

2010 AFFORDABILITY INDEX BACKGROUND INFORMATION

\$17.31 per hour

The wage required for a household
with 2 employed parents and 2 children



©
**Quality of Life
CHALLENGE**

What does the Affordability Index measure?

It is the hourly rate of pay that allows a family to cover the following costs of living:

- adequately feed, clothe and shelter their household
- maintain the health of family members
- participate in activities that are an ordinary part of community life
- receive up to two weeks paid time off for illness annually
- rent rather than own their home
- own a car and use public transit

This rate of pay does not allow the family to:

- save for children's education, home, holidays or retirement
- service loan debts or credit card bills
- afford to care for an elderly relative or a disabled family member

This Affordability Index calculation does include a sick time benefit but does not include other employment benefits such as extended health, pension plans, bonuses or transportation incentives.

Monthly Costs of Living for a family of four in BC's Capital Region - December 2009 (note on order: listed from greatest to least cost)

Item	Monthly	% of total expenses
Shelter: 3-bedroom unit, telephone, utilities, contents insurance	\$ 1,323.01	27.1%
Child Care	\$ 1,011.17	20.7%
Food	\$ 732.37	15.0%
Transportation	\$ 416.74	8.5%
Clothing	\$ 186.64	3.8%
Medical Services Plan (MSP)	\$ 114.00	2.3%
Emergencies	\$ 201.95	4.1%
Non MSP Health Expenses	\$ 133.00	2.7%
Parent Education	\$ 87.50	1.8%
Other: see note below	\$ 671.80	13.8%
Total	\$ 4,878.18	100%

Note: "Other" expense includes personal care items, household supplies and furnishings, small appliances, recreation, laundry, banking, computer, internet, and children's toys.

By any measure, BC continues to have one of the highest poverty rates in the country.¹ The BC child poverty rate in 2007 was 18.8%, higher than the rate of 14.5% in 1989 and sharply higher than the rate of 11% in 1980.² With a very high cost of living (particularly housing and child care costs), far too many British Columbian families find it impossible to make ends meet.

The Affordability Index, calculated and released each year by the Community Social Planning Council's *Quality of Life CHALLENGE*, reflects the real costs of living through the hourly wage required to enjoy an adequate quality of life in our region.

In 2010, the wage required to maintain an adequate quality of life in BC's Capital Region is calculated at \$17.31 per hour. This calculation assumes two adults working 35 hours per week each while providing a home for two children.

Affordability improves as costs of living decrease and income levels increase. Employers find it difficult to increase incomes to match increases to the costs of living. The region's decreasing affordability is impacting its ability to attract workers, including new immigrants.

The Affordability Index provides an opportunity for dialogue on strategies to improve affordability in BC's Capital Region. It is intended to engage the community to take action to reduce costs of living and to increase incomes.

Family Facts

The most typical family in this region:³

- is a two parent family (84% of all families)
- earned a median income of \$71,500 in 2006

The required wage has been calculated for a typical family in BC's Capital Region, a two parent family:

- with two children: one who is seven and one who is four years old
- with two parents each working 35 hours per week
- with the four year old in day care because both parents are employed
- renting a 3 bedroom unit (apartment)

It is important to note that more than one out of four two-parent, two-children families earn an income that is less than required to sustain an adequate quality of life.⁴

This wage is adequate for a single parent with one child, but this is not adequate for a single parent with two or more children.⁵ More information on families can be found in *Working for a Living Wage (2008 report)*.

¹ CANSIM Table 202-0802, Statistics Canada 2006

² BC Child Poverty Report Card 2009

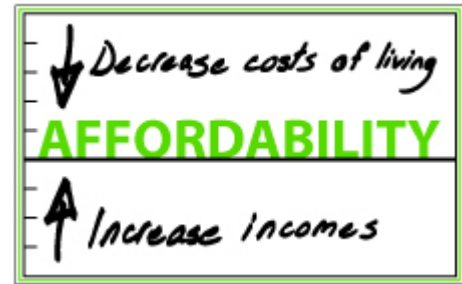
³ Statistics Canada 2006

⁴ Statistics Canada 2006

⁵ Working for a Living Wage: 2010 Update, Canadian Centre for Policy Alternatives, BC Office

Understanding the Income

The Affordability Index is based upon the hours worked per week by both parents employed all year, each working 35 hours per week for the same wage. In 2010, the wage required to maintain an adequate quality of life in BC's Capital Region is calculated at \$17.31 per hour.



