

What does it cost to live in BC's Capital Region?

It is important for all of us to talk seriously about living wages. Housing costs in BC's Capital Region are among the highest in the country. Rental rates are rising and, at the same time, there are fewer rental units available.

DIALOGUE ON THE REAL COSTS OF LIVING



Apartment Size	Total Units		Change
	2004	2005	
Bachelor	2,671	2,661	0.0 %
1 Bedroom	13,381	13,299	0.0 %
2 Bedroom	7,181	7,194	0.0 %
3 Bedroom +	476	455	4.4 %
All Units	23,709	23,609	0.0 %

Apartment Size	Average Rent		Increase
	2004	2005	
Bachelor	\$516	\$540	5.0 %
1 Bedroom	\$630	\$657	4.3 %
2 Bedroom	\$799	\$837	4.8 %
3 Bedroom +	\$918	\$976	6.3 %

While the unemployment rate (3.8%) in the Capital Region is the lowest in nearly four decades, employment trends are toward more low-waged, part-time jobs that support the service sector. High costs of housing and low paying jobs negatively impact the diversity and dynamism of our community. Not many families with children can afford to settle here. Only a small number of new immigrants make their home here and young people tend to move away.

When more people are paid a wage that allows them to meet the real costs of living, the quality of life in the community improves. A healthy economy attracts families, business and tourists. A living wage begins to close the income gap and reduce the number of people who are disadvantaged because of poverty. This strengthens both individual families and our community as a whole, as well as lowering the shared social costs of poverty.

How is the Living Wage defined?

A living wage is the hourly rate of pay that allows a family to enjoy a basic, modest quality of life. While it is more than a survival wage or minimum wage, it is not an affluent wage. It is lower than what is needed to obtain much of what is considered normal in our community. A family earning a living wage:

- Adequately feeds, clothes and shelters their household,
- Maintains the health of family members,
- Participates in activities that are an ordinary part of community life,
- Rents rather than owns their home,
- Uses public transit rather than owning a car,
- Cannot save for children's education, home, car, holidays or retirement,
- Cannot afford house insurance,
- Cannot service loan debts or credit card bills,
- Cannot afford to care for an elderly relative or a disabled family member.

¹ *Ibid.*, 2005.

² Canada Mortgage and Housing Corporation, Rental Market Report, Victoria CMA. October 2005.

What any one person needs to earn in order to live varies dramatically depending on their circumstances. Are they single and living at home with their parents? Are they paying off heavy student loans? Do they have children, a dependant spouse or elderly relative? Have they been out of the work force for a while because of an injury and have a large debt load? Are they carrying a mortgage in this expensive housing market?

Tax brackets and tax breaks also affect how much a given individual needs to earn. It is impossible to state a single wage that is a living wage for everyone. For this reason, the Living Wage was calculated based on the costs of living for a statistically typical family in BC's Capital Region.

The Living Wage has been calculated for a two parent family with two children, one school aged and one four years old. The four year old child is in day care because both parents are employed. The family rents a three bedroom apartment

Monthly Costs of Living for a family of four in BC's Capital Region:³

Family Expense	Monthly Cost
Rent, 3 bedroom apt.	950.00
Utilities	75.83
Food	654.46
Phone	52.30
Transportation	183.00
Clothing	173.28
Child Care	570.00
Health Care	245.16
Personal Care	72.50
Schooling	12.50
Recreation	229.01
Household Furniture	46.00
Household Supplies	40.42
Laundry	54.17
Banking	10.00
Emergencies	60.00
RRSP & RESP	0
Other	51.67
Total Monthly Costs	\$3,480.29

The most typical family in this region:

- is a two parent family (84%).
- has children living at home (45% of the two parent families).
- includes two or more children (60% of two parent families).
- has one parent working full-time and one working part-time (24%). The next most common family has both parents employed full time (21.7%).

(Sources: CRD Regional Planning Services, Municipal Profiles, Statistics Canada, 2001 Census, Statistics Canada, 2000)

The Living Wage is based upon this family's monthly costs of living. To be able to meet the costs listed in the table to the left, with both parents employed all year, one at 40 hours per week, the other at 20 hours per week, both parents would have to be earning **\$14.88** an hour.

If either parent is unable to work this number of hours per week, or does not have year-round employment, the living wage amount will have to increase or the family will not afford the expenses listed in the table.

The Living Wage

Income Earner	Living Wage Annually	Living Wage Monthly	Living Wage Hourly
1st parent: 40 hours/week	\$30,940.00	\$2,578.33 ⁴	\$14.88
2nd parent: 20 hours/week	\$15,470.00	\$1,289.17 ⁵	\$14.88
Combined Gross Income	\$46,410.00		

³ Figures are based on data from many sources including Canada Mortgage and Housing Corporation; 2004 CRD Survey of Household Spending, BC Transit, Telus; Victoria Child Care Resource and Referral Centre; Dentists, Opticians, Vancouver Island Health Authority. See details in Living Wage report, www.qolchallenge.ca.

⁴ Take home pay after EI and CPP deductions and taxes equals \$2,058.88.

⁵ Take home pay after EI and CPP deductions and taxes equals \$1,214.65.

Calculating the Living Wage⁶

Total Gross Income	\$46,410.00
<i>minus</i> EI, CPP, provincial and federal taxes	- 7,133.65
<i>equals</i> Take Home Pay	= 39,276.35
<i>plus</i> Child Tax Benefit and GST Rebate	+ 2,493.40
<i>equals</i> Total Take Home Income	= \$41,769.75
<i>minus</i> Family Expenses⁷ (\$3,480.29) x 12	- \$41,763.48
<i>equals</i> Income less expenses	= 6.27

The Living Wage is calculated "back to front." That is, in order to determine the hourly wage needed to meet the costs listed in the table, the calculation starts with the couple's combined gross income.

From the combined gross income, Employment Insurance (EI) and Canada Pension Plan (CPP) contributions, and federal and provincial income tax are subtracted. The result is the couple's take home pay. However, the calculation does not end there. The amount of Child Tax Benefit and GST rebate to which this family is entitled is based on their take home pay. These amounts are added to the couple's take home pay because they assist in defraying the family's monthly costs. The resulting amount equals the total take home income of this family. When their monthly expenses are subtracted, only a few dollars remain.

The Quality of Life CHALLENGE undertook the Living Wage research in 2005 – 2006. The CHALLENGE is launching this data in BC's Capital Region to engage employers in a dialogue about enhancing the quality of life of their employees. See www.qolchallenge.ca for more information.

⁶ The Living Wage was calculated prior to federal budget May 2, 2006..

⁷ Table of monthly expenses, above.