

# Calculating a Living Wage for Halton

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***2019 Update***

November 2019



**POVERTY  
FREE  
HALTON**



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## **Introduction**

A living wage is the hourly wage a worker needs to earn to cover their basic expenses and participate in their community.

A living wage is not the same as the minimum wage, which is the legislated minimum all employers must pay and is set by the provincial government. The living wage sets a higher test and reflects what people need to earn to cover the actual costs of living in their community. The living wage gets families out of severe financial stress by lifting them out of poverty and providing a basic level of economic security. The living wage calculation includes basic items such as food, clothing, shelter, transportation, and childcare as well as a modest amount for recreation. It does not include debt repayment, retirement savings, costs of home ownership or saving for children's future education. It is a call to private and public sector employers to pay wages for both direct and externally contracted employees sufficient to provide the basics and participate in community life.

More and more people are working for low wages. They are facing impossible choices — buy food or heat the house, feed the children or pay the rent. The result can be spiralling debt, constant anxiety, and long-term health problems. In many cases it means that the adults in a family are working long hours, often at two or three jobs, just to pay for basic necessities. Communities across the province are calculating the living wage as a practical tool for employers. Employers looking to go above and beyond for their employees can use the living wage rate as a base wage in their organization and will know that they are paying a wage that allows for more than just surviving.

The Ontario Living Wage Network has certified over 250 employers in Ontario for making the commitment to pay all employees at least the living wage. Through the living wage employer program, we are effectively raising wages of low-income workers across the province.

## **Acknowledgements**

The 2019 living wage calculation uses the [\*Canadian Living Wage Framework: A National Methodology for Calculating the Living Wage in Your Community\*](#) and the Canadian Centre for Policy Alternatives Ontario (CCPA) Family Expense Workbook to develop the living wage calculation. The Family Expense Workbook was updated by the Ontario Living Wage Network and the living wage calculation generated using the CCPA-Ontario Living Wage Calculator. The tool used to calculate community expenses, taxes and government transfers is updated on an annual basis. The 2019 calculator update was completed by Iglika Ivanova from the Canadian Centre for Policy Alternatives (CCPA) in British Columbia.

## Previous Halton Calculations

In March 2013, Community Development Halton (CDH) released a discussion paper<sup>1</sup> on the calculation of a living wage for Halton Region. Applying a methodology developed by Canadian Centre for Policy Alternatives' (CCPA) Ontario office, a living wage of \$17.05 was calculated for a family of four (two parents, one boy aged 10 and one girl aged 14).

In April 2017, using the same methodology and the same composition of a reference family, a living wage of \$17.95 was calculated for 2016,<sup>2</sup> up 90 cents in four years.

This report documents the process and data used in the updating of a living wage for Halton Region for 2019. As with the previous reports, it is intended to continue the dialogue on the concept of a living wage in the context of poverty reduction.

In addition, this report uses a template provided by the Ontario Living Wage Network (OLWN) based on the *Canadian Living Wage Framework: A National Methodology for Calculating the Living Wage in Your Community*.<sup>3</sup> The OLWN has created a methodology for calculating the living wage in Ontario which provides consistency in living wage calculations across the province.

**It is important to note this template uses a different composition of the reference family (two adults each age 35, a 7-year old boy and a 3-year old girl) to calculate the living wage. As such, the living wage for 2019 should not be compared with living wages for 2013 or 2017.**

## What is a Living Wage?

A living wage is envisioned as a wage that allows working people not just to survive (in minimal physiological terms) but to enjoy a decent quality of life in which one can raise a family, be healthy and enjoy recreation, culture, entertainment and participate fully in social life.<sup>4</sup> The amount of a living wage varies depending on the living expenses in a particular community as well as the tax and benefit system. As those items change over time, a living wage is often recalculated annually.

In contrast, minimum wages are set by governments without taking into consideration the ability of the working people to have a quality of life. In addition, a minimum wage does not reflect the differences in a cost of living geographically. The current minimum wage in

<sup>1</sup> Community Development Halton. *Calculating a Living Wage for Halton, A Discussion Paper*. March 2013

<sup>2</sup> Community Development Halton, *Calculating a Living Wage for Halton, 2016 Update*, April 2017

<sup>3</sup>

[http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office%20Pubs/bc\\_2008/ccpa\\_b\\_c-living-wage\\_2008.pdf](http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office%20Pubs/bc_2008/ccpa_b_c-living-wage_2008.pdf)

<sup>4</sup> Canadian Centre for Policy Alternatives, *A Living Wage for Toronto*. Ottawa, Ontario 2008.

