



# *Understanding Living Wage*

*Research Report*

Executive Summary

December 18, 2003

**Introduction**

The Calgary Living Wage Action Group commissioned this Report. The purpose of this research project was to develop a document that would help local groups better understand how a Living Wage campaign might be part of a broad based sustained poverty reduction initiative. To this end, this Report includes detailed information about ten Living Wage campaigns across the United States as well as preliminary information about the initiative in Waterloo, Ontario. This information is combined with local economic research and demographic information on the working poor in Calgary.

**Background**

MCC Employment Development, a community economic development organisation, and United Way of Calgary and Area are convening partners for the Vibrant Communities Learning Project in Calgary, which involves participants and projects from 15 cities across Canada. The project goal is to develop a framework and ongoing support to further the sustained poverty reduction work already happening in Calgary. Leading this work is the Sustained Poverty Reduction Working Group, which is embarking on a number of poverty reduction initiatives aimed at addressing the root causes of poverty.

As part of the strategy to encourage progressive workplace practices, one of the practical initiatives believed worthy of exploration is Living Wage. In the spring of 2003 a Living Wage Action Group was formed under the umbrella of the Sustained Poverty Reduction Working Group. Two community consultations were held with representatives from the health region, business, municipal government, faith communities, labour, service agencies, and community groups and individuals. The participants began exploring the concept of Living Wage as a sustained poverty reduction initiative. Concerns were voiced over the lack of information about Living Wage, and the participants asked whether the Living Wage Action Group could assist in clarifying the issues by conducting research into low wages in Calgary and Living Wage initiatives in other jurisdictions. This Report is the result of this research.

**Disclaimer**

As this research was conducted only for the purpose of broadening the knowledge base about Living Wage, the contents of this Report do not necessarily reflect the opinions of the Living Wage Action Group, nor of United Way of Calgary and Area and MCC Employment Development.

**What is a Living Wage?**

A Living Wage is the amount of income a family needs to meet their basic needs, to maintain a safe, adequate standard of living in their community, and to save for future needs and goals. Individuals benefiting from earning a Living Wage potentially move into a higher standard of living for themselves and their families, enjoy the opportunity for increased community participation, experience a decrease in social isolation and have more disposable income to invest in the local economy. The amount of a Living Wage varies depending on the method used to measure the local cost of living in a particular community. No Living Wage figure has been articulated for Calgary.

Living Wage is *not* minimum wage. Living Wage campaigns in the United States began on the premise that people who work for a living should not live in poverty nor should they raise a family in poverty. Living Wages are intended to be higher than the provincial (or state) minimum wages, which do not enable full-time workers to earn enough to lift themselves above the commonly used poverty measures (such as the Low Income Cut-off line and the Federal Market Basket Measure).

In addition, the scope of Living Wage initiatives is generally much narrower than minimum wage. Living Wage initiatives in the United States cover businesses that receive municipal contracts. Canadian initiatives such as the one presently underway in Waterloo, Ontario, seek to engage small business owners to voluntarily increase low wages, with the understanding that this is one way to attract and retain employees – particularly in a market with labour shortages – as well as improve the lives of employees and their families, and strengthen the community.

### **Living Wage Initiatives**

The following is a summary of a few of the lessons learned from Living Wage initiatives in other jurisdictions.