Income Earner	Annual Wage	Monthly after tax Wage	Hourly Wage
1 st parent: 35 hours/week	\$31,504.20	\$2,351.88	\$17.31
2 nd parent: 35 hours/week	\$31,504.20	\$2,241.79	\$17.31
Total	\$63,008.40		

If either parent is unable to work this number of hours per week, or does not have year-round employment, or earns less than the affordability index calculation, the wage amount will have to increase or the family will not afford their monthly expenses.

Calculating the wage

Total Gross Income	\$63,008.40
<i>minus</i> EI, CPP, provincial and federal taxes	- 7,884.35
<i>equals</i> Take Home Pay	55,124.05
<i>plus</i> Child Tax Benefit and GST Rebate	+ 3,428.70
<i>equals</i> Total Take Home Income	\$58,552.75
Family Expenses (\$4,878.18 x 12)	\$58,538.16
Income less expenses equals	14.59

The Challenges of Housing

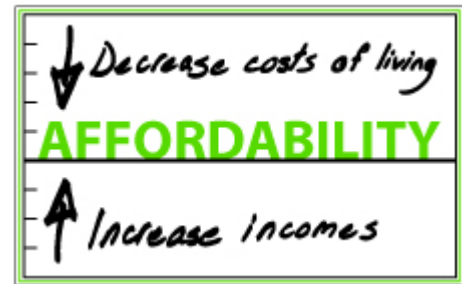
Families face increasing challenges related to housing. Between 2008 and 2009, rents increased at a rate of more than 3%.

Rising Cost of Housing in the Victoria Census Metropolitan Area 2008 to 2009⁶

Apartment Size	Average Rent		Increase Oct 08 to Oct 09
	2008	2009	
Bachelor	\$626	\$647	3.4%
1 Bedroom	\$764	\$790	3.4%
2 Bedroom	\$965	\$1,001	3.7%
3+ Bedroom	\$1,180	\$1,232	4.4%

⁶ CMHC, Rental Market Report, Victoria CMA. Fall 2009

The population of the region is increasing. The good news is that between 2008 and 2009, the overall rental housing stock increased by a small percentage in most apartment sizes. There is a slight decrease in the number of two-bedroom apartments. Additionally, the vacancy rate has edged up to 1.4% in 2009 from 0.5% in 2008.



Number of Apartments in the Victoria Census Metropolitan Area 2008 to 2009⁷

Apartment Size	Total Units		Change
	2008	2009	
Bachelor	2,551	2,560	+ .4%
1 Bedroom	13,050	13,143	+ .7%
2 Bedroom	7,208	7,202	- .1%
3+ Bedroom	446	462	+3.6%
All Units	23,255	23,367	+ .5%

Hourly Wage Rates - 2006 to 2010

The costs of living in this region have increased at rates that are reducing the affordability of our community. The Affordability Index provides an opportunity for dialogue on strategies to improve affordability in BC's Capital Region. It is intended to engage the community to take action to reduce costs of living and to increase incomes.

Data Release	Hourly wage	Difference	Change rate
2006	\$15.63		
2008	\$16.39	\$ 0.76	+ 4.9% ⁸
2009	\$17.02	\$ 0.63	+ 3.8%
2010	\$17.31	\$ 0.29	+ 1.7%

Poverty Statistics for BC's Capital Region

British Columbia had the highest child poverty rate in Canada for the sixth year in a row in 2007 despite very strong economic growth. According to the Statistics Canada before-tax Low Income Cut-Offs (LICOs), the proportion of children living in poverty in BC was 18.8% – well above the national child poverty rate of 15%. The poverty rate for BC children living in families headed by loneparent mothers was 43.4% in 2007, while the poverty rate for BC children in two-parent families was 12.5%.⁹

Based on annual estimates for census families and individuals (Statistics Canada, 2006), in BC's Capital Region more than one out of four two-parent, two-children families (27.2%) earn an income that is less than required to sustain an adequate quality of life.

Personal health and income levels are connected. The 2008 Happiness Index survey showed that among all of the demographic variables included, income showed the strongest relationship with health. The increase in health scores occurred with each step up the income hierarchy.¹⁰

BC's Capital Region, as a tourism destination and as an urban centre, sees much of its employment in the retail and service sector. In 2006, more than half of the population in the Victoria region was in the paid work force,

⁷ CMHC, Rental Market Report, Victoria CMA. Fall 2009

⁸ Note that this increase is over a two year period, and averages 2.5% per year.

⁹ 2009 BC Child Poverty Report Card, First Call BC

¹⁰ The Greater Victoria Wellbeing Survey, Mini Report – Health, February 2010

183,000 of 330,000 people. The Retail, Wholesale and Accommodation and Food industries were an important employer, employing over 40,000 people and thus more than one fifth of the workforce. Of this number, a little more than half (or 20,000) were employed in Retail, about 15,600 in Accommodation and Food, and 4,500 in Wholesale.¹¹ Employees who work in the Retail, Wholesale, and Accommodation and Food industries all make less than similar employees in the workforce as a whole (all industries combined).