Ontario is \$14.00 per hour (January 1, 2018 to September 30, 2020). A person working full time at minimum wage would earn less than Statistics Canada's Low Income Cut-off (LICO). As such, minimum wage earners and their families are living in poverty.

Minimum wage is about survival. A living wage is about participation and inclusion.

## Review of Literature on Living Wage

Since the mid-1990s, living wage ordinances have been implemented in over 150 municipalities in the United States. Municipalities, universities and businesses within the United Kingdom and Canada are increasingly adopting living wage policies and the movement is growing. The impact of implementing a living wage has been well documented in the literature. Although much of the research has been prospective in nature, post-implementation studies are increasing, which contributes to well-informed policy development. Proponents of the living wage point to the benefits reaped by individual workers, employers, and communities. Skeptics raise concerns about the economic viability of mandating a living wage. Both perspectives are addressed in the literature and demonstrate that while there are little to no negative impacts documented, there are many positive outcomes associated with living wage implementation.

Raising workers out of poverty through the provision of a fair wage is one of the primary goals of the living wage movement. In Boston, workers benefiting from the living wage policy were disproportionately poor and low-income.<sup>5</sup> This is one of many examples indicating that implementing a living wage standard impacts those who are in the greatest need.

Questions have been raised whether employers would favour hiring higher-skilled workers as an unintended consequence of being required to pay a living wage. Instead of substituting their workforce with higher-skilled workers, many employers have increased the level of training provided to their current employees.<sup>6</sup> For example, when a living wage was implemented at the San Francisco Airport, employers incurred the cost of increased training of current employees rather than replacing them with higher-skilled workers.<sup>7</sup> With a living wage, employees retain their job, increase their skills, and are paid fairly, which leads to benefits for the employer as well.

Increased satisfaction, security, and the ability to meet the needs of themselves and their families appear to improve various aspects of worker performance. An analysis of living wage implementation in Boston found that 25% of living wage firms reported greater

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<sup>5</sup> J. Chapman & J. Thompson, *The Economic Impact of Local Living Wages*, Economic Policy Institute, Washington, DC, 2006.

<sup>6</sup> M. Reich, P. Hall & K. Jacobs, *Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses*, Malden, MA, 2005.

<sup>7</sup> Chapman & Thompson, 2006.

employee work effort and improved morale.<sup>8</sup> The improved morale and increased work effort is not attributed to former low-wage workers being replaced with higher-skilled substitutes, but to current employees' response to higher wages.<sup>9</sup>

Most studies that assess the issue of turnover, absenteeism, and employee work effort have found evidence supporting the beneficial impacts of living wages.<sup>10</sup> A study of the living wage ordinance implemented in Los Angeles found that absenteeism declined and the decrease in turnover alone offset 16% of the total cost of paying the higher wages.<sup>11</sup> A study of San Francisco home-care workers found that turnover fell by 57% after the implementation of a living wage policy.<sup>12</sup> A broad-reaching study found that organizations paying a living wage had turnover rates for low-wage positions that were 35% lower than establishments that do not pay a living wage.<sup>13</sup> When paid a living wage, workers appear to be less likely to leave their job, which reduces the costs of recruiting and training new workers.<sup>14</sup>

There are economic benefits experienced by the wider community when citizens earn higher wages. Lower income workers with increased income spend their income locally and the majority of these purchases are on necessities.<sup>15</sup> Increasing individual purchasing power stimulates the local economy and benefits small business.

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<sup>8</sup> M. Brenner, *The Economic Impact of the Boston Living Wage Ordinance*, Malden, MA, 2005.

<sup>9</sup> Chapman & Thompson, 2006.

<sup>10</sup> Chapman & Thompson, 2006.

<sup>11</sup> Chapman & Thompson, 2006.

<sup>12</sup> C. Howes, *Living Wages and Retention in Homecare Workers in San Francisco*, Malden, MA, 2005.