- Understanding and addressing local business concerns is crucial to the success of Living Wage initiatives. This entails building a broad-based coalition and engaging businesses in long-term strategic planning, with Living Wage as one of many issues in an initiative to promote progressive workplace contributions to poverty reduction.
- In the United States, Living Wage campaigns have sought a legislated municipal ordinance. The scope and amount of the Living Wage varies from campaign to campaign. Lessons learned from these campaigns show that early campaign efforts should be directed toward building support for the concept of Living Wage rather than trying to set the amount and scope of the wage.
- Opposition to Living Wage campaigns in the United States has come from private businesses. In some cities, businesses that support Living Wage have served as strong advocates among the business community during Living Wage campaigns. Finding supportive business leaders is one part of developing a proactive communications strategy. The arguments for and against Living Wage have been well developed in many jurisdictions.
- Extensive economic and policy analyses have been conducted on Living Wage campaigns in the United States. Researchers comparing the costs and benefits of Living Wage on people who live on low incomes, the businesses involved and their communities, conclude that:
  - for most businesses, wage and benefit increases due to Living Wage will be less than one percent of the business's total spending to produce goods and services;
  - businesses experience less labour turnover, better quality of work, better co-operation with management, more flexibility in the operation of the business, and higher overall morale;
  - low income families benefit in many ways – their incomes increase, their spending power increases, they have access to better health care, they enjoy the paid days off of the family's working member, they are able to build their credit rating, and they rely less on government subsidies; and,
  - increasing incomes for families of low-wage workers generates community spillover effects – increased spending at local businesses, higher rates of home ownership, and greater investment in education and small business, leading to more robust housing and small-business markets in low income neighbourhoods.

### **Poverty and its Measurement**

There is no official poverty line in Canada, but there are a number of different low-income measures, including the Low Income Cut-off (LICO) and the recently released Federal Market Basket Measure (Federal MBM). According to the 2003 Federal MBM, a family of four (one male adult and one female adult aged 25-49 with two children, a girl aged 9 and a boy aged 13) in Calgary is living in poverty if they have an annual income of less than \$24,180. The current LICO lines based on the size of family unit for large cities such as Calgary are listed in the following table.

2002 Low Income Cut-off (LICO) Measures for a community of Residence of 500,000+							
Family Size	1	2	3	4	5	6	7
LICO	\$ 19,261	\$ 24,077	\$ 29,944	\$ 36,247	\$ 40,518	\$ 44,789	\$ 49,060

### Poverty and Minimum Wage

While it is important not to confuse a Living Wage initiative with a campaign to increase minimum wage, information about Alberta's minimum wage is included in this Report for comparative purposes, and because increases to the minimum wage tend to "trickle up" and result in increases to low wages immediately above the minimum wage.

Alberta's minimum wage last increased from \$5.65 to \$5.90 on October 1, 1999. At \$5.90 an hour, Alberta's minimum wage is the lowest in Canada, 90 cents per hour less than the national average. Saskatchewan's is \$6.65 per hour, Manitoba's is \$6.75 per hour and British Columbia's is \$8.00. In 2002, the minimum wage in Alberta was 32% lower than it was in 1977 real dollars, due to inflation.

A person in Calgary earning minimum wage and working 40 hours a week earns \$1,022.67 per month, or \$12,272 per year. A person earning minimum wage would need to work over 60 hours a week to earn \$19,261 – the Low Income Cut-off for a single person in Calgary. A single parent with one child would need to work close to 80 hours a week in order to earn \$24,077 – the Low Income Cut-off for a two-person family in Calgary. This increases to almost 100 hours per week (\$29,944 per year) if the worker has two dependants.

### Overview of poverty in Calgary

Over 12% of all individuals in Calgary lived below the LICO lines in 2000; 11.7% of children and 16.4% of seniors over age 65 lived below the LICO. Over 22,000 Calgarians relied on social assistance (Supports for Independence and Assured Income for the Severely Handicapped) in December 2002.

In 2002, 1,737 Calgarians were homeless – an increase of 34% from 2000. In Calgary, as many as 50% of the people living in homeless shelters are employed. A person earning minimum wage would have to spend 70% of his or her gross income to afford the average rent of \$716 a month for a one-bedroom apartment. The average rent for a two-bedroom apartment in Calgary was \$804 in 2002, up 2.7% from 2001. Additional expenses for other necessities such as food, utilities, clothing, transportation and child care mean that many families are forced to make difficult choices in order to reach a subsistence standard of living.

48,311 Calgarians received food hampers in 2002, up 11% from 2001. In Calgary, 31.8% of the visible minority population and 50.6% of people of Aboriginal identity live in poverty. The poverty rate among immigrants in Calgary is 27% compared to 19% among Canadian born residents.

