibilities without one car (see *Thinking Living Wage: Thinking Climate Change* below).

We had at one point considered 60 hours of work to make it possible for the family to manage without a car and reduce their carbon footprint, but determined that, if the couple must work 70 hours combined, they would be unable to juggle work and family responsibilities without one car.

### Thinking Living Wage: Thinking Climate Change

When the collaborative group began working on the living wage we decided to base it on a 60-hour week divided between two parents (i.e. one working 40 hours and the second working 20 hours, or both working 30 hours a week). We did this, in large measure, to ensure that the family could rely on public transportation and still manage child care arrangements for two children and the extra time required for shopping and food preparation, given their very limited budget.

Based on feedback from the focus groups and the evidence that in the majority of two-parent families with children both parents work full time, we decided to shift to a 70 hour week, with both parents working 35 hours a week. However, as noted above, it is not realistic to expect a family with both parents working full time to manage child care arrangements for two children and shop with a very limited food, clothing and household expense budget on public transportation. For this reason the living wage includes the expense of owning and operating a used car.

It is interesting to note that the living wage is significantly higher for a family in which the parents work a combined total of 60 hours per week, even when this eliminates the need for a car. Specifically, the wage rises to \$17.80 per hour for Vancouver and \$16.91 per hour for Victoria (for a family in which one parent works 40 hours and the other works 20 hours). The hourly wage is significantly higher primarily due to the reduction in hours of paid work per week from 70 to 60 hours. In other words, the lower costs of public transportation and after school care do not compensate for the higher income earned from 10 additional hours of work. Thus, if from a public policy perspective we wish to prioritize climate change goals, and want to ensure that families can function without relying on a car, then either the living wage must rise or we must have more accessible public transportation.

## CALCULATION OF FAMILY EXPENSES

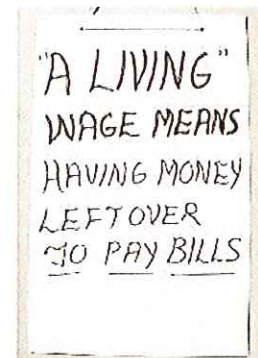
Family expenses were calculated by defining 10 categories of expenses and estimating amounts for each. The method is therefore a direct measure approach of costing specific expenses. The calculation builds upon the Market Basket Measure (MBM), developed by Human Resources and Social Development Canada (HRSDC).<sup>28</sup> 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.<sup>29</sup>

The living wage calculation adds five further categories of expenses for child care, provincial Medical Services Plan premiums, non-MSP health expenses, an amount for education expenses for the parents, and a contingency amount.<sup>30</sup>

Table 3 summarizes the family expenses for each category for Vancouver and Victoria.

**Table 3: Family Expenses—Two Adults and Two Children (4 and 7 Years Old)**

| Expense Item            | Vancouver         |                    | Victoria          |                    |
|-------------------------|-------------------|--------------------|-------------------|--------------------|
|                         | Monthly           | Annually           | Monthly           | Annually           |
| Food                    | \$652.16          | \$7,825.94         | \$618.74          | \$7,424.88         |
| Clothing and footwear   | 191.64            | 2,299.70           | 191.64            | 2,299.70           |
| Shelter                 | 1,258.69          | 15,104.28          | 1,299.39          | 15,592.68          |
| Transportation          | 522.69            | 6,272.27           | 496.94            | 5,963.27           |
| Other <sup>31</sup>     | 569.57            | 6,834.80           | 547.01            | 6,564.09           |
| Child care              | 982.00            | 11,784.00          | 946.83            | 11,362.00          |
| Non-MSP health expenses | 133.00            | 1,596.00           | 133.00            | 1,596.00           |
| MSP                     | 108.00            | 1,296.00           | 108.00            | 1,296.00           |
| Parent education        | 83.33             | 1,000.00           | 83.33             | 1,000.00           |
| Contingency             | 195.30            | 2,343.60           | 191.22            | 2,294.60           |
| <b>Total</b>            | <b>\$4,696.38</b> | <b>\$56,356.59</b> | <b>\$4,616.10</b> | <b>\$55,393.22</b> |



Many families with children report that they are working longer hours but having a harder and harder time making ends meet.

The following sections provide a short explanation concerning the source, amount, and calculation of each expense. The amounts are current to December 2007.

## Food

The food amount is based upon the Dietitians of Canada, BC Region, report *The Cost of Eating in BC 2007*.<sup>32</sup> The report calculates the cost of food in each provincial health region based on a stratified random sample of grocery stores and based on the federal government's standardized food costing tool, the *National Nutritious Food Basket 1998* which is based on the *Canada Food Guide*. The report provides monthly food costs for both adults and children by gender and age categories.

AMOUNT PER MONTH: Vancouver: \$652.16; Victoria: \$618.74

## Clothing and Footwear

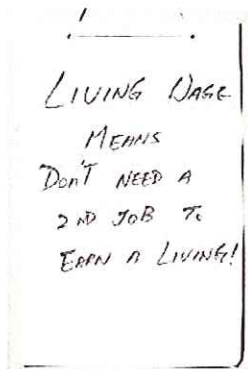
The clothing and footwear amount is based on the MBM. The 2002 MBM amount was updated by the Consumer Price Index to 2007. It is equivalent to approximately \$50 per month, per family member.

