

Living Wage

Calgary 2020



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Background

Since 2008, Vibrant Communities Calgary (VCC) has been updating the living wage figure for Calgary on an annual basis. The framework for calculating a living wage is adopted from the Living Wage National Framework created by the Canadian Centre for Policy Alternatives¹. There are many living wage communities across Canada, and formally established networks including [Ontario](#), and [B.C.](#)

2020 Context

We understand the challenges businesses were faced with in 2020 due to the pandemic and the health restrictions that followed. We are currently working with employers to understand the feasibility of implementing a living wage in this context, and our intention is that the 2020 number will provide some insight into the cost of living, and emerging needs within our community.

The Living Wage Alberta Network

A group of municipalities and organizations from Edmonton, Cochrane, Canmore, Drumheller, and Chestermere make up the network. Members educate and advocate for a living wage in their respective community with the intention of spotlighting living wage employers in the province. For additional information visit livingwagealberta.ca

¹ The National Living Wage Framework was created by Living Wage Canada, a collaborative effort to create a consistent approach to calculating and communicating a living wage across participating communities and municipalities. For more information about Living Wage Canada visit <http://livingwagecanada.ca/>

Living Wage Principles

Income from employment that is sufficient to cover the cost of living in a given region is not only vital to reducing poverty but is a necessary component to a resilient city and economy. People need more than the bare minimum, this includes enough income to cover bank fees, education and training, internet costs, and the ability to save for an unexpected event. Other principles identified by Living Wage Canada include a wage that enables working families to have sufficient income to cover reasonable costs, promote social inclusion, and support healthy child development.

Minimum Wage vs. Living Wage

Calgary's living wage is not the minimum wage. Minimum wages are legislated by the provincial government and are set so that no employer may pay below the legal minimum which currently sits at \$15 per hour.² A living wage is a proxy for the cost of living in any given community. It is not an arbitrary number, but is instead determined by calculating average expenses, taxes and government transfers for a given household using local costs. A living wage considers the basic needs of an average family of four with two working parents and two children, plus additional costs we all incur from time to time, to allow for a family to fully participate, thrive and build their human and financial assets (e.g. education and savings).

Methodology

The living wage is calculated on the income needs of a two-parent family with two young children. It takes into account the hourly rate of pay needed for a household to meet its basic needs, once government transfers have been added to the family's income and taxes have been subtracted.

It is also important to note that the methodology assumes that **both parents are working full-time hours of employment**. Indicators include more than the basics of food, clothing and shelter, the calculator also takes into account unexpected costs, small investments in parent education, and home costs. A comparison between the cost of living for a family of four in 2018 and 2020 is provided in the table below.

² For more information about Alberta's minimum wage visit <https://www.alberta.ca/minimum-wage.aspx#toc-1>

Living Wage Formula

$$\begin{aligned}
 &\text{Annual Family Expenses} \\
 &= \\
 &\text{Income from Employment} \\
 &+ \\
 &\text{Income from Government Transfers} \\
 &- \\
 &\text{Premiums and Taxes}
 \end{aligned}$$

Family Expenses

Table 1: Family Expenses for a family of four, Calgary, 2018 vs. 2020

	Monthly (2018)	Monthly (2020)	Annually ³ (2018)	Annually (2020)
Food	\$975.83	\$970.68	\$11,710.00	\$11,648.12
Clothing and Footwear	\$156.41	\$156.69	\$1,877.00	\$1,880.30
Shelter (includes utilities)	\$1,613.83	\$1,633.28	\$19,366.00	\$19,599.40
Transportation ⁴	\$336.58	\$907.17	\$4,039.00	\$10,886.05
Bank Fees	\$4.00	\$4.00	\$48.00	\$48.00
Internet	\$71.00	\$80.00	\$852.00	\$960.00
Child Care ⁵	\$1,258.75	\$924.55	\$15,105.00	\$11,094.62
Health Premiums	\$255.70	\$356.20	\$3,068.40	\$4,274.40
School Fees	\$24.58	\$28.75	\$295.00	\$345.00
Adult Education ⁶	\$104.83	\$225.42	\$1,258.00	\$2,705.00
Social Inclusion		\$158.28		\$1,899.40
Other Household costs	\$948.83	\$960.28	\$11,386.00	\$11,522.63
Contingency Expenses	\$206.16	\$277.58	\$2,473.96	\$3,331.00
TOTAL FAMILY EXPENSES	\$5,956.50	\$6,682.83	\$71,478.36	\$80,193.92

³ 2018 expenses changed to reflect the MBM 2018 base

⁴ The methodology has changed for the transportation expense. 2018 source was the Market Basket Measure.