### Growing Income Inequality

Income inequality is a measure of relative difference in income between the rich and the poor. Recent research indicates increasing economic and social polarization across Canada, especially in larger metropolitan areas. The wealth-poverty ratio in Calgary is significantly higher than it is for Alberta and Canada. 2001 Census figures show that the poorest 10% of the Calgary population had an average annual income of \$13,000 while those in the top 10% averaged annual incomes of \$248,600 or one dollar for every

\$19.10. The table below contrasts the wealth gap information for Calgary with figures for Alberta and Canada.

<b>Income Inequality in Calgary, 2001</b>				
<b>Region</b>	<b>Median Income</b>	<b>Wealthiest 10%</b>	<b>Poorest 10%</b>	<b>Wealth-Poverty Ratio</b>
Canada	\$ 55,016	\$ 185,070	\$ 10,341	\$ 17.90 per \$ 1
Alberta	\$ 60,142	\$ 198,000	\$ 11,845	\$ 16.70 per \$ 1
<b>Calgary</b>	<b>\$ 65,488</b>	<b>\$ 248,600</b>	<b>\$ 13,000</b>	<b>\$ 19.10 per \$ 1</b>

### **Low Wage Workers in Calgary**

In 2000, more than 47,800 Calgarians worked full-time, all year and still did not earn enough to raise themselves and their families above the poverty line. An individual living in Calgary and working full-time with no dependants would need to earn \$9.26 per hour in order to meet the LICO line of \$19,261. Close to 17% of employed Calgarians over the age of 15 earn less than \$9 an hour. Over half (41,800) of these 82,800 low-wage workers are age 25 or older. The result is that one in ten men and women workers age 25 and over in Calgary earn less than \$9 an hour.

There continues to be a persistent gender gap with regard to low wages and overall poverty rates. The percentage of women in Calgary who earn less than \$9 per hour exceeds the percentage of men earning low wages in every age demographic except age 65 and over.

The breakdown by age and gender of employed Calgarians earning wages of less than \$9 per hour is included on the final page of this summary.

### **Economic Climate**

Most of the new jobs created in Alberta since 1975 have been in the low-waged services sectors. A review of the various occupation groups in Calgary shows that, in general, workers in sales and service occupations earn the lowest average annual incomes, at only \$20,004. This is significant because one-quarter of Calgary's work force is employed in sales and service occupations, more than any other occupation group.


Unemployment rates in Alberta continue to fall and of the 25 largest cities in Canada, in August 2003 Calgary had the lowest unemployment at a rate of 4.7%. In the same month, the national average was significantly higher at 8.0%. This indicates that the local labour market is "tight" enough to support increases to low wages, as employers search for ways to attract and retain skilled workers.

### **Summary**

As poverty increases in Calgary, greater numbers of people are facing economic, health and social barriers to their active participation in society. Growing rates of poverty are cause for concern not only for the health and social consequences for those who are living in poverty, but also because of the broader economic implications for Calgary and Alberta. Calgary's appeal as a sound place for businesses to invest is directly related to its ability to attract and retain skilled workers, reduce social service and health expenditures, increase the educational attainment of our youth, reduce crime, and improve the health and well being of all Calgarians. Each of these factors is closely linked with financial security, a key component of which is wages that are high enough to keep workers and their families out of poverty.