AMOUNT PER YEAR: Vancouver: \$2,299.70; Victoria: \$2,299.70

## Shelter

The shelter amount is composed of rent, utilities, telephone, and content insurance for possessions. The rent amount is based on median rents for three-bedroom apartments and three-bedroom row houses. The data is from the CMHC survey on rental housing for October 2007 and excludes secondary suites and buildings with less than three rental units.<sup>33</sup> The monthly rental expense for Vancouver is \$1,089.80 and for Victoria is \$1,137.50. The utilities amount is taken from the Dietitians of Canada report referred to above. It is based on Statistics Canada data for the utility expense for a couple family with two children in a three-bedroom apartment, at the twenty-fifth percentile (as opposed to the fiftieth or median percentile) for utility expenses. The expense for a telephone is based on a land line phone from Telus and the expense for content insurance is an estimate based on \$30,000 worth of possessions.

While the rent amount for secondary suites may be less than apartments, they usually have a much greater expense for utilities. It is also important to note that if a family is trying to rent an apartment today, the cost will likely be higher than the rent in this calculation. This is because the CHMC reflects current rent



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.

amounts for all units. However, when a family newly rents an apartment, the landlord is entitled to set whatever rent amount they wish, and this can be considerably above current rents, which are subject to limits on annual increases, particularly given today's very low vacancy rates.

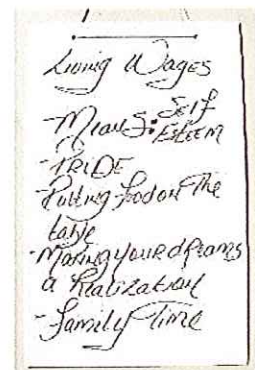
Rental amounts for condominium apartments are considerably greater than the rent amount used in the living wage calculation. For example, in October of 2007, the average rent for a two-bedroom condominium apartment in Vancouver was \$1,435, approximately \$345 per month more than the rent in the living wage calculation.<sup>34</sup> And rents for condos have been increasing at a brisk pace (for example, the rent for a standard condo on the west side of Vancouver was \$2,200 per month at the end of 2007, up 50 per cent from 2004, and more than double the rates of 2000 (\$1,000 per month).)<sup>35</sup>

AMOUNT PER MONTH: Vancouver: \$1,258.69; Victoria: \$1,299.39

### Transportation

The transportation amount includes the expense for both a used vehicle and a two-zone 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 (see *Thinking Living Wage: Thinking Climate Change* on page 22). 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 2007.<sup>36</sup> The public transit amount is for one two-zone monthly bus pass.

AMOUNT PER YEAR: Vancouver: \$6,272.27; Victoria: \$5,963.27



### 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 67.5 per cent of the total expenses for food and for clothing and footwear.

AMOUNT PER YEAR: Vancouver: \$6,834.80; Victoria: \$6,564.09

## Child Care

The four year old child is in full-time licenced group daycare. The seven year old is in before and after school care and six weeks of summer care. The expenses for Vancouver are based on data from the Westcoast Child Care Resource Centre,<sup>37</sup> and the data for Victoria are based on data from the Victoria Child Care Resources and Referral Centre.<sup>38</sup> Child care is a significant expense (the second highest in our calculation after rent), at 20 per cent of total expenditures for the family.

AMOUNT PER MONTH: Vancouver: \$982.00; Victoria: \$946.83

## Medical Services Plan Premiums

This is the mandatory premium under the provincial program. The family pays the maximum amount under this program.

AMOUNT PER MONTH: Vancouver: \$108.00; Victoria: \$108.00

## Non-MSP Health Care Expenses

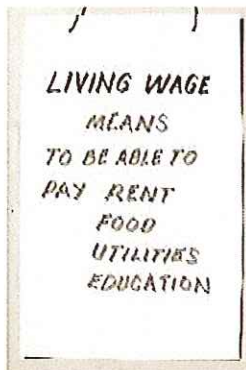
This is an estimate for all health-related expenses except those covered by MSP and medicines and pharmaceutical products. It includes dental care, optical expenses, and chiropractic or physiotherapy not covered by MSP. The expense is the amount for the family to purchase Pacific Blue Cross Insurance. The assumption is that the family spends the equivalent of this on these health care expenses. If the family purchased this insurance, they would face the additional expense of health costs not covered or only partially covered by the insurance plan. Based on Statistics Canada data in the 2005 Survey of Household Spending for BC, the amount used in this analysis is \$115 per year (approximately \$10 per month) less than the average amount spent by households in BC on non-MSP health care expenses.

AMOUNT PER MONTH: Vancouver: \$133.00; Victoria: \$133.00

## Parents' Education

This expense is for the parents to pursue part-time/continuing education at the college level. The importance of having access to post-secondary education opportunities was raised in the focus groups with low-income families who saw education as the pathway out of poverty. 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. The source of this information is the websites of publicly-funded community colleges.

AMOUNT PER YEAR: Vancouver: \$1,000.00; Victoria: \$1,000.00



The importance of having access to post-secondary education opportunities was raised in the focus groups with low-income families who saw education as the pathway out of poverty.

