

# CALCULATING THE LIVING WAGE FOR NIAGARA REGION 2016

The Niagara Poverty Reduction Network



A living wage reflects what earners in a family need to be paid based on the actual costs of living and being included in a specific community.

The living wage is calculated as an evidence-based hourly rate at which a household (two adults working full-time, two children) can meet its basic cost of living needs, once government transfers have been added to the family's income and deductions have been subtracted. Included in this calculation are food, shelter, clothing, transportation, child care, non-OHIP medical insurance, continuing adult education, and items that allow for fuller participation in society, such as communication, family leisure outings, and local recreation.

In Canada, a living wage is a voluntary commitment that can be made by public, private, and not-for-profit sector employers to compensate directly-employed and contract-employed workers.

Calculating a living wage provides an opportunity for a community to:

- discuss work, wages, and compensation in different ways;
- act as a guide for employers who want to ensure their workforce can adequately meet their family's basic household cost of living and community inclusion needs

The hourly living wage for Niagara region was established as \$17.47 for 2016.

A detailed, step by step guide is available to other Ontario communities interested in calculating their own living wage through the Canadian Centre for Policy Alternatives, Ontario Office - [www.policyalternatives.ca/offices/ontario](http://www.policyalternatives.ca/offices/ontario)

## ACKNOWLEDGEMENTS

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This brief provides context on the living wage calculation for Niagara region in 2016, a description of the methodology used to calculate a living wage, and a look at who could implement a living wage.

## WHAT IS A LIVING WAGE?

In Canada, a living wage is currently a voluntary commitment that can be made by public, private and not-for-profit sector employers to compensate directly-employed and contract-employed workers. It is not a blunt policy tool, as is the minimum wage, but rather, a guide for employers who wish to pay fairer wages for work. Fairer wages are wages that allow a family to be meet their basic household cost of living needs, as well as to be included in the mainstream community; in other words, an inclusive wage.

A living wage is not the same as the minimum wage, which is the legal minimum all employers must pay. The living wage sets a higher test - it reflects what earners in a family need to be paid on an hourly basis based on the actual costs of living and being included in a specific community. The living wage is calculated as an evidence-based hourly rate at which a household consisting of two working parents with two children can meet its basic needs, once government transfers have been added to the family's income and taxes and payroll deductions have been subtracted.

Included in this calculation are food, shelter, clothing, transportation, child care, private health insurance for prescription drugs and dental coverage, continuing education for adults to upgrade skills, and items that allow for fuller participation in society, such as communication, family leisure outings and local recreation. The calculation is neither national nor provincial – it is done for a municipality or region to reflect real local living costs and the hourly wage required to meet those basic needs.

A living wage is by no means a luxury wage. Many items that could be considered as an important component of mainstream quality of life are not included in the reference calculation, including savings for a child's education, retirement, home ownership, or even debt repayment. It provides a conservative estimate of what that family needs to earn in order to meet basic day-to-day cost of living needs and to participate in the social life of their community<sup>1</sup>.

Calculating a living wage provides an opportunity for a community to:

- discuss work, wages, and compensation in different ways;
- act as a guide for employers who want to ensure their workforce can adequately meet their family's basic household cost of living and community inclusion needs

### OF NOTE:

A living wage is just one of many tools in a tool-box to assist workers and employers in helping to meet a family's basic cost of living needs and opportunities for community participation – it is not a stand-alone policy or decision. It works more effectively when implemented in conjunction with increased availability of reasonably-priced housing, more accessible and affordable child care and public transit options, employee benefit plans, skills training, economic development initiatives, and other broad public policies and programs.

## HOW IS A LIVING WAGE CALCULATED?

A living wage calculation examines the expenditures necessary to meet basic needs and to participate both economically and socially in a community. The resulting hourly wage represents the income necessary to meet both family expenditures and pay taxes and payroll deductions. It is determined using the Canadian Centre for Policy Alternatives (CCPA) Living Wage calculator for Ontario, which is adapted from the National Living Wage Framework<sup>2</sup>, takes into account a conservative estimate of family expenses, as well as the tax, transfer, and payroll deduction rules for the province. This framework incorporates provides a consistent definition and methodology that is being deployed across the country to ensure uniformity and credibility of approach. Taxes, transfers, and even hours of work vary widely from province to province. Cost of living, such as rent, and access to public services, such as child care and transit also vary. For this reason, there are variations in the living wage calculation from province to province and community to community.

