

# Cowichan Valley Living Wage 2014

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**Introduction:**

It's not always as simple as "Get a job, support your family." Even with both parents working, expenses can be drastically high for a low-income family. "Getting a job" is often not enough. Often, despite parents having full time jobs, low-income families must make significant sacrifices in other areas of their lives in order to provide regular food or shelter. Increasing expenses means cutting corners in some areas to provide adequate funds in other areas. Choosing which bills to pay and how much is a burden, especially for low-income families.

How much of a family's income is allocated to a monthly cost of food? Shelter? Child Care? How much should be allocated? The living wage is designed to help understand and ultimately solve these problems.

The living wage is a calculation of the hourly wage for a parent, working full time, necessary to pay enough for their part of the expenses in a family, according to the cost of living for a model family. A calculation of the cost of living a modest, but comfortable, life takes into account a set of basic household expenses, and a reasonable contingency amount, to ensure that everyone can afford to weather the small setbacks which all too often, compound to drive people into debt or dire poverty. The living wage model family is a two-parent, two-child family. In this case, the children are seven and four years old.

**Methodology:**

The following expenses are estimations based on the best information available. Specific sources are cited in the body of the report and referenced in the bibliography. These numbers are calculated using the spreadsheet and formulas provided in the document Working for a Living Wage Calculation Guide completed by the Canadian Centre for Policy Alternatives, First Call, and A Living Wage for Families.<sup>1</sup> This is the same method that was used to calculate the living wage in Victoria and Vancouver.

**List of Basic Household Expenses Per Month:**

**Food:** \$909.24

This cost comes from the Dietitians of Canada 2011 study<sup>2</sup>, and was adjusted to 2013 using the Consumer Price Index (CPI)

**Clothing and Footwear:** \$201.36

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<sup>1</sup> 2013 Working for a Living Wage Calculation Guide prepared by Iglia Ivanova. Available from [policyalternatives.ca/livingwage2013](http://policyalternatives.ca/livingwage2013)

<sup>2</sup> Dietitians of Canada did a study in May of 2013. However, those numbers have not been released, therefore the cost was adjusted using the CPI

This cost<sup>3</sup> includes clothing and footwear for a family of two adults with two dependents.

**Housing:** \$1175

This cost includes the rental of a townhouse (\$905)<sup>4</sup>, utilities (\$198)<sup>5</sup>, a monthly Telus phone plan (\$46)<sup>6</sup>, and contents insurance (\$26)<sup>7</sup>. The rental cost is the median price, based on the Canada Mortgage and Housing Corporation apartment rental data to, of local rental data for a person already living in the Cowichan Valley. Volunteer Cowichan surveyed local advertisements in Cowichan Valley newspapers for local three room apartments, townhouses, condos, suites and houses in the month of April. The average number found was \$1286 per month. This suggests that it costs more when looking for a rental as opposed to already living in a Cowichan Valley apartment building. The rent portion of the shelter calculation assumes that tenants who are already renting will have more affordable rent than new tenants.

**Transportation:** \$659.65

This cost assumes the family has two vehicles<sup>8</sup>, driven within southern Vancouver Island<sup>9</sup> (fuel \$317.64). This cost also includes insurance (\$286.16)<sup>10</sup>, license and registration (\$7.16)<sup>11</sup> and maintenance (\$55.84)<sup>12</sup>, for both vehicles.

**Childcare:** \$991.50

This cost includes one month and two weeks<sup>13</sup> of summer camp with the CVRD (\$149/week), after school care with the CVRD (\$237)<sup>14</sup>, and full time daycare with Arcadian (\$680/month).

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<sup>3</sup> This cost was established by Social Planning Cowichan in 2008 (\$186.64), using the Market Basket Measure (MBM), and was adjusted to 2013 using the CPI.

<sup>4</sup> While Canadian Mortgage and Housing (CMHC) listed the average rent for a 3 bedroom apartment, in October 2013, at \$855/month, the higher cost of \$905 for a townhouse has been used to more accurately reflect the high cost of local rentals. CMHC is likely to have such a low estimate because they take into account all types of accommodations, including subsidized housing, long term tenants, and informal rentals.

<sup>5</sup> The 2007 number for utilities from Cost of Eating in BC was adjusted using the CPI, to 2013.