## Contingency Amount

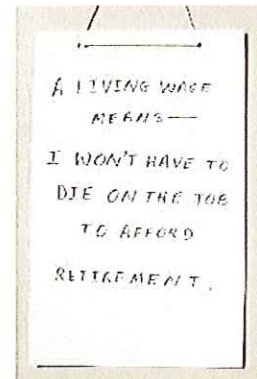
This expense is an estimate of the cost of unexpected occurrences. It is calculated as the amount of income for each parent for two weeks. It would provide for a parent being unable to work due to serious illness of a family member, any out of town travel such as travel to the funeral of a family member, 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.

AMOUNT PER YEAR: Vancouver: \$ 2,343.60; Victoria: \$2,294.60

## 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 receives the Universal Child Care Benefit (UCCB). The family does not receive the GST rebate or the provincial Child Care Subsidy because of its level of income (see *Shortfalls in Government Transfers* on page 32).

The amount of these transfers is for the July 2007 to June 2008 period, and this is based on the family income earned in 2006.



## 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.

The tax rules and formulas are for the 2007 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, and the Tuition, Education and Textbook amount. In addition, one parent claims the allowable child care expense and receives the BC tax reduction.



The family is not eligible for a subsidy from the provincial Rental Assistance Program because this subsidy is not available for families whose annual gross household income is greater than \$35,000. This indicates that the government programs intended to benefit low- and modest-income families have clawback thresholds that are much too low.

## 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.

**CANADA CHILD TAX BENEFIT (CCTB):** The family does not receive the National Child Benefit Supplement, an element of CCTB, because this benefit ceases at a family net income of \$38,369.61. Because the amount of the CCTB is reduced once the family's net income is greater than \$38,378, the basic CCTB amount of \$213.82 per month has fallen to \$171.30 (Vancouver) or \$175.55 (Victoria) due to the income level of the family.

**GST REBATE:** The family does not receive the federal GST rebate, because this benefit ceases at a family net income of \$46,616.00.

**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:** Provincial 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:** The family is not eligible for a subsidy from the provincial Rental Assistance Program because this subsidy is not available for families whose annual gross household income is greater than \$35,000.

This indicates that the government programs intended to benefit low- and modest-income families have clawback 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 following provincial and federal government tax programs designed to assist low-income families cease to provide their benefits at an income less than that of the living wage family.

**WORKING INCOME TAX BENEFIT (WITB):** This benefit is not available if the family's adjusted family net income is greater than \$25,206.

**BC TAX REDUCTION:** This tax reduction is part of the formula for the amount of an individual's provincial income tax. It reduces the amount of tax an individual must pay if their net income is less than \$27,675.41. This tax reduction is not available once an individual's net income is greater than \$27,675.41. For the family earning the living wage, this reduction is available only for the spouse who claims the child care expenses.

SUMMARY OF INCOME, EXPENSES AND TAXES  
FOR VANCOUVER AND VICTORIA

Table 4 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 annual income provided by the living wage is lower than the income currently earned by the majority of couple families in BC with two children. In Vancouver, 41 per cent of such families receive less than the living wage annual income, while 38 per cent of families in BC receive less than Vancouver living wage annual income. In Victoria, 27 per cent of such families receive less than the living wage annual income, while 37 per cent of families in BC receive less than the Victoria living wage annual income.<sup>39</sup>

| Table 4: The Living Wage Family, Vancouver and Victoria—<br>Summary of Income, Expenses, Deductions and Taxes |                |                |
|---|----------------|----------------|
|   | Vancouver      | Victoria       |
| Total gross annual family income  | \$60,933.60    | \$59,659.60    |
| Minus deductions from income<br>(EI, CPP, provincial and federal taxes)                                       | - 7,819.37     | - 7,550.43     |
| Family take home pay  | = \$53,114.23  | = \$52,109.17  |
| Plus government transfers<br>(CCTB, UCCB and GST rebate)  | + 3,255.62     | + 3,306.58     |
| Total disposable income   | = \$56,369.85  | = \$55,415.75  |
| Annual family expenses<br>(as shown in Table 3)   | - 56,356.59    | - 55,393.22    |
| Annual income less expenses   | = \$13.26      | = \$22.53      |
| Living wage   | = \$16.74/hour | = \$16.39/hour |

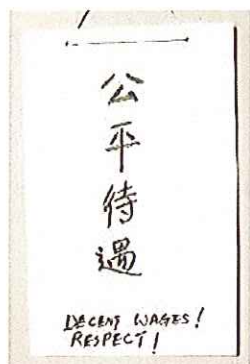
The annual income provided by the living wage is lower than the income currently earned by the majority of couple families in BC with two children. In Vancouver, 41 per cent of such families receive less than the living wage annual income, and in Victoria, 27 per cent.

## 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 is based on 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 experience, such as debt servicing. This is a notable omission, as typically, families do not face many expenses evenly, 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 well 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.
- Notably, most of the expenses included in our calculation are based on 2007 data (not 2008).



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.