The living wage calculation starts with a list (and accompanying estimated cost) of necessary expenses for a standard reference family of four (two adults both aged 35 and both working full-time jobs (37.5 hours/week each), a three-year old child and a seven-year old child) to:

- meet basic needs (i.e. housing, nutritious food, transportation);
- participate in the economic and social fabric of their community (i.e. recreational opportunities);
- purchase items that can help them escape marginal subsistence (i.e. school supplies, household items)

The list of family expenses contains no extravagances. It does not allow families to save for their children's post-secondary education. It does not acknowledge that many working families carry debt obligations, such as student loans. It does not allow for home ownership and its many additional expenses. But it does recognize that assets, resources, and services such as rent, transportation, child care, food, clothing, internet, telephone, and laundry are essential items that every family requires to meet basic needs in an advanced economy and developed country such as Canada in the 21st century.

In calculating the living wage for Niagara region, expenses were determined from credible and reliable sources such as Niagara Region Public Health, Canada Mortgage and Housing Corporation (CMHC), and Statistics Canada's Market Basket Measure (MBM). Some expenses are eligible for subsidies, such as child care available through Niagara Region Community Services.

### OF NOTE:

Although lowest consistent cost alternatives were presented when possible, bargains, sales, coupons, and other price-lowering measures cannot be consistently relied upon by any family and thus form no part of this calculation.

Once total family expense has been added up, the calculation moves to the income side of the equation, to incorporate applicable employment income and government transfers. The living wage incorporates relevant government assistance, such as child benefits.

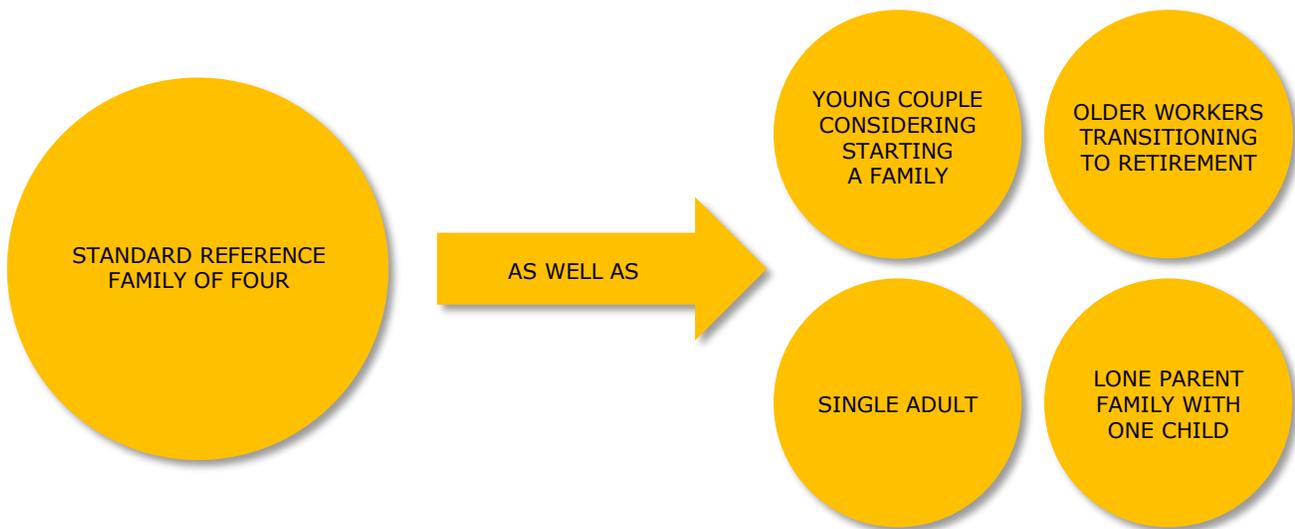
The final step in calculating a community or region's living wage is to calculate the employment income this family needs to meet both household expenses and to pay taxes and payroll deductions. This is done by dividing total employment income by the annual number of hours worked (3,900 hours, based on two adults each working a 37.5 hour work week for 52 weeks).

The living wage covers the basic needs and social inclusion of a majority of its family units living in its communities. Although a standard reference family of four is used for calculation purposes, a living wage supports the diversity of families in our community through the life cycle, so that young

adults are in a position to consider starting a family and older workers have some extra income as they age and require different supports. A living wage is also sufficient to meet the needs of a single adult or a lone parent with one child.

The living wage calculation covers the basic needs and social inclusion of a majority of families living in a community, including unattached individuals and single parent families with one child. Although a standard reference family is used for calculation purposes, a living wage supports the diversity of families in our community through the life cycle, so that young adults are in a position to consider starting a family and older workers have some extra income as they age and require different supports. A living wage is also sufficient to meet the needs of a single adult or a lone parent with one child.

