



Calculating the 2018 Living Wage in Waterloo Region

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Acknowledgements

The 2018 living wage calculation uses the [*Canadian Living Wage Framework: A National Methodology for Calculating the Living Wage in Your Community*](#) by the Canadian Centre for Policy Alternatives and the Ontario Family Expense Workbook to develop the living wage calculation. The Family Expense Workbook was updated by the Ontario Living Wage Network (OLWN) and the living wage calculation generated using the OLWN-Ontario Living Wage Calculator. The tool used to calculate community expenses, taxes and government transfers is updated on an annual basis. The 2018 calculator update was completed by Iglia Ivanova from the Canadian Centre for Policy Alternatives in British Columbia.

Introduction

The 2018 living wage rate for Waterloo Region has been calculated at \$16.15 per hour.

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, 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 children's 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.

In 2014, Living Wage Waterloo Region (LWWR) received a three-year grant from the Ontario Trillium Foundation allowing for the creation of an Employer Recognition Program to certify employers in the region for committing to paying a living wage. At the time the living wage rate in the region was calculated at \$16 per hour. When the living wage rate was announced ten employers were ready to become certified. Over the next three years the number of living wage employers in our community grew to 45 including the City of Cambridge which was the first municipality to become a certified living wage employer. The work done by LWWR on the Employer Program strongly supported the development of the OLWN and its current Employer Certification Program. Employers in Waterloo Region are now certified through the provincial program. LWWR continues to calculate the living wage and engage and celebrate living wage employers in our community. The Ontario Living Wage Network has certified over 180 employers in the province for paying the living wage and continues to raise wages in Ontario. At this time there are 54 certified living wage employers in Waterloo region.

Updating the Living Wage Calculation Methodology

In 2018 the Ontario Living Wage Network reviewed and updated the methodology for calculating the living wage in Ontario. It was decided that the calculation process should be streamlined so that communities have easier access to the calculation and can focus on engaging employers and advocating for decent work.

The principles of a community living wage calculation as laid out in the Canadian Living Wage Framework by the Canadian Centre for Policy Alternatives remain the same. As do the basket items from previous living wage calculations. However, some of the items that amount to a small portion of the family expenses are no longer sourced locally. These changes have been made to create greater consistency in living wage calculations across the province and to provide local communities with the opportunity to spend less time sourcing information for a calculation and more time advocating for a living wage, decent work and good public policy.

The following items continue to be 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 sourced from www.caa.ca online calculator.
- Cost of clothing and footwear are obtained from the Survey of Household Spending (SHS) (2016), Table: 11-10-0223-01 (formerly CANSIM Table 203-0022), 3rd Quintile. The estimates from the SHS are from 2016 and have been adjusted for inflation, using CPI data from Table: 18-10-0005-01 (formerly CANSIM Table 326-0021).
- 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. This approach is used for calculating the living wage in British Columbia by Living Wage for Families.

35-Hour Work Week

In the past, Ontario communities have calculated the living wage based on a 37.5-hour work week. In reviewing the methodology, the decision was made to move to a 35-hour work week. This is for several reasons. First, according to Statistics Canada table 14-10-0320-01 the average usual hours for workers 15 years and older in Canada is 35 hours per week. The Ontario Living Wage Network is also working to align with other groups in Ontario and Canada working to alleviate poverty through paid work to strengthen the conversation around fair wages. The Fight for \$15 and Fairness uses a 35-hour work week in their advocacy for a \$15 minimum wage. At 35-hours per week a \$15 minimum wage will raise a worker to 10% above the low-income measure in Ontario. A 35-hour work week is also used by Living Wage for Families in British Columbia.

Living Wage Calculation

Communities across Canada use the Canadian Living Wage Framework as a basis for the living wage calculation. Expenses for a reference family of four with two working adults are sourced based on basket

items provided in the framework. The OLWN has provided careful guidelines for gathering data for each of the basket items. These expenses are entered into a calculator created by the Canadian Centre for Policy Alternatives (CCPA) where government taxes and transfers are accounted for.

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.