### TAXES

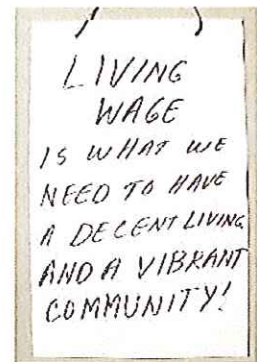
- The living wage assumes that the family is able to claim all its non-MSP health care expenses as a tax credit.
- The living wage assumes that the family claims all available credits even though not all people claim all available tax credits.

## 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 \$16.74 in Vancouver and \$16.39 in Victoria.

The second would be for employers to provide employment/workplace 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 35 cents per hour, in Vancouver from \$16.74 to \$17.09 and in Victoria from \$16.39 to \$16.73.



There are three options employers can combine to achieve this goal: increase wages, provide benefits, and advocate for a redesign of government transfers and other programs targeted at families with children.

The converse is also true. The living wage decreases when employers provide other benefits. For example, in Table 5, the living wage is recalculated based first on the assumption that the employer pays 50 per cent of the family's MSP premiums, and then again on the assumption that the employer pays 100 per cent of the family's MSP premiums. In this scenario, the living wage decreases by 20 cents per hour if employers pay 50 per cent of the MSP premiums and by 40 cents per hour if the employer pays 100 per cent of the premiums.

Similarly, if an employer pays some or all of the premiums for a workplace health plan (covering dental and vision care, etc.), making redundant the need for the family to purchase private health insurance on their own, the effective living wage would be modestly reduced for that employer.

The living wage decreases by 20 cents per hour if employers pay 50 per cent of the MSP premiums and by 40 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 collective/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 these programs were redesigned to ensure that more of the costs of raising the next generation is 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).

Table 5: Living Wage When Employers Pay for Employee's MSP Premiums

|           | No employer-paid MSP premiums | Employer pays 50% of MSP premiums |            | Employer pays 100% of MSP premiums |            |
|-----------|-------------------------------|-----------------------------------|------------|------------------------------------|------------|
|           |                               | Hourly rate                       | Difference | Hourly rate                        | Difference |
| Vancouver | \$16.74                       | \$16.54                           | – \$0.20   | \$16.34                            | – \$0.40   |
| Victoria  | \$16.39                       | \$16.19                           | – \$0.20   | \$15.99                            | – \$0.40   |

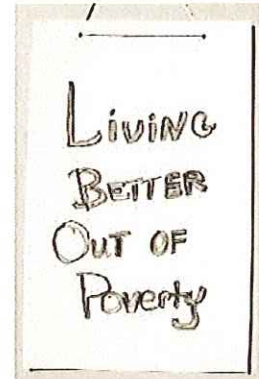
Note: The figures assume that both parents are paid the lower (-\$0.20 or -\$0.40) living wage.

## Employers: Does the Living Wage Seem Financially Unattainable?

Many of you may be supportive of the living wage, but are concerned that if you pay the living wage you will not be able to compete with other employers. In this case, it is in your interest 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:

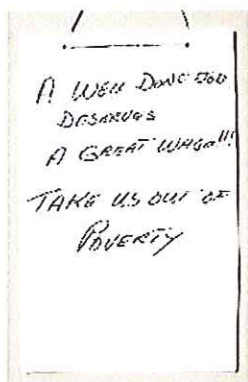
- More affordable housing;
- A child tax benefit of \$5,100 per year, per child, as is recommended by many child advocacy organizations, and a higher CCTB income threshold;
- A universal, publicly-funded child care program;
- Lower tuition fees for post-secondary education;
- Improved public transportation, 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. 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.



As employers, it is in your interest to advocate for programs that would ensure that as a society we collectively address the needs of families with children.

# Living Wages Benefit Both Families and Employers



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.

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.<sup>40</sup> They include HSBC Bank, Morgan Stanley, Lehman Brothers, City Group, Deutsche Bank, Royal Bank of Scotland, KPMG, Price Waterhouse Coopers, Lovells, Credit Suisse, and Macquarie. 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.<sup>41</sup> 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.<sup>42</sup>

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.<sup>43</sup> 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).<sup>44</sup> 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.

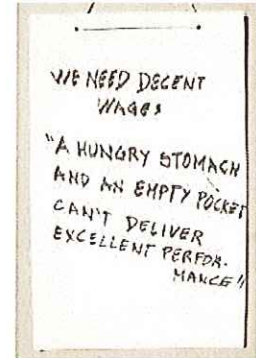
The benefits derived from paying a living wage are significant and measurable. A 2005 study of low-paid contract cleaners at the Royal London Hospital found that earning a living wage made a dramatic difference to the ability of workers to support their families.<sup>45</sup> The researchers asked workers 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

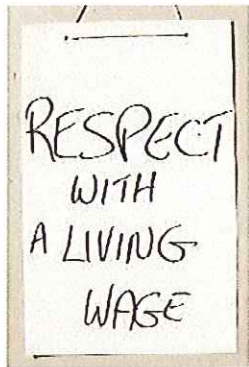
In Canada, work-life researchers Linda Duxbury and Chris Higgins, in a series of national studies, document the very high costs of role overload (i.e. having too much to do in a given amount of time) in both personal and financial terms. They estimate the direct and indirect costs to employers in absenteeism at \$6 billion a year, and to the health care system, as a result of higher use of health services, at another \$6 billion.<sup>46</sup> 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.<sup>47</sup> 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



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.