<sup>13</sup> D. Fairris, *The Impact of Living Wages on Employers: A Control Group Analysis of the Los Angeles Ordinance*, Malden, MA, 2005.

<sup>14</sup> Chapman & Thompson, 2006.

<sup>15</sup> M. Reich & A. Laitenen, *Raising Low Pay in a High Income Economy: The Economics of the San Francisco Minimum Wage*, Institute for Research on Labor and Employment, Berkeley, CA.

## Benefits of a Living Wage

Living Wage Hamilton<sup>16</sup> summarizes the benefits of a living wage for workers, employers and their communities in the following ways:

### Benefits for workers

- Receive fair compensation
- Raised out of poverty
- Better quality of life
- Improved health
- Opportunities for education/skill training

### Benefits for employers<sup>17</sup>

- Reduced absenteeism
- Decreased turnover rates
- Lowered recruitment and training costs (retention)
- Increased morale, productivity, and loyalty
- Recognition for responsible employers

### Benefits for the community

- Greater consumer spending power
- Increased spending in local economy
- Increased civic participation

A living wage provides people with the opportunity to participate in the community. This includes opportunities to engage in recreational and cultural activities.

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<sup>16</sup> <http://livingwagehamilton.ca/wp/benefits/>

<sup>17</sup> See [The Impact on Business of adopting Living Wage Policies, by Dr. Sarah Wayland](#) for more information on employer benefits.

## Living Wage Calculation for Halton

The living wage calculation is specific to each community but, also to each province and territory in Canada. This variation in the living wage is mainly due to the country's complex tax and transfer system. For that reason, Ontario Living Wage Network calculation tools<sup>18</sup> are useful for Ontario communities because they factor in Ontario-specific tax and transfer components. Communities in other provinces will want to consult Living Wage Canada for further information on provincial tools.

The following items are sourced at the local level:

- Shelter
- Food
- Childcare
- Public transportation
- Communications
- Health care and critical illness insurance

The following items are sourced at the provincial level:

- Cost of car ownership
- Cost of clothing and footwear
- Other Items: This amount is intended to cover toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings (for example to museums and cultural events), birthday presents, modest family vacation and some sports and/or arts classes for the children.

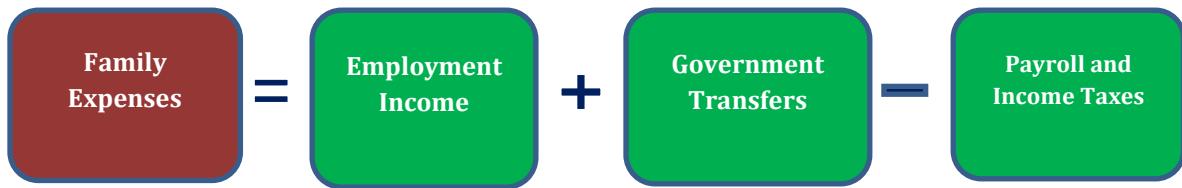
The living wage calculation uses a reference household of two adults each age 35, a 7-year old boy and a 3-year old girl and is based on both parents working 35 hours a week full-year.

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 and deductions have been subtracted.

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<sup>18</sup> Ontario Living Wage Network, *Calculating the Living Wage in Communities Across Ontario – Report Template 2019*

## Basic Living Wage Formula Calculation



### Food

The Nutritious Food Basket (NFB) includes approximately 60 food items that represent a nutritious diet for individuals in various age and gender groups. Under the 2018 modernized Ontario Public Health Standards public health units are required to monitor food affordability at a local level,<sup>19</sup> and in Halton, this is now referred to as the Household Food Affordability survey. Health units are no longer required to use the Nutritious Food Basket (NFB) protocol.

The cost of food for Halton is sourced from the Nutritious Food Basket provided by the Halton Health Department.<sup>20</sup> Costs are broken down by age and gender and can be matched to the living wage reference family.