FIGURE 1: WHO A LIVING WAGE CAN SUPPORT



The methodology for calculating Niagara region’s living wage includes the following scenario:

- A healthy family of four – two parents, both aged 35, and two children, one aged three and one aged seven
- One child in full-time daycare
- One child in before and after-school care during the school year and in camps during the summer and school breaks
- Full-time hours of employment per week (37.5) for each of the two parents
- One parent taking two college courses per year to improve skills and employment capacity
- Costs of living including rental housing, transportation, food, clothing, child care, laundry, telephone, medical and life insurance, and other reasonable social and economic inclusion expenses
- Inclusion of any applicable tax credits, returns, government benefits, and subsidies

TABLE 1: NIAGARA REGION'S LIVING WAGE: SUMMARY OF ANNUAL HOUSEHOLD EXPENSES

ITEM	ANNUAL AMOUNT
Food	\$8,759.40
Clothing/Footwear	\$1,983.13
<b>SHELTER</b>	
Rent, 3 Bedroom Apartment	\$12,312.00
Utilities	\$938.98
Tenant Insurance	\$218.16
Household Items & Furnishings	\$609.40
Transportation/Vehicle	\$11,256.44
<b>CHILD CARE</b>	
Daycare	\$12,448.74
Camps (Summer, March Break)	\$1,430.00
<b>ECONOMIC &amp; COMMUNITY PARTICIPATION/INCLUSION</b>	
Cell Phone	\$690.00
Internet	\$551.28
Family Vacation	\$714.91
Family Outings	\$878.70
Recreation	\$1,462.80
Personal Care	\$935.83
Laundry	\$1,152.00
Reading	\$137.24
School Supplies & Fees	\$300.00
<b>OTHER</b>	
Non-OHIP Medical Insurance	\$3,462.00
Disability & Life Insurance	\$1,677.50
Adult Education	\$1,000.00
Contingency	\$2,517.00
<b>TOTAL FAMILY HOUSEHOLD EXPENSES</b>	<b>\$65,435.51</b>

OF NOTE: Table 1 itemizes each household expense and estimated cost. The detailed breakdown of the "Annual Household Expenses" calculation, methodology, and rationale can be found in the "Calculating the Cost of Living in Niagara Region, 2016" report, located on the Niagara Poverty Reduction Network website: [www.wipeoutpoverty.ca](http://www.wipeoutpoverty.ca)

TABLE 2: NIAGARA REGION'S LIVING WAGE – SUMMARY OF ANNUAL FAMILY INCOME

HOUSEHOLD INCOME, TAXES, & PAYROLL DEDUCTIONS*	ANNUAL AMOUNT
Government Transfers & Subsidies	
Universal Child Care Benefit	\$2,640.00
Canada Child Tax Benefit	\$2,374.00
Child Care Subsidy	\$1,213.00
Working Income Tax Benefit	\$0.00
Ontario Child Benefit	\$0.00
Total Household Income (Employment Income + Transfer/Subsidies)	\$74,374.00
Government Taxes & Payroll Deductions	
Federal & Provincial Tax after Credits	\$4,631.00
CPP & EI Contributions	\$4,308.00
Total Household Income (After Tax & Payroll Deductions Are Subtracted)	\$65,434.00
Total Family Household Expenses (Table 1)	\$65,435.51
Total Household Employment Income Required	\$68,147.00 (or \$34,074.00 per job)
<b>NIAGARA REGION'S 2016 HOURLY LIVING WAGE</b>	<b>\$17.47</b>

\*Appendix A provides a detailed description of the government benefits, taxes, transfers, and other payroll deductions associated with the 2016 Niagara region living wage calculation.

OF NOTE:

If an employer in Niagara region provides comparable or better non-OHIP medical coverage as part of an overall compensation package, the hourly wage an employer would pay to be considered a "living wage" would be approximately \$2.00 lower (\$15.47 per hour).

If an employer in Niagara region provides comparable or better disability and life insurance as part of an overall compensation package, the hourly wage an employer would pay to be considered a "living wage" would be approximately \$1.00 lower (\$16.47 per hour).

If an employer in Niagara region provides both comparable or better non-OHIP medical coverage and disability/life insurance coverage as part of an overall compensation package, the hourly wage an employer would pay to be considered a "living wage" would be approximately \$3.00 lower (\$14.47 per hour).

*As the amount of family living expenses is reduced, child care subsidy rates, taxes, and other deductions fluctuate, thus impacting the hourly wage rate.*

## WHO COULD IMPLEMENT A LIVING WAGE IN NIAGARA?

There are a range of possibilities:

- **Municipal/Regional government:** The Region of Niagara, as well as its 12 municipal governments, could adopt a living wage strategy in all employment and procurement policies to ensure that all staff and contract workers are paid Niagara region's living wage. The City of Vancouver, British Columbia<sup>3</sup> is one example of a municipal government that recently passed a motion to become a living wage employer, while the City of Toronto is considering living wage recommendations in its Municipal Poverty Reduction Strategy<sup>4</sup>.
- **Broader public service sector:** The broader public service, including hospitals and post-secondary institutions, could adopt an organization-wide living wage policy that would ensure all staff and contract workers are paid Niagara region's living wage. The Hamilton-Wentworth District School Board is one example of a public sector employer that has adopted a living wage policy as a way to send a strong message on the importance of inclusive wages to reduce poverty<sup>5</sup>.
- **Social profit/social service sector and granting agencies:** Many employers in Niagara region, including many non-profit organizations, offer employment opportunities that are funded by some combination of government institutions and community foundations. These granting organizations have considerable influence over the pay offered through their grants as they seek to support programs that provide the highest level of service for the lowest cost possible. Moving forward, grantors could consider the quality of the jobs supported by the funding and move to ensure that employment opportunities consider including Niagara region's living wage. Good Shepherd Centres in Hamilton, Ontario recently adopted a living wage policy for all of its workers<sup>6</sup>.
- **Private sector:** There is a growing and strong argument that private sector employers have much to gain by embracing the living wage movement and a good jobs strategy. Although public debate over a higher minimum wage is often subject to objections that the demands are too great, there is much evidence to suggest that the choice to pay low-paid workers higher wages is good for business of all sizes, good for the community, and good for the employees. Waterloo, Ontario has several private sector living wage champions, including GCP Industrial Products and Grosche International<sup>7</sup>.

Regardless of the sector, the fundamental principles and implications of a living wage remain the same:

- Income is the most important determinant of one's health. Higher wages mean healthier workers and healthier workers are more productive and absent less often;
- Higher wages lead to reduced staff turnover, which means lower training and recruitment costs for employers;
- Recognizing employees' contribution to the employer's bottom line by compensating them with competitive, inclusionary wages to meet the needs covered in a living wage calculation enhances reputation among consumers and the community<sup>8</sup>.
- A living wage is one of many tools in a toolbox to assist in helping to meet a family's basic cost of living needs and opportunities for community participation – it is not a stand-alone policy or decision. It works more effectively when implemented in conjunction with increased availability of reasonably-priced housing, more accessible and affordable child care and public transit options, employee benefit plans, skills training, economic development initiatives, and other broad public policies and programs.

## APPENDIX A

The following section provides a detailed description of the government benefits, taxes, transfers, and other payroll deductions associated with the 2016 Niagara region living wage calculation and income level:

### UNIVERSAL CHILD CARE BENEFIT

The Universal Child Care Benefit (UCCB) is a federal program that provides a monetary benefit for every Canadian family with a child aged 17 and under that is meant to provide assistance with child care costs. A monthly benefit of \$160.00 is paid to each child under the age of 6 and a \$60.00 monthly benefit is paid to each child between the ages of 6 and 17<sup>9</sup>. The living wage includes one child under six, one child over six so the calculation includes UCCB income of \$2,640.00 per year.

### CANADA CHILD TAX BENEFIT

The Canada Child Tax Benefit (CCTB) is a tax-free benefit provided to all eligible Canadian families and is meant to provide financial assistance for raising children<sup>10</sup>. In Niagara region, a family of four with two parents earning a living wage would qualify to receive \$2,374.00 per year in the form CCTB. The combined total of the UCCB and CCTB is just over \$5,000.00 per year, which is less than half of the family's child care expenditures.

### CHILD CARE SUBSIDY

In Ontario, the provincial government provides lump sum funding to municipalities across the province to provide child care subsidies for families in financial need. The subsidy works on a sliding scale, offering greater support for families with the lowest incomes. The Niagara region living wage calculation includes a child care subsidy of \$1213.00 per year.

### WORKING INCOME TAX BENEFIT

The Working Income Tax Benefit (WITB) is a refundable federal tax credit. The benefit was created as a way to reduce barriers faced by low-income people as they move from receiving social assistance to employment<sup>11</sup>. The earnings threshold for WITB eligibility is lower than the living wage calculation, so this family, despite living on a modest income, does not qualify for the WITB.

### ONTARIO CHILD BENEFIT

The Ontario Child Benefit (OCB) is provided to eligible Ontario families to provide financial assistance in raising their children<sup>12</sup>. The earnings threshold for OCB eligibility is lower than the living wage calculation, so this family, despite living on a modest income, does not qualify for the OCB.

### FEDERAL AND PROVINCIAL INCOME TAX

Each living wage calculation takes into account the amount of money an income earner pays in federal and provincial taxes, after all government credits and deductions. At the income level for a living wage family, a family of four in Niagara region will pay a total of \$4,881.00 combined federal and provincial income tax.

### CANADA PENSION PLAN AND EMPLOYMENT INSURANCE CONTRIBUTIONS

With few exceptions, every person who is employed and earns over \$3,500 per year in Canada must contribute to the Canada Pension Plan (CPP). Workers must also contribute to the Employment Insurance (EI) fund. Both contributions are subject to a yearly maximum. Generally, both contributions are deducted from one's paycheque. The combined CPP and EI contributions for this family of four total \$4,308.00 per year.

## SOURCES

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