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.

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."<sup>48</sup>

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 quality people, in the same way that we try to do with directly employed staff...<sup>49</sup>*

*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.<sup>50</sup>*

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.<sup>51</sup> 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."<sup>52</sup>

With a significant and growing labour shortage in the Canadian economy, living wage policies have particularly important productivity implications. According to the Canadian HR Reporter, labour shortages represent by far the greatest challenge to productivity at 38 per cent, far ahead of the tax and regulatory burden at 14 per cent and rising costs at 13 per cent.<sup>53</sup> And as a result, employers who agree to pay a living wage have many advantages over their competitors in a tight labour market.

## 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.<sup>54</sup> 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, especially in these economic times, 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-through 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.

## 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.<sup>55</sup> 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."<sup>56</sup> 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.<sup>57</sup>*



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.

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. In its submission to the provincial Conversation on Health, the Health Officers Council of BC called for strategies to reduce child poverty in BC based on the recognition that child poverty impacts life chances and health outcomes throughout the life course.<sup>58</sup> A March 2005 report from the BC Ministry of Health Services, *A Framework for Core Functions in Public Health*, talks about reducing inequalities in health and "advocating for healthier public policies and changes in social, economic, cultural and environmental conditions that will reduce inequalities in health."<sup>59</sup>

It seems contradictory for BC's Ministry of Health and Health Authorities to sanction contracting-out policies for support staff (security, housekeeping, food services, and laundry), which condemn the contract staff employees to exactly the conditions they claim to want to eradicate.

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. As the Health Officers Council of BC and many others have noted, 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.

## Conclusion

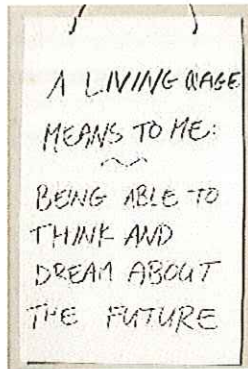
THERE IS A PARADOX when, despite a buoyant economy and record low unemployment rates, we have the highest level of child poverty in the country, among the highest percentage of working poor, and the steepest decline in median real wages. The living wage provides a way to address this paradox. It provides 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 BC and 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 is, in effect, a call to both public and private sector employers to pay wages to both their direct and indirect employees sufficient to provide for the basics for families with children.



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

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.<sup>60</sup>

*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.<sup>61</sup>*

And just recently, in Calgary, the municipal finance committee approved hourly living wage policies of \$12 with benefits and \$13.25 without benefits for all municipal employees, whether they work directly for the city or a private contractor.<sup>62</sup> This living wage rate is based on the living costs for an individual worker. It does not take into account the needs of workers with family responsibilities. All the same, if these policies pass the municipal council, they will improve the wages for about 680 employees working directly for the city and cost \$245,000.

It is the sincere hope of the authors that the publication of this report will spur public and private sector employers in Metro Vancouver and BC's Capital Region to become advocates for living wage policies in their own organizations and in the broader economy.

## NOTES

---

- 1 Littman, 2008.
- 2 Arthurs, 2006, p. 47.
- 3 Ibid.
- 4 Dobbin, 2005.
- 5 These programs include income support benefits such as the Canada Child Tax Benefit and would include government supported child care.
- 6 Yalnizyan, 2007, p. 3.
- 7 Ibid., p. 4, from 27 per cent between 1976 and 1979 to 20.5 per cent between 2001 and 2004.
- 8 Frenette and Morissette, 2003; Pico and Hou, 2008, p. 61; Statistics Canada, 2008.
- 9 Vancouver Foundation, 2007.
- 10 Statistics Canada, 2008a, p. 14.
- 11 Statistics Canada, 2008b, Table 802.
- 12 First Call, 2007, Fact Sheet 2.
- 13 Ibid., Fact Sheet 7.
- 14 Stinson et al., 2005, p. 42.
- 15 Statistics Canada, 2006a; Creese and Strong-Boag, 2008, p. 4.
- 16 Higgins et al., 2004.
- 17 Kershaw, 2007.
- 18 Ross and Roberts, 1999.
- 19 Ibid.
- 20 Hertzman, 2004.
- 21 Health Officers Council of British Columbia, 2007, p. 4.
- 22 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.
- 23 In Kershaw, 2005, pp. 164-165, from Esping-Andersen, Gosta, 2002.
- 24 Statistics Canada, 2006c.
- 25 Statistics Canada, 2006b, p. 107.
- 26 National Council of Welfare, 2004.
- 27 Statistics Canada, 2005a. Employed by total usual hours worked for both the female reference person and her spouse with children aged 15 years and under, all jobs, BC, 2006 annual average. This calculation is based upon actual hours of paid work. 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, and on this basis the family would be at a higher percentile of couple families with respect to total hours worked.
- 28 Human Resources and Social Development Canada, 2006.
- 29 The reason for this is that average expenditures are pulled upward by elevated incomes and expenditures of the higher earning portions of the population.
- 30 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.

