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Policy Alternatives  
Manitoba Office

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## The Living Wage: An idea whose time has come

**M**inimum-wage workers are not just teenagers working at fast-food restaurants after school. According to the Manitoba Federation of Labour, 55 per cent of minimum wage earners in Manitoba are adults twenty years and older; 51 per cent of minimum-wage earners work for companies with 100 workers or more and 42 per cent work for companies with 500 or more employees. With approximately 38,600 Manitobans earning minimum wage (\$10.45/hour) and fully 73,700 Manitobans making only 10% more, we need to ask if the minimum wage provides sufficient income to raise a family.

Whether it be throughout the US, Canada or the UK, the inadequacy of the minimum wage to meet basic needs is well documented. When tens of thousands of American fast-food workers walked off the job for one day last August, they did so to deliver a message: they cannot survive on minimum wage jobs. In the August 2013 edition of *The New Yorker*, James Suirowiecki, explains that 46 per cent of family income in the US is earned by low-wage workers, a figure that demonstrates the sea change in the American economy which has shifted many middle-class workers to the new precarious labour market. This phenomenon is not restricted to the US.

According to CIBC senior economist Benjamin Tal, "There's clearly a movement from high-paying professional, public sector and construction jobs to lower-paying

and retail jobs. Even within manufacturing, there's a movement from high-paying manufacturing jobs to lower paying." Mr. Tal goes on to explain why this trend is problematic; low-income earners have less disposable income and cannot provide much-needed demand in the economy. But the problems do not end there.

Low-income families – many working more than one job/parent - face difficult choices: pay the rent or buy food; forego dental care in order to buy school supplies; put off saving for retirement in order to pay off some debt. Parents faced with these dilemmas are stressed to the point of becoming physically ill and/or depressed. Their children suffer as a result; they do worse in school and endure health problems of their own. These issues in turn cost both employers – in terms of lower productivity, absenteeism and employee turnover - and society in terms of healthcare costs, lower effective demand and revenues paid to income tax. In short, the effects of low wages are not just suffered by the employers who pay them, they are externalized in the form of social exclusion and higher costs to government. If families could earn a living wage, many of these effects would be lessened.

A living wage is different from the minimum wage, being the legal minimum employers must pay. A living wage is based on the principle that fulltime work should provide families with a basic level of economic security. It allows a family of four with two parents working fulltime to

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November 27, 2013

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pay for necessities, support the healthy development of their children, escape financial stress, and participate in the social, civic and cultural lives of their communities.

We have estimated the family living wage for 2013 in Winnipeg at \$14.07/hour. The living wage calculation is based on the needs of a two-parent family with young children, but it would also support a mix of family types throughout the life cycle so that young adults are not discouraged from having children and older workers have some extra income as they age. The living wage is a conservative, bare-bones budget without the extras many of us take for granted.

The living wage considers the cost to meet basic needs in a particular community, including: food, clothing, rent for a three-bedroom apartment, transportation, childcare, basic extended healthcare plan, part-time education for one parent, a contingency fund for emergencies and some other household expenses. It does NOT include: interest payments, retirement savings, home ownership, savings for children's education, or costs of caring for a disabled, ill or elderly family member. The method for calculating the living wage is:

**Annual Family Expenses = Living Wage + Government Transfers<sup>1</sup> - EI, CPP, Income Tax**

Given the role of employers in determining the living wage, there is a call to public and private-sector employers (larger ones in particular) to pay a living wage. This can be achieved through wages or a combination of wages and non-mandatory benefits, such as extended health benefits, profit sharing, subsidised transit passes and childcare. But as the above equation demonstrates, the living wage is not just about employers. Government policies and programs also have a direct impact on families' quality of life and directly affect the calculation of the living wage. The change in

<sup>1</sup>Canada Child Tax Benefit (CCTB); Universal Child Care Benefit (UCCB); GST Rebate; and Provincial Child Care Subsidy

the living wage for single-parent, one child families demonstrates this point.

Although we use the two-parent, two-child living wage as our benchmark, we recognize that single-parent families face greater difficulties. Since our 2009 report, the living wage for single-parent, one-child families in all three cities has decreased, in spite of increases in the cost of living. Of particular note is the change for single-parent families in Brandon: their living wage decreased from \$16.99/hour to \$10.79/hour, despite a 7.6 per cent increase in expenses. How is this dramatic 36 per cent decrease possible?

Tax-policy changes made the family eligible for the provincial childcare subsidy and a greater National Childcare Basic Supplement, which allowed the living wage to decrease, in turn qualifying the family for the provincial Rent Aid program (adding \$230/month to the family purse). It must be emphasized that without these government programs, the 2013 living wage would be higher than it was in 2009.

Unfortunately, the situation in Brandon is the exception to the rule. There still remains a considerable gap between the living wage for the two-parent, two-child family and most single-parent, one-child families in other municipalities (as high as \$17.04/hour in Winnipeg). We must close this gap so all working families benefit from living wages.

Employers and government need to work towards adopting a family living-wage policy for Manitoba. Minimum wage is a full \$3.62/hour BELOW what a two-parent, two-child family needs. Seventy-two per cent of Manitoba families are headed by two parents and 63 per cent of them have two children or more. Clearly a family living wage is an idea whose time has come.

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