Basic Living Wage Formula

| | | | | | | |
|------------------------|---|--------------------------|---|-----------------------------|---|---------------------------------|
| Family Expenses | = | Employment Income | + | Government Transfers | - | Payroll and Income Taxes |
|------------------------|---|--------------------------|---|-----------------------------|---|---------------------------------|

Calculation of Living Wage Basket Items

Food

The cost of food for Waterloo Region was sourced through Waterloo Public Health and Emergency Services report on [The Cost of the Nutritious Food Basket 2017](#). The cost of healthy eating for each member of our reference family can be found in the chart below. The total expense for food is \$8175 per year.

| Reference Family | Weekly Food Cost | Monthly Food Cost |
|-------------------------|------------------|-------------------|
| Adult 1 (Female age 35) | \$45.84 | \$198.49 |
| Adult 2 (Male age 35) | \$53.95 | \$233.60 |
| Child 1 (Boy age 7) | \$32.55 | \$140.94 |
| Child 2 (Girl age 3) | \$24.99 | \$108.21 |

Clothing and Footwear

Expenses for clothing and footwear are obtained from the Survey of Household Spending (SHS) (2016), Table: 11-10-0223-01 (formerly CANSIM Table 203-0022), 3rd Quintile. The estimates from the SHS are from 2016 and are adjusted for inflation to 2017, using CPI data from Table: 18-10-0005-01 (formerly CANSIM Table 326-0021). These numbers are provided by the Ontario Living Wage Network for local communities across the province. The annual cost of clothing and footwear for our reference family is \$3201.

Shelter

Rent

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 living wage reference family. CMHC reports that the average 2017 cost for a three-bedroom rental in Waterloo Region is \$1291 per month. This data can be found on the CMHC website’s [Housing Market Information Portal](#).

Hydro

The hydro costs for Waterloo Region were sourced through the Ontario Energy Board's [Bill Calculator](#). The average estimated electricity usage of 750 kWh in Ontario is sourced from the Report of the Ontario Energy Board [Defining Ontario's Typical Electricity Customer, April 14, 2016](#). The estimate provided for monthly hydro costs in Waterloo Region was determined by taking an average of quotes provided for Energy Plus Inc: Cambridge and North Dumfries, Kitchener Wilmot Hydro Inc, and Waterloo North Hydro Inc. The average monthly cost of hydro in Waterloo Region is \$102.58.

| Community | Monthly Cost |
|--------------------------|--------------|
| Cambridge/North Dumfries | \$98.77 |
| Kitchener/Wilmot | \$99.03 |
| Waterloo | \$109.94 |

Tenant Insurance

The cost of tenant insurance in a community is sourced through www.Kanetix.ca with a personal property limit of \$35000. Square One Insurance Services provided a quote of \$190 per year.

Communication

Each adult in the living wage reference family has a cell phone with the least expensive unlimited talk and text plan. The cost of two \$45 cell phone plan offered by [Chatr Mobile](#) was used for the Waterloo Region living wage calculation. Also included in the living wage calculation is the cost of an inexpensive unlimited internet plan to support a basic Netflix subscription. The cost of a \$65.53 per month internet plan was sourced from [Execulink](#). The cost of a basic Netflix subscription is \$8.99.

Transportation

The transportation assumption within the calculation depends on the availability of public transit in a community. Waterloo region is made up of three cities which accounts for 87% of the population in the region. As there is regular bus service available, it is assumed that one parent drives to work and the other commutes using public transit. The family will own one car and purchase one adult transit pass. The remaining 13% of the population in the region resides within the four townships. Regular bus service is not available in these communities so it is assumed that the family will own two vehicles. We have used a weighted average based on population to find the annual cost of transportation for our reference family.

In Waterloo Region a monthly adult transit pass costs \$86 according to [Grand River Transit](#).

The Ontario Living Wage Network has sourced the cost of owning and operating a four-year old Hyundai Elantra in Ontario through an online estimator tool provided by www.caa.ca. This considers the cost of fuel, depreciation, maintenance, license and registration fees, insurance costs and monthly car payments. The annual cost of owning and operating this vehicle is \$6598.

| Community | Population | Annual Transportation Expense | Weighted Cost |
|-----------|------------|---|---------------|
| Cities | 87% | 1 Vehicle - \$6598 1 Adult Transit Pass - \$1032 Total - \$7630 | \$6638 |

| | | | |
|-----------|-----|----------------------|-----------|
| Townships | 13% | 2 Vehicles - \$13196 | \$1715.48 |
|-----------|-----|----------------------|-----------|

The total annual cost of transportation for our reference family is \$8354

Parent Education

The cost of two 3-credit courses, text book and additional administrative fees are included in the living wage calculation and are sourced through a local college/university in a community. The cost of continuing education courses from Conestoga College including text books and administrative fees is \$1231.

Child Care

The OLWN reviewed the number of child care days used in the calculation. Past numbers did not account for School PD days or the days when the family is on vacation. Although this change has lessened the total child care expense it actually has little effect on the end result of the living wage rate because of the child care subsidy.