- 31 "Other" expenses include personal care items, household supplies and furniture, school supplies, and modest levels of reading materials, recreation and entertainment.
- 32 Dietitians of Canada, 2007.
- 33 Canada Mortgage and Housing Corporation published its *Rental Market Reports* in December 2007 containing data from October 2007. This report presents data for average rents for apartments. Data on median rents is not available in the CMHC report and was obtained by special request to CHMC.
- 34 Canada Mortgage and Housing Corporation, 2007.
- 35 See Lee et al., 2008.
- 36 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 licence, registering the vehicle, auto insurance, 1,500 litres of regular unleaded gasoline and the cost of two oil changes and one tune-up annually.
- 37 Westcoast Child Care Resource Centre, 2007.
- 38 Victoria Child Care Resources and Referral Centre, 2007.
- 39 Statistics Canada, 2005b. Data provided by Statistics Canada presents family income from employment and from government transfers such as the CCTB. Therefore, in order to make these comparisons and calculations of percentages, the income of the family earning the living wage is supplemented by government transfers.
- 40 Littman, 2008, p. 4.
- 41 Ibid.
- 42 Olympic Delivery Authority, 2007.
- 43 Ibid.
- 44 Wills, 2008. Also see [www.geog.qmul.ac.uk/livingwage/](http://www.geog.qmul.ac.uk/livingwage/).
- 45 Sokol et al., 2006.
- 46 Higgins et al., 2004, pp. xviii and 3-4.
- 47 Applebaum et al., 2003.
- 48 Littman, 2008, from a meeting with KPMG.
- 49 Cottell, 2005.
- 50 BBC Radio, Nice Work, March 22, 2005.
- 51 Interview with Barclays Press Office, March 16, 2008.
- 52 Barclays, 2006. Barclays has continued to raise its London living wage rates ahead of increases set by the Greater London Authority.
- 53 Canadian HR Reporter, 2006.
- 54 Murray and Mackenzie, 2007.
- 55 Littman, 2008, p. 4.
- 56 Business Ethics Online.
- 57 Raths, 2006.
- 58 Health Officers Council of British Columbia, 2007.
- 59 BC Ministry of Health Services, 2005, p. 48.
- 60 Pearson, 2007, p. 31.
- 61 Ibid.
- 62 Guttormson, 2008.

## REFERENCES

---

- Applebaum, Eileen, Peter Berg, Ann Frost, and Gil Preuss. 2001, Revised 2002. *The Effects of Work Restructuring on Low-Wage, Low-Skill Workers in U.S. Hospitals*. Russell Sage Rockefeller research volume. December.
- Arthurs, Harry. 2006. *Fairness at Work: Federal Labour Standards for the 21<sup>st</sup> Century*. Gatineau, Quebec: Human Resources Development Canada.
- Barclays. 2007. "Barclays leads the way in cleaners' pay." News release, June 18. Accessed at [www.newsroom.barclays.com/Content/Detail.asp?ReleaseID=1102&NewsAreaID=2](http://www.newsroom.barclays.com/Content/Detail.asp?ReleaseID=1102&NewsAreaID=2).
- Barclays. 2006. "Barclays Drives Rise in Cleaners' Standard of Living." News release, April 24. Accessed at [www.newsroom.barclays.co.uk/Content/Detail.asp?ReleaseID=639&NewsAreaID=2](http://www.newsroom.barclays.co.uk/Content/Detail.asp?ReleaseID=639&NewsAreaID=2).
- BC Ministry of Health Services. 2005. *A Framework for Core Functions in Public Health*. March.
- Business Ethics Online. Ethics after Enron. [www.business-ethics.com](http://www.business-ethics.com).
- Canada Mortgage and Housing Corporation. 2007. *Rental Market Reports*. December.
- Canadian HR Reporter. 2006. "HR on the Executive Radar." June 15. Accessed at [www.hrreporter.com](http://www.hrreporter.com).
- Cottell, Colin. 2005. It's time rich City firms cleaned up their act. *The Guardian*. May 7.
- Creese, Gillian and Veronica Strong-Boag. 2008. *Still Waiting for Justice: Provincial policies and gender inequality in BC 2001-2008*. Prepared for the British Columbia Federation of Labour and the Centre of Women and Gender Studies at UBC. March 8.
- Dietitians of Canada. 2007. *The Cost of Eating in BC 2007*.
- Dobbin, Murray. 2005. Embracing Canadian Values. *CCPA Monitor*. May.
- First Call: BC Child and Youth Advocacy Coalition. 2007. *BC Campaign 2000: 2007 Child Poverty Report Card*. Vancouver.
- Frenette, Marc and Rene Morissette. 2003. *Will they Converge? Earnings of immigrants and Canadian born workers over the last two decades*. Statistics Canada, Analytical Studies Branch Research Paper Series, No. 215.
- Guttormson, Kim. 2008. City Committee Approves 'Living Wage' Policies; Policy Criticized for Interfering with the Marketplace. *Calgary Herald*. April 10. p. B3.
- Health Officers Council of British Columbia. 2007. *Submission on Child Poverty to the British Columbia Conversation on Health*. July 4.
- Hertzman, Clyde. 2004. *Making Early Childhood Development a Priority: Lessons from Vancouver*. Vancouver: Canadian Centre for Policy Alternatives. May.
- Higgins, Chris, Linda Dubury, and Karen Johnson. 2004. *Report Three: Exploring the Link Between Work-Life Conflict and Demands on Canada's Health Care System*. Public Health Agency of Canada. March.