<sup>6</sup> Telus plan includes \$35 for regular service, \$6 long distance, \$5 HST.

<sup>7</sup> Cost of contents insurance was estimated through LMG Pringle Insurance, and is based on \$30,000 worth of possessions, in a home that has electric heat, and is close to a fire hydrant. The cost assumes that our model family have never made a claim, and have never faulted on an insurance payment (\$312/year).

<sup>8</sup> The *First Call BC* methodology allows for only one used vehicle for the family, and one bus pass. Volunteer Cowichan believes that this is unrealistic locally, taking into consideration the sporadically spaced urban centers of the Cowichan Valley. Therefore, we have allotted our model family two used vehicles. The CAA Cost of Driving Calculator uses the Honda Civic as the model vehicle for calculations.

<sup>9</sup> Our model family is allotted 20,000km per year, per vehicle.

<sup>10</sup> Using the CAA Cost of Driving Calculator, a representative profile is used. This cost is not supposed to be exact; rather it is representative of an individual with a clean driving record, roughly 50 years of age.

<sup>11</sup> License and registration, as outlined by the CAA Cost of Driving Calculator, is \$43 per year, per driver.

<sup>12</sup> According to Campus Honda, annual oil changes, tire rotation and general maintenance for Honda Civics more than seven years old is \$260. This cost also assumes a new used set of snow tires, every four years, as recommended by OK Tire in Duncan.

**Medical Services Plan Premiums: \$138**

This is the required provincial premium for a family of three or more<sup>15</sup>.

**Non-MSP Health Care: \$136**

In accordance with the *First Call BC* methodology, this cost is meant to represent health related costs which are not covered by MSP (such as vision care, dental, and therapy)<sup>16</sup>. This cost is actually the amount our model family would spend on a health plan with Pacific Blue Cross, assuming families would spend less on non-MSP health related costs<sup>17</sup>, than they would on an actual medical plan.

**Parent Education: \$114.44**

This cost is the expense of two university courses at Vancouver Island University<sup>18</sup>, including tuition (\$136.51 per semester credit hour<sup>19</sup>), books (\$200 per course),<sup>20</sup> and compulsory fees, such as the Student Union fee (\$71.68 per semester), and the student activity fee (\$5.46 per course).

**Other: \$837.39**

In accordance with the *First Call BC* methodology<sup>21</sup>, the “other” cost is calculated at 75.4% of the total expenses for food, clothing and footwear. This category is meant to represent things such as: personal care items, entertainment, furniture and recreation.

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<sup>13</sup> As recommended by the *First Call BC* methodology

<sup>14</sup> The CVRD after school care is \$14.50/day, and the early dismissal rate is \$3.25/hour. According to School District 79, there are 193 school days per year, with seven, two hour early dismissals.

<sup>15</sup> This cost was raised from \$133 on January 1<sup>st</sup> 2014.

<sup>16</sup> According to the extended health plan, for a family of two adults, and two dependants with Pacific Blue Cross, our living wage family will also benefit from the care of health practitioners, hospital accommodation, hospital daily cash benefit, local ambulance private, duty care nursing, out of province (in Canada) travel, medical services and supplies, accidental death and dismemberment, final expenses benefit and survivor benefit.

<sup>17</sup> This is in accordance with our model living wage family who maintain no costly medical conditions (ex. diabetes, HIV, or MS), otherwise it is likely a family could far surpass the allotted \$136 in monthly, non-MSP health related costs.

<sup>18</sup> VIU is the local post-secondary institution. VIU was chosen over an island college (as suggested by the *First Call* methodology), as the Cowichan Campus has been a positive institutional landmark in the community for a number of years, facilitating strength and sustainability to the local population.

<sup>19</sup> A measurement used to quantify course load. Our parents will be taking 3 credit courses (the average for academic courses), leaving the cost of tuition at \$409.53 per course

<sup>20</sup> The estimated cost of textbooks according to VIU

<sup>21</sup> *First Call BC* bases this cost on the Market Basket Measure (MBM) approach.

