

Peterborough Social Planning Council 2016 Living Wage Report



Acknowledgements

The Peterborough Social Planning Council is pleased to release our second Living Wage report for the City and County of Peterborough. PSPC is a partner with the Canadian Centre for Policy Alternatives, Ontario Living Wage Network and involved with the National Living Wage movement.

This report was prepared by Paul Armstrong, (consultant) using the formula and expansive spreadsheet provided by the Canadian Centre for Policy Alternatives. We thank the Canadian Centre for Policy Alternatives for reviewing our report for consistency.

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PETERBOROUGH'S 2016 LIVING WAGE

INTRODUCTION

Across this country there are growing levels of low paid work concomitant with below-acceptable standards of living. The question becomes: what are acceptable standards of living and what amount of money is necessary to reach that standard. These questions both define and frame the inquiry that establishes the 'living wage' in each community. While the family composition and expenses may differ by community, the taxes and transfers associated with each family differ only by province. Note that some subsidies may, in addition, vary by municipality.

WHAT IS A LIVING WAGE?

A living wage is the hourly pay required to cover basic expenses such as food, clothing, shelter and transportation for an individual or family. It's a wage that allows employees not just to subsist but to have a decent quality of life; to raise children, to participate in the community, to be healthy and active social citizens.

The living wage is not the same as the minimum wage. The living wage sets a higher standard for what an employee must earn in order to attain a decent standard of living and quality of life. It reflects the real costs of living in their home community.

Nevertheless, the 'living wage' is an assessment of modest living standards for a decent quality of life and does not include a number of expenses that many people take for granted including credit card and other loan repayments, savings for education and retirement, home ownership or anything beyond minimal recreation.

EXECUTIVE SUMMARY

It has been three years since Peterborough's living wage estimate was calculated at \$16.47/hr. in 2012. This report updates Peterborough's living wage to reflect what it takes for two working parents with two children to make ends meet in 2015. It's based on the needs of a family with two parents and two young children ages 4 and 12. (Note: For consistency, this update replicates the parameters used in 2012.) Now, in 2015, each of those parents needs to earn \$17.65 per hour, while working 37.5 hours per week, in order to afford the basics in this city.

The updated Peterborough living wage calculation is founded in real life necessities and responsibilities. It draws on the national living wage framework, a guideline developed by living wage leaders from across the country that incorporates these basic principles into a consistent definition and methodology to ensure uniformity of approach. However, taxes, transfers, and even hours of work vary widely from province to province. In Ontario, the CCPA (Canadian Centre for Policy Alternatives) developed a living wage calculator that takes into account the tax and transfer rules in the province.

The most important ingredient in any living wage calculation is the list (and accompanying cost) of necessary expenses for a family of four to meet its basic needs, participate in the economic and social fabric of their community, and purchase items that can help them escape marginal subsistence. The list does not contain any form of savings. Nor does it acknowledge that debt obligations exist for the family. But it does recognize that things

like rent, transportation, child care, food, clothing, internet, and laundry costs are part of the basics that every family strives to meet. It should be noted that no employer-paid benefits are calculated in the living wage other than those mandated by the Province of Ontario and the Government of Canada.

Once total family expenses have been added up, the calculation moves to the income side of the equation, which consists of both employment income and government transfers. The living wage incorporates relevant government assistance, such as child care benefits and the Working Income Tax Benefit. The next step calculates the employment income this family needs in order to meet both family expenditures and pay taxes as well as payroll deductions. The final step yields a living wage amount per hour based on the total number of hours worked in the year.

Decent wages are a critical component of individual and family well being. Higher wages mean a better standard of living for workers and their families. A living wage ensures that workers earn enough to meet the basic necessities of life and to participate in their community.

Living wage employers are finding that higher wages lead to more productive employees, lower turnover and increased employee morale. In the service sector, this can lead to improved customer service and higher profitability.

According to Statistics Canada, the median wage in 2010 for the Peterborough Census Metropolitan Area was \$29,294 or \$15.02 per hour before taxes. Because this was a median wage in a group of workers totalling 98,815 individuals, half of them (49,407) had wages at or below \$15.02 per hour. Two years later (2012) the living wage calculation produced an hourly rate of \$16.47.

In 2015, at \$17.65 per hour, Peterborough's living wage again sets a modest living standard to ensure that workers earn enough money from work to provide for the material necessities of a healthy, sustainable life with full civic and economic participation in the local community.