The cost for child care is sourced through the Region of Waterloo Children’s Services report [Early Learning and Childcare Profiles 2017](#). The daily cost of summer camp was found by averaging the costs provided through the Cities of Cambridge, Kitchener and Waterloo. The annual cost for child care in Waterloo Region comes to a total of \$17,682.

| Child Care | Daily Rate | Days of Care Required | Annual Cost |
|--------------------------------------|------------|-----------------------|-------------|
| Full Day Care for 3-year-old | \$48 | 251 | \$12,048 |
| Before and After Care for 7-year-old | \$23 | 187 | \$4,301 |
| Summer Camp for 7-year-old | \$26.65 | 50 | \$1,333 |

Health, Life and Critical Illness Insurance

Non-OHIP Health, life and critical illness insurance are sourced from www.kanetix.ca. The Blue Cross Balance Plan is used as a comprehensive coverage package that includes: prescription drugs, dental care, vision care, and other health practitioner expenses such as registered massage therapy, acupuncture, chiropractic therapy. The lowest quoted prices for critical illness and life insurance are included in the living wage calculation.

| Insurance Type | Company | Quote for annual cost |
|----------------------------|---------------|-----------------------|
| Health Insurance | Blue Cross | \$2719 |
| Critical Illness Insurance | BMO Insurance | \$156 |
| Life Insurance | SSQ Insurance | \$213 |

Other

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. The cost for these items in Waterloo Region has been calculated at \$8,577 per year.

Family Expenses

| Family Expenses | | Annual |
|------------------------------|-------------------------|-----------------|
| Food | | \$ 8,175 |
| Clothing and Footwear | | \$3,201 |
| Shelter | Rent | \$15,492 |
| | Hydro | \$1,231 |
| | Telephone | \$1,085 |
| | Tenant Insurance | \$190 |
| | Internet and Cable | \$894 |
| Transportation | Vehicle & misc. transit | \$8,354 |
| Other | | \$8,577 |
| Education (adults) | | \$1,231 |
| Child care (before subsidy) | | \$17,682 |
| Non OHIP medical | | \$3,244 |
| Contingency amount | 4.0% | \$2,774 |
| Total Family Expenses | | \$72,130 |

Government Transfers and Taxes

| | | |
|--|--|-----------------|
| Non Wage Income (Government transfers) | | |
| Canada Child Benefit (CCB) | | \$8,806 |
| Working Income Tax Benefit (WITB) | | - |
| Ontario Child Benefit (OCB) | | \$204 |
| Child Care Subsidy | | \$11,499 |
| GST/HST Credit | | \$18 |
| Ontario Trillium Benefit | | \$304 |
| Total Income from Transfers | | \$20,831 |
| Living Wage and Government Deductions and Taxes | | |
| Household Employment Income | | \$58,838 |
| Federal Income Tax | | \$3,035 |
| Provincial Income Tax | | \$961 |
| Total Government Taxes | | \$3,996 |
| Household Income After Taxes | | \$54,842 |
| Less: CPP and EI Contributions | | \$3,543 |
| Plus: Total Government Transfers | | \$20,831 |
| Income after tax and transfers | | \$72,130 |

Conclusion

The slight increase in the living wage in Waterloo Region this year is due to a number of factors. As the methodology for calculating a living wage was updated in 2018 it is hard to compare the wage rate to previous years. The basket items that saw the biggest change from 2017 to 2018 were the cost of rent, clothing and footwear and transportation. The reported cost of rent actually decreased where the cost of clothing and footwear and transportation have increased significantly.

The most current expense for rent in Waterloo Region is the 2017 rate reported by the Canada Mortgage and Housing Corporation (CMHC). The CMHC reported the 2017 cost of renting a 3-bedroom apartment in Waterloo Region as \$1291 per month. This was actually a significant decrease from the reported rate of \$1480 per month in 2016.

The cost of clothing and footwear increased due to a change in methodology. In previous years the first quintile amount reported by the Survey of Household Spending (SHS) was used to determine this family expense. Upon review, it was decided that the third quintile amount would be more appropriate as the median cost for expenses is reflected in the other basket items.

There was also an increase in the cost of transportation due to the updated methodology. In past calculations the transportation needs of people living in rural areas of our community were not addressed. By incorporating the need for two cars for our reference family if living in a township we are better able to reflect the cost of transportation in Waterloo Region.

Employers who have made the commitment to pay workers a living wage have reported higher morale, lower rates of absenteeism, savings on hiring and training due to greater employee retention. Employees who have seen an increase in pay to the living wage have reported lower stress levels, that they are better able to support their family, they feel appreciated at work.

By making the commitment to pay a living wage, employers are making a choice that is good for their business, employees and the community.