Food	Weekly	Monthly	Annually
Adult 1 (Female 35)	\$50.41	\$218.28	\$2,619.30
Adult 2 (Male 35)	\$59.66	\$258.33	\$3,099.93
Child 1 (Boy age 7)	\$35.31	\$152.89	\$1,834.71
Child 2 (Girl age 3)	\$26.84	\$116.22	\$1,394.61
<b>Annual Food Expense</b>			<b>\$8,949</b>

<sup>19</sup> Ontario Ministry of Health and Long Term Care, [http://www.health.gov.on.ca/en/pro/programs/publichealth/oph\\_standards/docs/reference/monitoring\\_food\\_affordability\\_2018\\_en.pdf](http://www.health.gov.on.ca/en/pro/programs/publichealth/oph_standards/docs/reference/monitoring_food_affordability_2018_en.pdf)

<sup>20</sup> Halton Region, *Monitoring Food Affordability – Weekly cost of Nutritious Food in Halton, May 2018*

## Clothing and Footwear

Expenses for clothing and footwear are obtained from Statistics Canada's Survey of Household Spending (SHS) 2017,<sup>21</sup> 3rd Quintile. The estimates are adjusted for inflation to 2018, using Consumer Price Index (CPI) data from Table: 18-10-0005-01 (formerly CANSIM Table 326-0021).

Clothing and Footwear	Annually
<b>Clothing:</b>	
Woman age 35 Clothing (women and girls 4+)	\$1,123.85
Man age 35 Clothing (men and boys age 4+)	\$793.71
Boy age 7 Clothing (men and boys age 4+)	\$793.71
Girl age 3 Clothing and cloth diapers (children under 4 years) * 2015 data used	\$55.55
<b>Total clothing expense</b>	<b>\$2,766.82</b>
<b>Footwear:</b>	
Woman age 35 Footwear women and girls age 4+)	\$333.27
Man age 35 Footwear (men and boys age 4+)	\$256.90
Boy age 7 Footwear (men and boys age 4+)	\$256.90
Girl age 3 Footwear (children under 4 years) * 2015 data used	\$15.87
<b>Total footwear expense</b>	<b>\$862.94</b>
<b>Total Clothing and Footwear Expense</b>	<b>\$3,630</b>

<sup>21</sup> Statistics Canada, *Survey of Household Spending, 2017* (Table 11-10-0223-01)

## **Shelter**

Canada Mortgage and Housing Corporation (CMHC) provides annual Market Rental Reports for communities with a population of 10,000 or more. The estimated monthly rent for a three-bedroom apartment is used for the reference family.<sup>22</sup>

The average estimated electricity usage of 750 kWh is sourced from the Report of the Ontario Energy Board.<sup>23</sup>

The cost of tenant insurance is sourced through [www.kanetix.ca](http://www.kanetix.ca) with a personal property limit of \$35,000. The lowest quote for tenant insurance<sup>24</sup> is used as the expense.

<b>Shelter</b>	<b>Monthly</b>	<b>Annually</b>
Average rent	\$1,643.00	\$19,716.00
Utilities	\$104.18	\$1,250.16
Tenant insurance	\$15.45	\$185.40
<b>Total Shelter Expense</b>	<b>\$21,152</b>	

## **Communication**

Each adult in the living wage reference family will have the least expensive unlimited talk and text cell phone plan<sup>25</sup>. Upfront costs such as activation fees, SIM cards or modems are not included. Also excluded are any short-term promotional discounts for new customers. The family will have the least expensive unlimited internet plan to support a basic Netflix subscription<sup>26</sup>.

<b>Communication</b>	<b>Monthly</b>	<b>Annually</b>
Cell Phone	\$90.40	\$1,084.80
Netflix	\$9.99	\$119.88
Internet services	\$55.31	\$663.76
<b>Total Communications Expense</b>	<b>\$1,868</b>	

<sup>22</sup> Canada Mortgage and Housing Corporation (CMHC), *Rental Market Report, Greater Toronto Area, 2018*.

<sup>23</sup> Ontario Energy Board, <http://www.oeb.ca/consumer-protection/energy-contracts/bill-calculator>

<sup>24</sup> Kanetix, <http://bit.ly/2MHj7OY>

<sup>25</sup> Cogeco, <https://www.cogeco.ca/en/internet/packages>

<sup>26</sup> Teksavvy, <http://bit.ly/31GL0L6>

## Transportation

In communities where public transit is available, the template assumes that one parent drives to work and the other commutes using public transit. This means that the reference family owns one vehicle and purchases a monthly public transit pass.

Given the fact that two-thirds (66%) of households in Halton Region own two or more vehicles,<sup>27</sup> it is most likely both parents drive to work instead of taking public transit.