THE LIVING WAGE MOVEMENT

A living wage in Canada is calculated based on the hourly wage necessary for a family consisting of two working parents with two children to meet the basic needs after taxes, transfers, and payroll deductions are taken into account. It provides an estimate of what that family needs to earn in order to meet basic needs and participate in the civic and social life of their community. The calculation is not national, it's not provincial – it's done municipality by municipality to reflect real local living costs and the hourly wage required to meet those basic costs.

The living wage is not the same as the minimum wage. The minimum wage is the provincially mandated minimum an employer is required to pay in a given jurisdiction. As it stands today the minimum wage in Ontario is tied to inflation, but \$11.25 an hour doesn't take into account the basic requirements a family needs to get by. In fact, Ontario's current minimum wage legislation still leaves workers earning far below the poverty line, particularly if they are supporting dependents.

Minimum Wage

Living Wage

Objective	Sets a wage floor below which employers cannot pay	Sets an expectation that work should provide enough to meet basic material and immaterial needs
Operationalization	Legislation	Voluntary/aspirational
Jurisdiction	Provincial	Local
Quality of life considerations	Does not take into account the material needs of a healthy, sustainable life	Reflective of the basic necessities of life
Cost of living considerations	Adjusted for inflation (Ontario)	Adjusted annually as costs increase

That's where the living wage comes in: it sets a higher test by asking what workers need to earn based on the cost of living in their community. The living wage calculation is rooted in real life necessities and responsibilities. It takes into account the amount of money a family needs in order to pay for non-discretionary bills - like rent, transportation, food, and child care.

Over the past 10 years, a growing number of Canadian communities have been engaging in the exercise of calculating what a local living wage is, to help evaluate the adequacy, or inadequacy, of pay for a significant swath of low-wage workers. In Ontario, there is a growing movement among communities across the province to promote their local living wage calculation as a tool to improve the lives of its poorest workers.

Decent wages are the gateway to a better quality of life; they also contribute to well-being. A living wage supports full participation of families in the economic and social life of their community. For example, the living wage calculation includes modest amounts to cover non-OHIP medical insurance, a modest two-week vacation, and to allow parents to upgrade their skills through continuing education.

The living wage proposed for Peterborough is by no means a luxury wage. Many items that could be considered an essential component of a decent quality of life are not included in the calculation. Peterborough's living wage makes no provision for savings for a child's education, retirement, home ownership, or even debt repayment.

There are benefits for business, too. Higher wages can be an important contributor to worker productivity and success in business. Higher wages also tend to reduce employee turnover, reduce company expenditures on training and improve morale, which can lead directly to improved customer service.

Increasingly, these laudable social and economic objectives are recognized in efforts to implement living wage policies among public and private sector employers. They're also informing efforts to increase the provincially mandated minimum wage to ensure it lifts workers out of poverty.

The living wage movement highlights an important element of work that is often overlooked in conversations about pay: what do workers need to earn in order to meet basic needs? Most people depend entirely on employment as a means to improve their

standard of living. Pay is an important ingredient for policy makers focused on ensuring a future built on the promise of decent work. That includes higher wages for Ontario workers.

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BASIC LIVING WAGE CALCULATION

Annual Family Expenses = Income from employment + Government Transfers
 CPP/EI/Income Tax Deductions (living wage)

SUMMARY

The living wage for Peterborough in 2015 is \$17.65 per hour. This is the amount each of two adults living together with two dependent children must earn. This amount is higher than the living wage calculated in 2012 which was \$16.47. While general inflation over the three-year period would lead us to expect an increase in the living wage, the general inflation rate cannot be used in any revised calculation. Individual living necessities inflate at different rates and in some cases certain life necessities actually decreased over the three-year period.

Every effort was made to make the two calculations (2012 and 2015) parallel and consistent in the parameters that were used. However, the 2015 calculation had to take into account certain modifications in keeping with a current lifestyle. An example would be the telephone which was a home phone in 2012 while in 2015 two cell-phones were chosen. In both cases costs were minimized and the resulting difference was quite small.

In both years the CMHC average market rent was used. Since this number may or may not include utilities such as hydro, water, and heat, we were forced to make a decision. In 2012 we accepted the average market rent as utilities inclusive. However, because the CMHC number averages rents with and without utilities, we must assume that a dollar cost for some portion of utilities is embedded in the rent number they report. In 2015 we decided to once again use the CMHC average market rent but calculated the cost of hydro as an additional amount. We also assumed that the cost of water and heat was included in the rent and did not calculate an additional amount for those items. In short, we have concluded that, because the CMHC average market rent does not take into account each individual household's arrangement when reporting average market rent, some discretion on our part was required in calculating housing cost.