### Summary of Monthly Expenses:

Monthly Expenses:	Amount	Percentage of Total
Food	909.24	17.6
Clothing and Footwear	201.36	3.9
Housing	1175.00	22.8
Transportation	659.65	12.8
Childcare	991.50	19.2
MSP Premiums	138.00	2.7
Other Health Care	136.00	2.6
Parent Education	114.44	2.2
Other Expenses	837.39	16.2
Total Monthly Expenses	\$5,162.58	

### Hourly Living Wage for each parent: \$17.04

It is important to note that this does not include:

- Credit card, loan or other debt/interest payments
- Saving for retirement
- Costs associated with owning a home
- Saving for the future education of children
- Cost of caring for a disabled, seriously ill or elderly family member
- An emergency fund

### Why a Two Parent, Two Child Family as the Living Wage Model?

For the purposes of comparison, this report uses the same model family as the one used in Vancouver and Victoria calculations. Household sizes and needs vary widely; individual family circumstances may mean that a family requires more or less income to make ends meet. Therefore, the Living Wage amount calculated for the model family assuming that it is a reasonable approximation that would suffice for the majority of families in the Region.

### History of the Living Wage:

The Living Wage movement began in 1994 in Baltimore, Maryland, and since then, it has gained support throughout the United States, the United Kingdom, and Canada. Victoria first calculated their the Living Wage in 2008. The Living Wage for Families Campaign has a living wage certification program where employers can apply for official living wage status.

A raise in employee pay and/or satisfaction would help households who go without or must ask for charity because their income cannot cover their basic expenses. Living Wages benefit employers as well, allowing employers to gain a competitive advantage as an employer of choice, especially in industries where the average pay is below the living wage. Though the skills shortage has abated somewhat through the economic downturn, economists predict that soon employers will again be scrambling to hire and retain employees.

### **Social Case for the Living Wage:**

The goal of the living wage is to promote social sustainability. Extra money on a paycheck is not meant to be a short-term fix. Rather, this is meant to enhance the long term well being of the employee, as well as that of their family. Children gain stability when their parents receive higher payments; they tend to move less frequently because of the adequate income. A stable home allows for a more consistent education, which is thought to improve reading test scores. The living wage gives the children further opportunity. The living wage creates social sustainability, making the difference for the family and the employee not just in the present, but also in the future.

Economically speaking, early childhood development is an investment in human capital.<sup>22</sup> Giving parents the ability to pay their children's expenses sufficiently sustains the family over time. The living wage makes children less vulnerable and more likely to have healthy development. The Living Wage can be seen as an investment in our community's future, by investing in our community's children.

As children grow into their twenties, they are looking for a paying job which can support them in setting up a home. If our community does not provide jobs, which adequately support a modest cost of living, we will lose young workers to communities who do. The living wage would allow these members of the community to stay and help the local economy, as well as maintain family bonds, allowing children to live near their parents.

A concrete local example of low-income families being unable to cover their expenses is food bank usage. Food banks were designed in case of emergencies, but increasingly some low-income families are forced to rely on them on a regular basis. Between 2009 and 2013, local food bank usage increased from 9800 clients in 2009 to 12,400 clients in 2013. In 2013 37.7% of clients were children, an increase from 31.4% in 2009.<sup>23</sup> The increased proportion of children relying on the food bank suggests that families are having difficulty making ends meet.

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<sup>22</sup> See for more info on this perspective: [http://www.earlylearning.ubc.ca/wp-uploads/2010/02/2009-09\\_15-by-15-Brief-Exec-Summary.pdf](http://www.earlylearning.ubc.ca/wp-uploads/2010/02/2009-09_15-by-15-Brief-Exec-Summary.pdf)

<sup>23</sup> Cowichan Valley Basket Society, 2013 Statistics.

According to the Greater Victoria Well Being Survey, “Income is the most important determinant of health”. It is more complex than a rich person having good health and a low-income person having bad health. There are different levels in between. A modest raise in income usually results in better health. If income rises to a level where employees can effectively pay their expense, their health would significantly increase.

The living wage is designed to give long-term social benefits, not just immediate financial gains.

### **Business Case for the Living Wage:**

The living wage has many social benefits, but this does not mean that it is pure altruism. It creates a unique set of advantages for the employer. Getting paid a higher wage and treating employees well, immediately does several things: decreases employee turnover and absenteeism, and increases staff retention and productivity. With fewer employees leaving, the business will save on hiring and training new staff. The cost of replacing one entry level staff person is estimated at a minimum of one month’s salary, given costs to advertise, interview and productivity lost as training gets the new employee up to speed. Productivity will remain higher because of better staff retention; less training is needed.

