



## Backgrounder

# Updating the Waterloo Region Living Wage Calculation for 2018

## Introduction

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 — a living wage reflects what earners in a household need to bring home based on the actual costs of living in a specific community. The living wage is a call to private and public sector employers to pay wages for both direct and externally contracted employees sufficient to provide the basics and participate in community life.

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. The living wage gets families out of severe financial stress by lifting them out of poverty and providing a basic level of economic security.

A living wage:

- enables working families to have sufficient income to cover reasonable costs
- promotes social inclusion
- supports healthy child development principles
- ensures that families are not under severe financial stress
- is a conservative, reasonable estimate
- promotes significant and wide ranging community support
- is a vehicle for promoting the benefits of public programs such as child care, accessible public transit and extended health benefits
- helps to break the cycle of poverty

Based on the expenses for a family of four with both adults working full-time year-round at 37.5 hours per week, the living wage for the Waterloo Region is \$16.10 an hour.

## Calculating the Living Wage for Waterloo Region

The 2018 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 Family Expense Workbook to develop the living wage calculation. The Family Expense Workbook was reviewed by CCPA-Ontario and the living wage calculation generated using the CCPA-Ontario Living Wage Calculator.

### Reference household:

Two adults (male and female) each age 35, a 7-year old boy and a 3-year old girl.

Based on both parents working 37.5 hours a week full-year.

### Basic Living Wage Formula Calculation

<b>Family Expenses</b>	=	<b>Employment Income</b>	+	<b>Government Transfers</b>	-	<b>Payroll and Income Taxes</b>
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### Description of Expenses

**Food:** the food expense is taken from the 2016 Cost of Nutritious Eating for the Region plus a CPI (Consumer Price Index) adjustment (CANSIM table 326-0020).

[http://chd.region.waterloo.on.ca/en/healthylivinghealthprotection/resources/nutritiousfoodbasket\\_report2016.pdf](http://chd.region.waterloo.on.ca/en/healthylivinghealthprotection/resources/nutritiousfoodbasket_report2016.pdf)

**Clothing and Footwear:** The amount is drawn from the Statistics Canada Survey of Household Spending (CANSIM Table 203-0022). The data are from 2015 with a CPI adjustment (CANSIM table 326-0200).

**Rent:** Average rent for a 3 bedroom apartment in the Kitchener-Cambridge-Waterloo CMA. *CMHC Rental Market Report: Ontario Highlights*, Fall 2016.

[https://www.cmhc-schl.gc.ca/odpub/esub/64399/64399\\_2016\\_A01.pdf?fr=1501618393213](https://www.cmhc-schl.gc.ca/odpub/esub/64399/64399_2016_A01.pdf?fr=1501618393213)

**Utilities:** The average estimated monthly electricity usage amount of 414 kWh was calculated from data sourced from the Survey of Household Energy Usage (2011). The monthly cost of electricity was based on an average estimated cost from K-W Hydro, Waterloo North Hydro, and Energy+ Cambridge and North Dumfries. <http://www.ontarioenergyboard.ca/OEB/Consumers/Electricity/Your+Electricity+Utility>

**Tenant Insurance:** A quote for tenant insurance was sourced from the Kanteix.ca.e

**Telephone:** Living Wage Waterloo Region surveyed people in Waterloo Region (at two community festivals and via survey monkey) in 2016 to gather input on family expenditures. Of 141 people surveyed, overwhelming responses indicated that cell phone should be included (84.4%), very few responses indicated a land line (23.4%). Cell phone plans for each adult we priced through Freedom Mobile.

**Internet:** Price for internet was sourced from a local internet service provider (Voice Network Inc.) that provides internet service for a comparable price to other independent internet service providers operating in the Waterloo Region. The calculation also included a subscription to Netflix. Again, in the

2016 community survey, less than 40% of respondents indicated cable or satellite as necessary to include in the living wage basket of goods and services. But close to 50% indicated an internet movie service, such as Netflix be included and more than 80% indicated internet service.

**Household Items and furniture:** Sourced from the Statistics Canada Survey of Household Spending SHS (2015) CANSIM Table 203-0022, this expense category includes household furnishings and furniture but not equipment. We assume the rental unit includes equipment.

**Vehicle & Misc. Transit:** Based on the cost of operating a 2013 Hyundai Elantra (as recommended in the CCPA Ontario Family Expense Workbook). Depreciation, Insurance, Gasoline, Oil Changes, Vehicle Registration, Repair costs and Winter Tires.

Also included is the purchase of 20 adult and 20 child Grand River Transit tickets per month.

**2 Week family vacation:** One week camping at a Provincial Park and a one-week staycation with visits to 4 or 5 local attractions.

**Monthly Family Dinner and Movie:** The cost of restaurant meals are obtained from the SHS (2015) CANSIM Table 203-0022. The movie expense is based on the family seeing four movies during the year. The cost of tickets is sourced from <http://www.cineplex.com/Theatre/galaxy-cinemas-waterloo>.