Since the standard for a living wage is always based on a family of four with two dependent children, it is therefore inaccurate as a wage for working individuals living in other household complements. For example, we would expect a family of two with one dependent and a single person living alone to require a lesser hourly living wage rate, while a family of three having two dependents to require a higher hourly living wage.

The family complement is not the only standardized feature of living wage calculations.

Exclusions such as savings, debt obligation repayments, home-ownership costs, etc. are standard features of the calculations. Inclusions, apart from those absolutely required for survival, like a family outing once a month and the costs of a two-week period when the family is together each year are also standardized. Mandating standards in living wage calculations is imperative for reliability and comparison purposes.

The living wage amount for Peterborough and the living standard it sets is a measure against which all other real wages can be compared. When compared to Ontario's minimum wage, for example, it begs a discussion about the validity of the living standard enforced by this arbitrary amount. Approximately 25 per cent of workers in the Peterborough C.M.A. work part-time. It is reasonable to assume that these workers receive minimum wage.

CONCLUSION

The living wage provides a standard of living cost analysis tool that attempts to establish numerically the modest hourly wage requirement of workers in a specific community. Items for the analysis were carefully chosen to cost out the life requirements for healthy, sustainable living and minimal social engagement opportunities. In so doing, it delineates a minimal living standard. The cost of meeting this standard is a numeric benchmark against which all other wages can be compared.

The living wage effort grows out of a concern that all persons have the wage resources essential to healthy living and participation in the life of the community. In Peterborough the living wage amount is \$17.65 an hour.

Detailed Calculations for Peterborough's Living Wage

Average Monthly Costs (2015)

Category	Item	Family of 4	Data Source and Explanation of Calculations
Food, Clothing, Shelter	Food	\$761.11	Limited Incomes: A Recipe for Hunger, October 2015, Peterborough County City Health Unit
	Clothing and Footwear	\$238.39	Cost adjusted from 2012 Peterborough Living Wage amount, Consumer Price Index, Clothing and Footwear, Statistics Canada
	Rent and Utilities	Rent 3Bdrm. \$1,173.00 Hydro \$152.00	Canada Mortgage and Housing Rental Market Report, Ontario Highlights, Spring 2015 Peterborough Utilities Group, Nov. 2015 Assumption: Water and heat are included in rent
Childcare	Childcare centre, after-school and/or summer care	\$579.38	Trent Child Care Centre (before and after-school care = \$419.25 monthly X 1 child) (summer day care = \$39.43 daily X two children X 35 days of attendance each)
Transportation	Vehicle	\$635.32	See detailed vehicle cost notes: Average Annual Cost of Vehicle Ownership
	Public Bus Transit and/or Taxi	\$115.00	One 30-day adult bus pass (\$60.) Four cab fares (doctors' appointments, etc.) (\$55.00)
Health	Non-OHIP Health Insurance	\$221.24	Blue Cross coverage: Basic Health Benefits and Hospital Benefits for family of four. (all individual personal data submitted)
Social Inclusion	Monthly Family Outing	\$136.00	Movie or local tourist attraction with modest restaurant meal once each month
	Family Vacation (two weeks)	\$152.23	Vacation for family of four including transportation, accommodations, meals, entrance fees, and consumables. 2012 base cost adjusted for inflation – Bank of Canada Inflation Calculator
	Internet	\$45.00	Cogeco High Speed
	Cable TV	\$57.00	Cogeco Value Pack
	Telephone	\$100.00	Two cell phones
	Recreation	\$129.00	Family of four recreational activities which may include a family pass at YMCA/Wellness Centre, family skating, swimming lessons, and one other children's sports activity e.g. soccer

Category	Item	Family of 4	Data Source and Explanation of Calculations
Other	Continuing Education	\$86.40	Adult education upgrading, possibly job-related for each adult in the household. Taken from 2012 Peterborough Living Wage and inflation adjusted using Bank of Canada Inflation Calculator
	Tenants' Insurance	\$34.56	Basic tenant insurance coverage. Lowest quote from Kanetix.ca – Gore Mutual Insurance
	Household operation, maintenance, furnishings and equipment	\$165.01	Statistics Canada MBM of \$157.00 for 2012 inflation adjusted (5.1%) using Consumer Price Index for Household Operation, Furnishings and Equipment to October 2015. (Amount also includes laundry costs and bank fees.)
	School Supplies and Fees	\$55.90	2011 Report, Social Planning Toronto; 2011 cost adjusted for inflation to 2015. (for 2 children)
	Personal Care	\$56.21	Statistics Canada Market Basket Measure for Census Metropolitan Areas between 30,000 and 99,000 population inflation adjusted using Bank of Canada Inflation Calculator
	Reading and Entertainment Supplies	\$35.39	Statistics Canada MBM of \$34.00 for 2012 inflation adjusted using Bank of Canada Inflation Calculator
	Other – not specified	\$106.17	Statistics Canada Market Basket Measure for Census Metropolitan Areas between 30,000 and 99,000 population inflation adjusted using Bank of Canada Inflation Calculator
Contingency		\$195.75	4% of family household budget