In the workplace as a whole (all industries combined), women who work full-time for the full year earn 23% less than men who work full-time for the full year. The difference is most pronounced in the Retail industry, where women earn 37% less than men.

In January 2009 there were 5,244 registered child care spaces for 18,126 children age 5 and under in the Capital Region. The challenges of finding child care for working families are significant. The *Child Care Information Action Project: 2007 Report on Child Care in the Capital Region* noted that a widely recognized and discussed barrier to providing child care is finding and retaining qualified staff. Key informants named again and again the many issues that make recruiting and retaining qualified staff a significant barrier to providing care for young children: low wages and a lack of qualified ECE Trained Employees. Child care costs for families in this region represent more than 20% of the costs of living in the 2010 Affordability Index.

The BC government assists some low income families directly with a rent supplement and/or a childcare subsidy. While they benefit some families, each of these programs has limited reach. Many low-income families do not meet the eligibility criteria for the rent supplement. Similarly, childcare subsidy dollars frequently do not cover the actual cost of childcare fees, leaving low-income families struggling to make up the difference.

Addressing community affordability is a CHALLENGE

There are many excellent efforts and initiatives actively working in our community to address issues related to housing, child care, transportation, access to food and more. Some of these include:

- The Regional Child Care Council and the Human Early Learning Partnership at the University of British Columbia have grappled with the complexities of providing enough affordable, equitable child care spaces for parents in the region without compromising the quality of care in the early years. An overarching principle is that child care spaces need to be staffed by adequately paid, trained child care providers who can afford to live in our community. A shortage of child care spaces, and the resulting difficulties with extremely long wait lists and high stress for parents, is a major challenge facing many employers across the region. The upcoming move to fund full day kindergarten in BC will undoubtedly ease the burden of costs and stress on families with children age five.
- The Greater Victoria Coalition to End Homelessness is working tirelessly to find housing for the homeless in our community. Two support workers are helping people make the transition from the street to a private rental unit through the Streets to Homes project. The provincial government's Rental Assistance Program is providing some support for working families living in poverty. Municipalities in this region are making annual contributions to the Regional Housing Trust Fund, which is managed by the CRD. Since 2006, 11 municipalities have signed on to the Fund. The Fund has generated 281 units in 17 projects in the past 4 1/2 years and has raised \$3.5 million in this region that has been leveraged at about 15 to one, creating \$51 million of affordable housing. Secondary suites are being legalized in municipalities across the region. The United Way of Greater Victoria's Impact Council on Housing and Homelessness is investing in projects that are making a difference.

Despite all of these efforts, though, the affordability rate in our community is still climbing. There is more work to be done.

¹¹ Socio Economic Report 1, SkillPlus Project – Victoria READ Society, 2010

Some Options for Action

Policy-makers:

- Consider wage levels relative to the costs of living in this region for contracted out services
- Support the development of affordable housing options in neighbourhoods
- Improve accessibility and reduce costs of child care
- Explore solutions to reduce costs of transportation
- Support the development of a Poverty Reduction Plan for municipalities and for the province

Employers:

- Look at your wage scales to see how long a person must be employed before earning a wage required for an adequate quality of life. Consider how you can improve that over the next year, 2 years and 5 years
- Besides pay increases look for other ways to improve the quality of life of your lowest wage earners such as flexible work hours, bus passes, on the job training
- Learn more about your staff's housing and child care challenges and solutions
- Demand the same integrity you aspire to from your suppliers and colleagues. Look beyond the lowest financial offer and consider how the firms you deal with treat their employees when awarding contracts
- Consider ways you and your business partners and employees can take action to reduce costs of living related to child care, housing, food and transportation

Consumers:

- Support local businesses that treat their employees well – some of them are listed at: http://www.qolchallenge.ca/resources/the_employer.php
- Speak out in support of the development of affordable housing options in your neighbourhoods
- Consider your wage rates when hiring people for work around your home
- Consider ways you, your family and friends can take action to reduce costs of living related to child care, housing, food and transportation

Research on the Affordability Index has been made possible by a generous grant from Coast Capital Savings Credit Union.

More information: info@qolchallenge.ca

www.qolchallenge.ca

250-383-6166



Quality of Life CHALLENGE is diverse community partners working together to generate long-lasting solutions that prevent and reduce poverty in BC's Capital Region.

2-3948 Quadra Street, Victoria, BC V8X 1J6
Tel: 250-383-6166 Fax: 250-479-9411
Email: info@qolchallenge.ca
Website: www.qolchallenge.ca