⁵ Regarding childcare expenses, costs do not include before and after care for the 9-year-old child as was the case in previous years. The 2018 comparison has been updated to reflect this change in methodology.

⁶ The methodology has changed for the adult education expense. 2018 cost was sourced from the median cost of two Bow Valley courses, two semesters of textbooks, two semesters of part time student fees, and two semesters of part time student association fees.

Data Sources:

- **Food:** Cost sourced from the Market Basket Measure (MBM) 2018 for Calgary.
- **Clothing:** Cost sourced from the MBM 2018 for Calgary.
- **Shelter:** Cost sourced from the MBM 2018 for Calgary, and includes a 3-bedroom rental, utilities, appliances, and tenant insurance.
- **Transportation:** Cost for one private car is based on the Canadian Automobile Association and average kilometers travelled is based on the Average per Vehicle Distance Chart published by the government of Alberta. The cost of a monthly transit pass is also included.
- **Bank Fees:** Cost based on the financial consumer agency of Canada, [bank selector tool](#).
- **Internet:** Shaw basic.
- **Child Care:** Costs for a 4 year old in full-time childcare for nine months is based on the [Centre for Policy Alternatives annual childcare fees report](#). Childcare costs for the 9-year-old include 8 weeks for summer break and 2 weeks for winter break based on City of Calgary Day Camp fees.
- **Health Premiums:** [Alberta Blue Cross](#) Plan C.
- **School fees:** Fees are charged to cover the gap between the cost of programs and services (for Calgary Board of Education schools) and the funding provided by the province. The amount includes an elementary noon supervision fee, an incidental activity fee for students at lunchtime, and a supply fee.
- **Adult Education:** Cost is for two six credit courses from Athabasca University for two adults including fees.
- **Social inclusion:** Includes the cost of a city of Calgary recreation monthly pass, the cost of reserving a camp site through Alberta parks for 14 days, as well as a Netflix membership.
- **Other household costs:** The Market Basket Measure “Other” category is a fixed percentage of 75.4% of the other MBM basket items and includes the cost of household items, personal care, reading materials, and cell phone expenses. Statistics Canada calculates this component by approximating average expenditures on a wide range of other goods and services, using data sourced from the Survey of Household Spending (SHS).
- **Contingency:** 1/26th of the above expenses. According to the [Living Wage Guide](#), the contingency amount is calculated by multiplying the estimated living wage by 35 hours for each parent by 2 weeks. In other words, it represents 2 weeks’ worth of pay for each parent. This amount is meant to provide a savings cushion for unexpected events, like the serious illness of a family member, transition time between jobs, etc.

*Costs for 2020 include a 1.2% inflation increase based on the consumer price index.

Findings

Working in collaboration with other municipalities, VCC has adopted the new standardized methodology to calculate the living wage rate for Calgary. The 2020 living wage is \$20.69 per hour, a substantial 27% increase from the 2018 rate of \$16.45, and a difference of 39% from Alberta's minimum wage of \$15 per hour. Adopting the new methodology has meant some changes to the calculation. In Table 1, we have added a new *social inclusion* expense category which includes the cost of recreation, a couple of weeks at a campsite, and a Netflix membership, all components represent a balanced and healthy lifestyle. We have also changed the way we calculate two of the thirteen expense categories including transportation and adult education to align with the Alberta network.

Tax and Benefit Programs

Important changes to taxes and benefits occurred in 2020, and include the end of the Alberta Climate Rebate, and the consolidation of the Alberta Child Benefit and the Alberta Family Employment Tax Credit into a single program, the Alberta Child and Family Benefit. One interesting development that the Alberta Network discovered is the impact of recent changes to the Alberta Childcare Subsidy (ACCS) program. ACCS has a sharp cut-off between \$18 per hour and \$19 per hour. This means that if both parents earned \$18 per hour, they would receive \$6,660 in ACCS benefits. If these same parents earned \$1 per hour more (both parents earned \$19 per hour), they would lose ACCS completely and their net annual income would decrease by \$4,073.

These government transfers are only available **to those who file their taxes**, failure to do so could mean the potential loss of thousands in annual income. Enough for All Champion Aspire is leading the work on financial empowerment and that includes helping individuals and families gain access to income that they are already eligible for through tax clinics, for more information visit <https://aspirecalgary.org>

Employer Benefits

The Alberta Living Wage Network is working to launch an Employer Certification program as well as an Employer Calculator to support employers with implementing a living wage and creating benefit programs that can supplement an employee's wage. For instance, some employers offer health and wellness benefits, or transportation benefits such as a buss pass that would offset the amount of the living wage. Upon completion, the Employer Certification program will support employers with paying a living wage in a way that is financially viable.

For more information

For more information, please contact the Alberta Living Wage Network Coordinator at coordinator@livingwagealberta.ca

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