The depreciation, gas, and maintenance costs for owning and operating a four-year old Hyundai Elantra are sourced through Statistics Canada. The amount for car insurance is based on the lowest quote available from the insurance website [www.kanetix.ca](http://www.kanetix.ca).

<b>Vehicle Expenses</b>	<b>Annually</b>
Depreciation	\$1,995
Insurance	\$1,388
Gas	\$1,562
Maintenance	\$1,414
Registration	\$120
<b>Total vehicle cost</b>	<b>\$6,470</b>

Although local transit service is available in Oakville, Burlington and Milton, there is no public transit service in Halton Hills. An adjustment is made to include both parents driving to work (\$722/year).

<b>Transportation</b>	<b>Monthly</b>	<b>Annually</b>
Vehicle		\$6,479.00
Transit Passes	\$103.30	\$1,239.60
Alternate transportation method for Halton Hills		\$722.00
<b>Total Transportation cost</b>		<b>\$8,441</b>

<sup>27</sup> Data Management Group, University of Toronto, *Transportation Tomorrow Survey, 2016*

## **Parent Education**

It is assumed that each parent will take one 3-credit course per year to upgrade his/her skills and knowledge to improve their position in the labour market.

The sample courses are part of the Human Resources Management Program offered by Sheridan College.

<b>Parent Education</b>	<b>Annually</b>
Tuition for 2 courses	\$679.54
Textbooks and other fees	\$226.00
<b>Total Parent Education</b>	<b>\$906</b>

## **Child Care**

Halton Region collects data on the average market rate and home child rate for child care spaces.<sup>28</sup> The 3-year-old child requires 251 days of full-day care. The 7-year-old requires both before and after school care (187 days) as well as summer time care (50 days).<sup>29</sup>

Child care subsidy is available. On average, it takes 4-6 week wait for subsidy application to be processed before an appointment to review eligibility.

<b>Child care</b>	<b>Daily</b>	<b>Annually</b>
3-year-old:		
Cost of childcare	\$54.45	\$13,666.95
7-year-old:		
Cost of before and after school care	\$24.71	\$4,620.77
Cost of summer camps or summer time care	\$48.70	\$2,435.00
<b>Total Child Care Cost</b>		<b>\$20,723</b>

<sup>28</sup> Halton Region, *Halton Region Child Care Market Analysis*, May 2019

<sup>29</sup> City of Burlington Summer Camps, YMCA Oakville, Milton Creative Kid Place, Halton Hills Summer Camps

## **Health, Life and Critical Illness Insurance**

The family requires health insurance coverage for prescription drugs, dental, vision and health practitioner as well as life insurance.<sup>30</sup>

Life insurance joint coverage for couple (\$50,000 coverage amount, 20-year term). Critical illness insurance is for coverage amount of \$25,000.

<b>Non-OHIP medical</b>	<b>Monthly</b>	<b>Annually</b>
Non-OHIP medical expense	\$246.00	\$2,952.00
<b>Total Non-OHIP medical expense</b>		<b>\$2,952</b>

Life insurance	\$176.50
Critical Illness Insurance	\$305.50
<b>Total Life and Critical Illness Insurance</b>	<b>\$482</b>

## **Other Expenses**

The Statistics Canada Market Basket Measure (MBM) calculates the Other expense at 75.4% of the combined expense for Food, and Clothing and Footwear. This amount is intended to cover toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings (for example to museums and cultural events), birthday presents, modest family vacation and some sports and/or arts classes for the children.