Family Member

Daily Engagement

Parent A (male, age 35)	37.5 of work weekly (full-time employment)
Parent B (female, age 30)	37.5 of work weekly (full-time employment)
Child A (female, age 12)	Attends School Full-time (no before and after school care)
Child B (male, age 4)	Attends School Full-time (requires before and after school care)

Itemized Annual Costs (2015)

Category	Annual Cost (2012) (Rounded to Nearest Dollar)	Annual Cost (2015) (Rounded to Nearest Dollar)
Food	\$8,424	\$9,133
Clothing and Footwear	\$2,676	\$2,861
Rent	\$13,464 (utilities included)	\$14,076
Hydro	(see rent)	\$1,824
Childcare	\$8,604	\$6,953
Vehicle	\$7,992	\$7,624
Bus and Taxi	\$1,260	\$1,380
Non-OHIP Health Insurance	\$2,748	\$2,655
Monthly Family Outing	\$1,272	\$1,632
Family Vacation	\$1,752	\$1,827
Internet	\$492	\$540
Cable T.V.	\$444	\$684
Telephone	\$468	\$1,200
Recreation	\$1,476	\$1,548
School Fees and Supplies	(not included)	\$671
Continuing Education	\$996	\$1,037
Tenants' Insurance	\$312	\$415
Household Operation	\$1,884	\$1,980
Personal Care	\$648	\$675
Reading and Entertainment	\$408	\$425
Communication (not telephone)	\$192	(not included)
Other (not specified)	\$1,224	\$1,274
Contingency	\$1,812	\$2,417
Total =	\$58,548	\$62,831

Annual Cost of Living (2015)

	2012	Calculate	2015
Household Employment Income	\$64,220	Before-tax entry	\$68,835
Universal Child Care Benefit	\$1,200	Add	\$1,920
Household Income	\$65,420	Sub-total	\$70,755
Tax After Credits	\$4,263	Subtract	\$5,744
Income After Tax	\$61,157	Sub-total	\$65,011
CPP and EI Contributions	\$4,008	Subtract	\$4,355
Child Tax Benefit	\$1,901	Add	\$2,175
Child Care Subsidy	-		-
WTIB	-		-
Ontario Child Benefit	-		-
Income After Tax and Transfers	\$59,051	Total	\$62,831
LIVING WAGE RESULT	\$16.47	Before-tax earnings divided by 2 persons and divided by 1950 hours (hours/year)	\$17.65

Result from "Calculate Living Wage" or Goal Seek Calculation: **\$17.65 / hour**

Cost of Food – Monthly (Peterborough County City Health Unit)

Sex	Age (years)	Cost Per Week
Male Adult	35	\$55.91
Female Adult	30	\$47.96
Female Child	12	\$38.20
Male Child	4	\$33.57
Total Cost Per Week		\$175.64
Total Cost Per Month		\$761.11

TOTAL ANNUALLY \$9,133.32

Average Annual Cost of Vehicle Ownership

Cost Item	Cost Per Month	Annual Cost
Depreciation	\$221.67	\$2,660.00
Insurance	\$106.33 (Kanetix.ca)	\$1,276.00
Gas	\$225.32	\$2,703.87
Oil Changes	\$15.00	\$180.00
Licence Sticker	\$9.00	\$108.00
Street Parking	\$8.00	\$96.00
Service and Repairs	\$50.00	\$600.00
Total Vehicle Cost	\$635.32	\$7,623.87

TOTAL ANNUALLY \$7,623.87

Notes: 11,337 miles or 18,139 km. annually; vehicle gas consumption rating = 20 mpg;
 cost of gas = \$1.05/L or \$4.77/gal. Imperial 2012 Chevrolet Cruze LS 4 Door
 Value: \$10,914. Canadian Black Book Average Asking Price on December 2015

Commutes to work 15 km one way – five days per week

Insurance: Comprehensive and Collision \$500 deductible, \$2,000,000 liability

Cost of School Supplies and Fees

	Monthly Cost	Annual Cost
School Activity Fee	\$5.24	\$62.90
School Photos	\$2.62	\$31.45
Field Trips	\$8.74	\$104.83
School Fundraisers	\$5.24	\$62.90
School Supplies	\$6.12	\$73.38
TOTAL	\$27.95	\$335.45