- Human Resources and Social Development Canada. 2006. *Low Income in Canada: 2000-02, Using the Market Basket Measure*. Human Resources and Social Development Canada. 2006.
- Kershaw, Paul. 2005. *CareFair: Rethinking the Responsibilities and Rights of Citizenship*. Vancouver: UBC Press, pp.164-165, from Esping-Andersen, Gosta. 2002. *Why We Need a Welfare State*. Oxford UK: Oxford University Press.
- Kershaw P., L. Irwin, K. Trafford, and C. Hertzman. 2006. *British Columbia Atlas of Child Development*. Vancouver: UBC Press.
- Kershaw, Paul. 2007. "Measuring Up, Family Benefits in British Columbia and Alberta in International Perspective." *IRPP Choices* 13 (2).
- Lee, Marc, Erick Villagomez, Penny Gurstein, David Eby, and Elvin Wyly. 2008. *Affordable EcoDensity: Making Affordable Housing a Core Principle of Vancouver's EcoDensity Charter*. Submission by the Canadian Centre for Policy Alternatives to Vancouver City Council.
- Littman, Deborah. 2008. *The Business Case for the Living Wage*. Working Brief. February. Accessed at [www.unison.org.uk/file/Working%20Brief%20Case%20for%20Living%20Wage%20--August%202007.doc](http://www.unison.org.uk/file/Working%20Brief%20Case%20for%20Living%20Wage%20--August%202007.doc).
- Murray, Stuart and Hugh Mackenzie. 2007. *Bringing Minimum Wages Above the Poverty Line*. Ottawa: Canadian Centre for Policy Alternatives. March.
- National Council of Welfare. 2004. *Poverty Statistics 2004: Children living in poverty by family type*. Accessed at [www.ncwcnbes.net/documents/researchpublications/ResearchProjects/PovertyProfile/2004/Children-FamilyType:NG.pdf](http://www.ncwcnbes.net/documents/researchpublications/ResearchProjects/PovertyProfile/2004/Children-FamilyType:NG.pdf)
- Olympic Delivery Authority. 2007. "Olympic Delivery Authority and London Citizens agree to work together on London Living Wage." Press release. February 15. Accessed at [www.london2012.com/news/media-releases/2007/2007-02/olympic-delivery-authority-and-london-citizens-agree-to-.php](http://www.london2012.com/news/media-releases/2007/2007-02/olympic-delivery-authority-and-london-citizens-agree-to-.php).
- Pearson, Carole. 2007. A Fair Day's Pay: Minimum and Living Wage Campaigns in Canada. *Our Times*. August/Sept.
- Pico, Garnet and Feng Hou. 2008. *The Rise in Low Income Rates Among Immigrants in Canada*. Statistics Canada Analytical Studies Research Paper Series, Catalogue 11F0019MIF #198.
- David Raths. 2006. Business Ethics 100 Best Corporate Citizens 2006. *Business Ethics Online*. Spring. Accessed at [www.business-ethics.com/BE100\\_2006](http://www.business-ethics.com/BE100_2006).
- Ross, David and Paul Roberts. 1999. *Income and Child Well-Being: A New Perspective on the Poverty Debate*. Ottawa: Canadian Council on Social Development. p. 4. Accessed at [www.ccsd.ca/pubs/inckids/l.htm](http://www.ccsd.ca/pubs/inckids/l.htm).
- Sokol, Martin, Jane Wills, Jeremy Anderson, Marg Buckley, Yara Evans, Claire Frew, and Paula Hamilton. 2006. *The impact of improved pay and conditions on low-paid urban workers: the case of the Royal London Hospital*. Queen Mary University Department of Geography. April. Accessed at [www.geog.qmul.ac.uk/staff/pdf/urbanworkers.pdf](http://www.geog.qmul.ac.uk/staff/pdf/urbanworkers.pdf).
- Statistics Canada. 2008a. *Earnings and Incomes of Canadians Over the Past Quarter Century: 2006 Census*. Catalogue No. 97-563. May.
- Statistics Canada. 2008b. *Income Trends in Canada 1976 to 2006*, Catalogue No. 13F0022XIE. May.