Estimates of Employed Employees in Calgary CMA by Age, Sex and Hourly Wage Distribution, Annual Average 2002									
<b>Both Sexes</b>	<b>15 +</b>	<b>25 +</b>	<b>15-19</b>	<b>20-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55-64</b>	<b>65 +</b>
\$5.90 OR LESS	4,300	2,000	1,800	600	800	400	400	400	0
\$5.91 TO \$9.00	78,500	38,800	24,000	14,600	15,400	10,900	8,200	4,300	0
\$5.91 TO \$7.00	22,500	6,600	11,500	3,500	2,600	1,900	2,100	0	0
\$7.01 TO \$8.00	29,600	15,900	8,100	5,300	6,200	4,100	3,100	2,500	0
\$8.01 TO \$9.00	26,300	14,500	4,400	5,800	6,700	4,800	3,000	0	0
\$9.01 AND MORE	410,900	363,300	7,100	40,600	111,200	118,600	95,300	34,000	4,200
Total Employed	493,700	405,100	32,800	55,800	127,400	129,900	103,900	38,700	5,200
<b>Total Low Wage Earners</b>	<b>82,800</b>	<b>41,800</b>	<b>25,700</b>	<b>15,200</b>	<b>16,200</b>	<b>11,300</b>	<b>8,600</b>	<b>4,700</b>	<b>1,000</b>
<b>Percent of Low Wage Earners</b>	<b>16.77%</b>	<b>10.32%</b>	<b>78.35%</b>	<b>27.24%</b>	<b>12.72%</b>	<b>8.70%</b>	<b>8.28%</b>	<b>12.14%</b>	<b>19.23%</b>
<b>Males</b>									
	<b>15 +</b>	<b>25 +</b>	<b>15-19</b>	<b>20-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55-64</b>	<b>65 +</b>
\$5.90 OR LESS	2,200	1,000	1,000	300	600	100	200	100	0
\$5.91 TO \$9.00	30,600	12,400	11,700	5,300	5,500	3,300	2,300	1,300	0
\$5.91 TO \$7.00	9,500	2,200	5,600	200	1,300	400	500	0	0
\$7.01 TO \$8.00	9,900	4,600	3,400	1,600	1,800	1,300	800	700	0
\$8.01 TO \$9.00	11,100	4,900	2,700	2,500	2,400	1,600	900	0	0
\$9.01 AND MORE	222,800	196,400	4,400	22,000	63,800	64,200	47,600	18,500	2,300
Total Employed	255,500	210,800	17,100	27,600	69,900	67,600	50,100	19,900	3,300
<b>Total Low Wage Earners</b>	<b>32,700</b>	<b>14,400</b>	<b>12,700</b>	<b>5,600</b>	<b>6,100</b>	<b>3,400</b>	<b>2,500</b>	<b>1,400</b>	<b>1,000</b>
<b>Percent of Low Wage Earners</b>	<b>12.80%</b>	<b>6.83%</b>	<b>74.27%</b>	<b>20.29%</b>	<b>8.73%</b>	<b>5.03%</b>	<b>4.99%</b>	<b>7.04%</b>	<b>30.30%</b>
<b>Females</b>									
	<b>15 +</b>	<b>25 +</b>	<b>15-19</b>	<b>20-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55-64</b>	<b>65 +</b>
\$5.90 OR LESS	2,100	1,200	900	200	300	400	200	300	0
\$5.91 TO \$9.00	47,900	26,200	12,200	9,300	9,900	7,500	5,900	2,900	0
\$5.91 TO \$7.00	13,000	4,300	5,900	2,400	1,200	1,500	1,600	0	0
\$7.01 TO \$8.00	19,700	11,300	4,700	3,700	4,400	2,800	2,300	1,800	0
\$8.01 TO \$9.00	15,200	9,700	1,700	3,200	4,300	3,300	2,100	0	0
\$9.01 AND MORE	188,100	166,900	2,600	18,700	47,300	54,400	47,700	15,600	1,900
Total employed	238,200	194,300	15,700	28,200	57,500	62,300	53,800	18,800	1,900
<b>Total Low Wage Earners</b>	<b>50,100</b>	<b>27,400</b>	<b>13,100</b>	<b>9,500</b>	<b>10,200</b>	<b>7,900</b>	<b>6,100</b>	<b>3,200</b>	<b>0</b>
<b>Percent of Low Wage Earners</b>	<b>21.03%</b>	<b>14.10%</b>	<b>83.44%</b>	<b>33.69%</b>	<b>17.74%</b>	<b>12.68%</b>	<b>11.34%</b>	<b>17.02%</b>	<b>0.00%</b>
Notes: Data does not include self-employed workers. Zeros are estimates with less than 1,500 employed for which data is not available. Numbers may not add up due to rounding.									

Source: Statistics Canada, Labour Statistics Division, Labour Force Survey

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