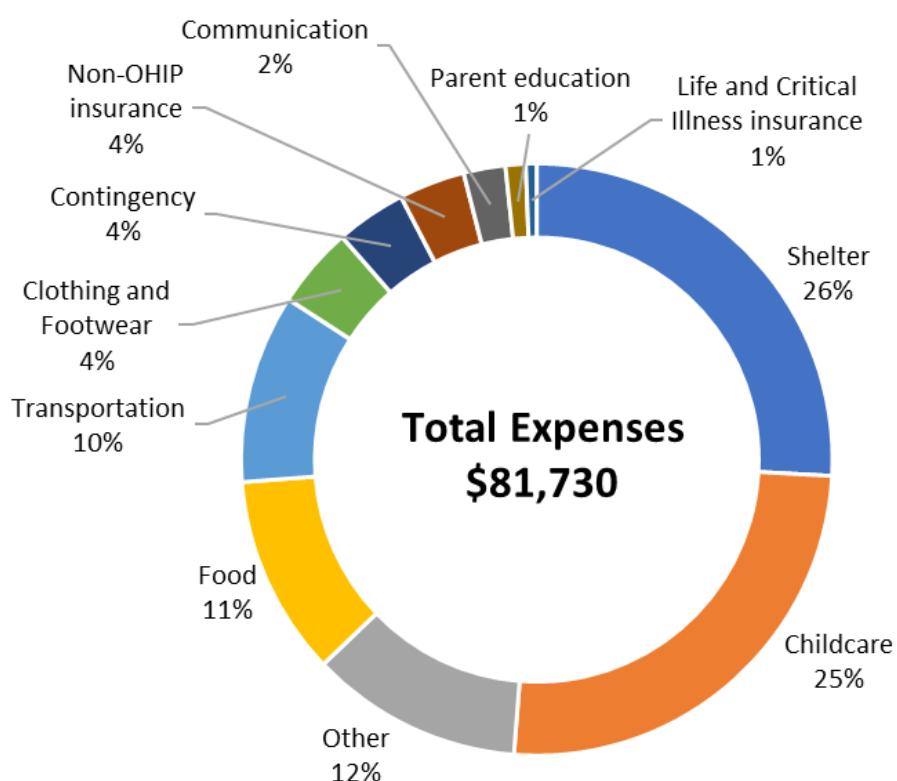
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<sup>30</sup> [www.kanetix.ca](http://www.kanetix.ca)

## Total Family Expenses

In order to enjoy a decent quality of life in which one can raise a family, be healthy and enjoy recreation, culture, entertainment and participate fully in social life, our reference family needs an income of \$81,730 after taxes and transfers. Over half (51%) of the family expenses go to the four basic needs (food, shelter, clothing, and transportation). For this reference family with two children (age 3 and 7), childcare expense can consume one-quarter of their financial resource.

### Proportion of Expenses by Major Category



<b>Expenses</b>		<b>Annual</b>
Food		\$8,949
Clothing and Footwear		\$3,630
Shelter		\$19,716
	Hydro	\$1,250
	Telephone	\$1,085
	Tenant Insurance	\$185
	Internet and Cable	\$784
Transportation	Vehicle & misc. transit	\$8,441
	Transit (pass only)	
Other		\$9,484
Education (adults)		\$906
Child care (before subsidy)		\$20,723
Non OHIP medical		\$2,952
Life and Critical Illness Insurance		\$482
Contingency amount (4%)		\$3,143
<b>Total Family Expenses</b>		<b>\$81,730</b>

## Income Totals and Wage Result

For the family of four, a total household employment income of \$74,169 is required in order to cover the total family expenditures. The net income (income after tax and government transfers) reconciliation takes into account the income tax (\$6,154), CPP and EI deduction (\$4,627) and Canada Child Benefit (\$7,253) and Child care subsidy (\$11,090). In order to earn the before-tax income, both parents require full-time full year work at 35 hours per week at **\$20.38 an hour**.

However, if child care subsidy (\$11,090) is not available to the family, or both parents have to use two vehicles to commute, a higher wage rate will be required.

### Living Wage Calculation

#### Non-wage Income (Government Transfers)

Income	
Canada Child Benefit (CCB)	\$7,253
Working Income Tax Benefit (WITB)	\$0
Ontario Child Benefit (OCB)	\$0
Child Care Subsidy	\$11,090
GST/HST Credit	\$0
Ontario Trillium Benefit	\$0
<b>Total Income from Transfers</b>	<b>\$18,343</b>

#### Living Wage and Government Deductions and Taxes

Household Employment Income	\$74,169
Less: Federal Income Tax	\$4,630
Less: Provincial Income Tax	\$1,524
<b>Total Government Taxes</b>	<b>\$6,154</b>
Household income after income taxes	\$68,015
Less: CPP and EI Contributions	\$4,627
Plus: Total Government Transfers	\$18,343
<b>Income after taxes and transfers</b>	<b>\$81,730</b>

<b>Living wage</b>	<b>\$20.38/hour</b>
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