- Statistics Canada. 2006a. Labour Force Survey – B.C. Data.
- Statistics Canada. 2006b. Income in Canada.
- Statistics Canada. 2006c. Census, B.C. Data. Number of Children at Home and Census Family Structure for the Census Families in Private Households of Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2001 and 2006 Censuses.
- Statistics Canada. 2005a. Labour Force Survey – B.C. Data.
- Statistics Canada. 2005b. Annual Estimates for Census Families and Individuals.
- Stinson, Jane, Nancy Pollak, and Marcy Cohen. 2005. *Pains of Privatization: How Contracting Out Hurts Health Support Workers, Their Families, and Health Care*. Vancouver: Canadian Centre for Policy Alternatives. April.
- Westcoast Child Care Resource Centre. 2007. *Westcoast Family Information & Referral Fee Survey*. December.
- Vancouver Foundation. 2007. *Metro Vancouver's Vital Signs*. Accessed at [www.vancouverfoundation.bc.ca/resources/index.htm](http://www.vancouverfoundation.bc.ca/resources/index.htm).
- Victoria Child Care Resources and Referral Centre. 2007. Average child care fees. Private communication. July.
- Wills, J. 2008. *The London living wage campaign: estimates of the numbers of workers covered and the wages gained (December 2007)*. Accessed at [www.unison.org.uk/file/Working%20Brief%20Case%20for%20Living%20Wage%20--August%202007.doc](http://www.unison.org.uk/file/Working%20Brief%20Case%20for%20Living%20Wage%20--August%202007.doc).
- Yalnizyan, Armine. 2007. *The Rich and the Rest of Us: The Changing Face of Canada's Growing Gap*. Ottawa: Canadian Centre for Policy Alternatives.

## Principles for Calculating a Living Wage for Vancouver and Victoria

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/ 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.

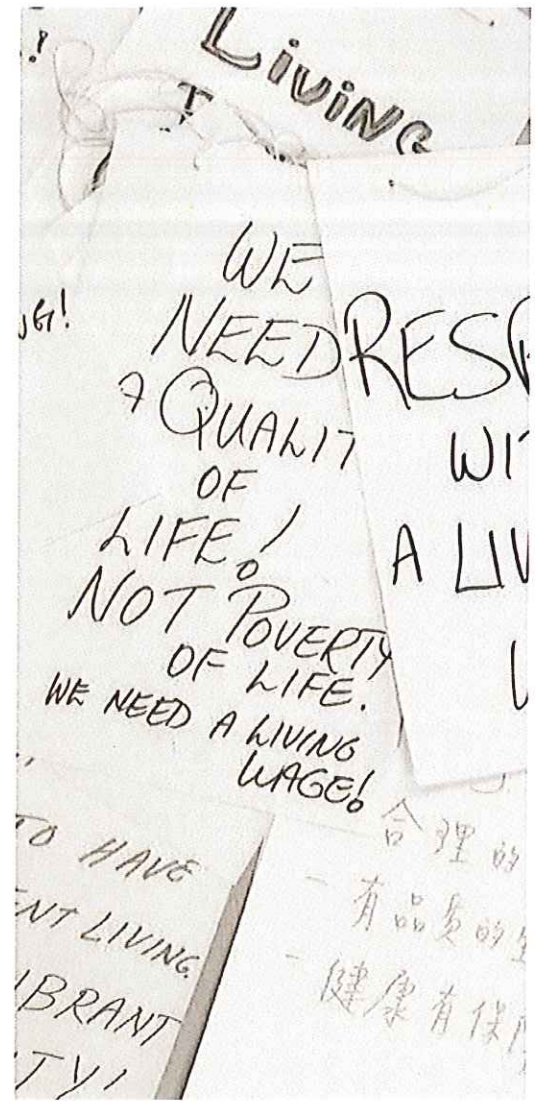
A living wage is a vehicle for promoting the benefits of social programs. It does not presume that labour market wages alone can solve all problems of poverty and social exclusion.

- 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.

## ECONOMIC SECURITY PROJECT

The Economic Security Project is a research alliance led by the CCPA's BC Office and Simon Fraser University, and includes 24 community organizations and four BC universities. It looks at how provincial policies affect the economic well-being of vulnerable people in BC, such as those who rely on social assistance, low-wage earners, recent immigrants, people with disabilities, seniors, youth and others. It also develops and promotes policy solutions that improve economic security. The project is funded primarily by a grant from the Social Sciences and Humanities Research Council of Canada (SSHRC) through its Community-University Research Alliance Program.

[www.policyalternatives.ca/economic\\_security](http://www.policyalternatives.ca/economic_security)



**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.

[www.firstcallbc.org](http://www.firstcallbc.org)

202 – 1193 Kingsway  
Vancouver BC  
V5V 3C9  
604-873-8437  
info@firstcall.org



**CCPA**

CANADIAN CENTRE  
for POLICY ALTERNATIVES  
BC Office

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social and economic justice. Founded in 1980, it is one of Canada's leading progressive voices in public policy debates. The CCPA is a registered non-profit charity and depends on the support of its more than 10,000 members across Canada.

1400 – 207 West Hastings Street  
Vancouver BC V6B 1H7  
604-801-5121  
ccpabc@policyalternatives.ca

[www.policyalternatives.ca](http://www.policyalternatives.ca)



CANADIAN  
ASSOCIATION  
OF SOCIAL  
SCIENTISTS



**COMMUNITY  
COUNCIL**

The Community Social Planning Council of Greater Victoria is a registered charity whose mission is to provide leadership that brings the community together to create a sustainable quality of life for everyone in BC's Capital Region. The Community Council does this by convening and supporting collaborative initiatives, conducting community-based research and communicating reliable information.

3948 Quadra Street  
Victoria BC V8X 1J6  
250-383-6166  
info@communitycouncil.ca

[www.communitycouncil.ca](http://www.communitycouncil.ca)