The employers who pay the Living Wage also have an advantage in regards to customers. Employees who are being paid sufficient wages - enough to pay their expenses adequately - have fewer outside concerns. Minimizing the stress of employees due to external factors creates further ability for the employees to focus on superior quality of work or customer service. This relates to the idea behind the social gradient of health. As employees move to an income level that covers basic costs, they become healthier, both physically and mentally; they have the potential to be more effective workers.

Finally, employers gain an advantage in the way the business is perceived. Knowing that employees are more likely to be treated well can improve relationships with other businesses, investors, and suppliers as well as customers.

Paying a Living Wage can help employers gain an advantage in a tight Canadian labour market.

### **Details on Becoming a Living Wage Employer:**

The goal of becoming a Living Wage employer is to improve working conditions, and give employees the ability to adequately cover their expenses. The Living Wage for Families Campaign provides employers with guidelines and criteria to support those who wish to become certified as Living Wage employers. A fair Living Wage creates the same standard



for both employees and external contractors. More information can be found on the Campaign's website at [www.livingwageforfamilies.ca](http://www.livingwageforfamilies.ca).

### **Supporting a Living Wage:**

The Living Wage number is not a fixed number; it is directly tied to expenses. If these costs go down, the Living Wage goes down. For example, cheaper rent for an apartment building lowers the number for the Living Wage. The Living Wage is meant to promote higher wages, combined with lower expenses. Costs could be reduced in many ways. Obviously employers can help reduce cost, but involvement in the community can also help. For example, if neighbors arranged days where they could take of each other's children, childcare costs would be lowered.

### *Employer Ideas in the Spirit of the Living Wage:*

Paying the Living Wage to all employees is not an option for some employers. But that doesn't limit them from moving towards the philosophy of the Living Wage. There are many ways to add value to employees with little to no cost involved. Here is a short list of ideas to help you become an employer of choice:

- Flexible Hours – Take employee needs into account when scheduling
- Eliminate split shifts – These increase transportation and childcare costs
- Phone-in policy – Allows children to call in at any time they wish
- Provide employees with discounts on goods and services
- Free meal for employees (food industry specific)
- Strive to promote from within – Make this known to employees
- Move employees out of starting wage quickly
- Provide staff with on-going training – Relevant skills for future positions or other employment
- Provide incentives – For obtaining specific training objectives, rather than time
- Offer “personal days” rather than “sick days”
- Buy group insurance

### *Ideas to Increase Affordability for Families:*

- Develop community affordable housing projects
- Further childcare subsidies
- Become actively involved in your community, with neighbors – Reduce costs by getting neighbors to help with childcare or food costs

## Comparison With Other Communities<sup>24</sup>

Central Okanagan	\$ 18.01
Cranbrook	\$ 14.16
<b>Cowichan Valley</b>	<b>\$ 17.04</b>
Esquimalt	\$ 17.31
Fraser Valley	\$ 17.02
Kamloops	\$ 17.95
Kelowna	\$ 16.98
New Westminster	\$ 19.14
Prince George	\$ 16.90
Qualicum/Parksville	\$ 17.30
Revelstoke	\$ 17.75
Sunshine Coast	\$ 18.80
Terrace	\$ 17.65
Vancouver	\$ 20.10
Victoria	\$ 18.93
Williams Lake	\$ 15.77

### Conclusion

At \$17.04 per hour, a Living Wage in the Cowichan Valley is lower than either Victoria or Metro Vancouver, but is in line with other areas of the province. The primary reason for this being lower is the housing rental cost differences. In both Victoria and Vancouver, the monthly renting cost is over \$200 more. In general, Living Wages in BC are greater than those across Canada. Other major cities include Calgary at \$13.00 and Toronto at \$16.60.

The Living Wage calculation is based on a four person family. Other families, particularly lone-parent families, may need a higher hourly wage in order to provide the same standard of living for their families.

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<sup>24</sup> Livingwagecanada.ca Living Wage Communities in BC