**Personal Care:** Personal care includes costs such as soap, shampoo and personal hygiene related items. It is sourced from the Statistics Canada Survey of Household Spending SHS (2015) CANSIM Table 203-002.

**Recreation:** Includes a membership for each family member at the YMCA of Cambridge, Kitchener and Waterloo and a family membership at the Museum.

**School Supplies and school fees:** School supplies costs and costs of school related activities are recognized and sourced from the Statistics Canada Survey of Household Spending SHS (2015) CANSIM Table 203-0022.

**Reading and Entertainment Supplies:** This cost category recognizes reading materials such as books, magazines and newspapers. It is sourced from the Statistics Canada Survey of Household Spending SHS (2015) CANSIM Table 203-0022.

**Bank Fees:** The calculation recognizes that there are costs associated with maintaining most bank accounts and performing financial services. Bank fees are sourced from the SHS (2015)

**Laundry:** Based on a survey of the cost of wash and dry at three laundromats in Waterloo Region assuming four loads of laundry per week. Plus the cost of Tide PODS (72 pieces) and Bounce Dryer Sheets (200 Sheets) priced at Walmart.

**Parent Education:** Based on the average of four courses at Conestoga College and assuming that 2 course are taken per year, plus registration fees and textbooks.

**Child Care:** Based on the cost of centre based care for the 3 year-old and school-based before and after school care for the older child during the school year and home-based child care for the 7-year old

during the summer. Source from Region of Waterloo Children’s Services, *Early Learning and Child Care Profiles 2016*.

[http://communityservices.regionofwaterloo.ca/en/childrensServices/resources/DOCS\\_ADMIN-2277758-v1-ELCC\\_Profiles\\_-\\_2016\\_-\\_Accessible.pdf](http://communityservices.regionofwaterloo.ca/en/childrensServices/resources/DOCS_ADMIN-2277758-v1-ELCC_Profiles_-_2016_-_Accessible.pdf)

**Other Expenses:** Other expenses includes a residual amount based on the Statistics Canada Survey of Household Spending SHS (2015) CANSIM Table 203-0022 and the cost of life insurance through Equitable Life and Critical Illness insurance from BMO Insurance (both sourced from Kanetix.ca.) for each adult.

**Non-OHIP medical:** Blue Cross Blue Choice Balance Plan, plan details retrieved from Kanetix.ca.

**Contingency:** A small contingency amount equal to 4% of household expenditures.

<b>Table 1</b>		
<b>Family Expenses</b>		<b>Annual</b>
Food		8,757
Clothing and Footwear		2,355
Shelter	Rent	17,760
	Hydro	792
	Telephone	1,085
	Tenant Insurance	197
	Internet and Cable	885
	Household Items and Furniture	879
Transportation	Vehicle & misc. transit	6,941
Other	2 wk family vacation	1,066
	Monthly family dinner and movie	1,738
	Personal care	1,136
	Recreation	2,351
	School Supplies and school fees	47
	Reading and Entertainment Supplies	371
	Bank Fees	182
	Laundry	1,379
Education (adults)		1,182
Child care (before subsidy)		19,695
Other expenses		679
Non OHIP medical		2,458
Contingency amount	4.0%	2,877
<b>Total Family Expenses</b>		<b>75,291</b>

## Government Transfers and Taxes

Based on total household expenditure, the CCPA-Ontario Living Wage Calculator then calculates the amount of taxes paid by the household and income from Government Transfers and then generates the hourly living wage rate.

<b>Table 2</b>	
<b>Gov't transfers</b>	
Canada Child Benefit (CCB)	8,900
Working Income Tax Benefit ( WITB)	-
Ontario Child Benefit (OCB)	250
Child Care Subsidy	10,846
GST Credit	-
<b>Total Income from Transfers</b>	<b>19,996</b>
<b>Table 3:</b>	
<b>Living Wage and Government Deductions and Taxes</b>	
<b>Household Employment Income</b>	<b>62,830</b>
Federal Income Tax	3,214
Federal Refundable Tax Credit	-
Provincial Income Tax	514
Provincial Refundable Tax Credit	440
Total Government Taxes	3,728
Total Refundable Tax Credits	440
Tax after credits	3,728
<b>Income after taxes and credits</b>	<b>59,103</b>
Less: CPP and EI Contributions	3,788
Plus: Total Government Transfers	19,996
Income after tax and transfers	<b>75,311</b>
<b>Living wage</b>	<b>16.10</b>

## Results

Total household expenses are higher \$75,291 in the calculation for 2018 compared to \$70,114 in the calculation for in 2017. The largest increase in family expenditures was in the cost of rent, which increased by \$3,912, from \$13,848 in the 2017 calculation to \$17,760.

There was an increase in child benefits: \$8,900 for 2018 versus \$7,400 for 2017 and an increase of \$817 in child care subsidy from \$10,029 in 2017 to \$10,846 in 2018.

The net result is that the living wage calculation for 2018 has increased from \$15.42 from \$16.10 for 2018.