

Living Wage and Poverty

Vancouver Coastal Health and the Health Officers' Council of BC - September 2008

Background

For 4 years in a row, British Columbia has had the highest rate of child poverty of any province in Canada. Approximately 1 in 5 (20.9%) children in our province live in families living below the Low Income Cut-Offs defined by Statistics Canadaⁱ. Poverty has been inextricably linked to the long-term health status of childrenⁱⁱ and almost all facets of health are worse among impoverished children than among children from affluent familiesⁱⁱⁱ. Researchers note:

Children and youth who live in poverty are at greater risk in terms of health, do less well in school, have to cope with a dangerous or unhealthy physical environment, less likely to graduate from secondary school and then as adults, suffering from job insecurity, underemployment and poor working conditions^{iv}.

Considering these health impacts, it is important and appropriate for the health sector to assume leadership around the issue of child and family poverty. Leadership on this issue is currently being developed via a partnership between the Vancouver Coastal Health Authority and the Health Officers' Council of BC (HOC). This partnership has resulted in the development and ongoing implementation of a child poverty advocacy platform.

An advocacy position on the issue of child poverty was first outlined in a submission to the BC Conversation on Health^v. The submission included:

- A recognition of the correlation between early childhood experiences/child poverty and health status/social well-being in adulthood.
- A series of policy options to address child and family poverty.

The policy options included: a provincial poverty reduction plan, the development of a provincial child-care plan for BC and a number of strategies to ensure that families have adequate income. These, and other policy recommendations to address child and family poverty, can be found in the results from the Conversation on Health^{vi}. The results of the Conversation on Health clearly indicate the role of the health system in redressing the social determinants of health.

Income and the Working Poor

Recent reports from several sectors have highlighted the issue of the inability of working Canadians to escape from poverty. In particular, the issue of the working poor¹ and the need for income security and supports have surfaced. A 2006 report from **Human Resources and Social Development Canada** found that there were 653,300 working poor persons in Canada. (1.5 million Canadians were affected by working poverty if you include dependants and about one third were children under 18)^{vii}. These individuals and families account for 40% of all low income Canadians. The authors note that an increased minimum wage is not a stand-alone solution to this issue. They recommend a mix of social and economic programs to decrease both the incidence and depth of low income among Canadian workers.

The **BC Progress Board** was established by the Premier to advise the Government on strategies, policies and actions that relate to BC's economic and social wellbeing. In their benchmark report, the BC Progress Board noted concern over the number of British Columbians living below the Low Income Cut-Off. The Board adds that "there has been little progress on the agenda of making work pay"^{viii}. The Board has recommended that "governments extend supports to low wage workers to ensure they are better off in employment than on welfare, that

¹ Working poor individuals are defined as individuals aged 18 to 64 who have worked for pay a minimum of 910 hours in the reference year, who are not full-time students, and have a low family income according to the Market Basket Measure of low income.

they face reasonable marginal effective tax rates, and that they can meet the needs of their families through work”.

The **Provincial Health Services Authority** has described growing health inequities in British Columbia related to income^{ix}. These health inequities are significant as demonstrated in differences in life expectancies, chronic disease rates and risk factors. Recommendations from this work note that the highest priority to reduce these inequities is addressing social stratification such as income strategies.

Defining a Living Wage

One proposed response to the issue of low income working families has come in the form of a living wage policy. In the 1990s, Living Wage campaigns were launched by collaborative community initiatives in the United States as a means of addressing increasing poverty faced by workers and their families. There are currently over 125 U.S. municipalities with living wage policies. In Canada, the municipalities of Calgary, Toronto, Hamilton and London have explored or implemented living wage or ‘fair wage’ policies^x.

A Living Wage is an hourly pay rate that allows families to meet their basic needs and participate in the civic and social activities many of us take for granted. It is higher than a legislated minimum wage. The living wage is the hourly rate of pay that enables the wage earners living in household to:

- a. feed, clothe and provide shelter for their family;
- b. promote healthy child development;
- c. participate in activities that are an ordinary element of life in a community; and
- d. avoid the chronic stress of living in poverty.

The Vancouver Living Wage campaign has identified a living wage as being:

$$\begin{aligned} & \textit{Employment Income + Income from Government Transfers} \\ & \textit{- EI and CPP Premiums, Federal and Provincial Taxes} \\ & \text{-----} \\ & \textit{= Annual Family Expenses} \end{aligned}$$

Living Wage Calculation Working Group has identified the Living Wage for Metro Vancouver as **16.74 per hour for Vancouver** based upon the above family expenses and factoring in government transfers and deductions. **However, it is important to note that a living wage may also include additional income support strategies beyond wage.**

How is the Living Wage rate calculated? What does it include?

The calculation uses a hypothetical family of two parents (with two young children) working a combined total of 70 hours per week. It includes food, clothing, shelter, transportation and other basic costs. These are based on the Market Basket Measure (MBM), an index of expenses developed by Human Resources and Social Development Canada.

The calculation assumes this family must pay for child care and medical benefits. It also incorporates income from government transfers (e.g. the Canada Child Tax Benefit) and statutory deductions (e.g. taxes, EI and CPP premiums).

How many people could be affected by the implementation of a Living Wage?

The annual income provided by the Living Wage is lower than the income currently earned by the majority of couple families in BC with two children. In Vancouver, 41% of such families receive less than the Living Wage annual income, while 38% of families in BC receive less than

Vancouver Living Wage annual income. In Victoria, 27% of such families receive less than the Living Wage annual income, while 37% of families in BC receive less than Victoria Living Wage annual income.

What are the benefits and concerns of a Living Wage?

Benefits of a living wage have included enhanced income, improved working conditions and quality of life for low-wage workers. Commonly cited concerns are similar to those criticisms around a minimum wage increase, increased costs to businesses and reduced employment^{xi}.

ⁱ BC Campaign 2000 – 2007 Child Poverty Report Card. Available:

<http://www.firstcallbc.org/pdfs/EconomicEquality/3-2007%20report%20cards.pdf>

ⁱⁱ Hertzman C, Weins M. Child development and long-term outcomes: A population health perspective and summary of successful interventions. *Soc Sci Med* 1996;43:1083-95.

ⁱⁱⁱ Reading R. Poverty and the health of children and adolescents. *Arch Dis Child* 1997;76:463-67.

^{iv} Hay, D.I. & Watchel, A. (1998). *The Well-being of British Columbia's Children and Youth: a Framework for Understanding and Action*. Vancouver: First Call BC Child and Youth Advocacy Coalition.

^v Taking Action on Child Poverty. Available: www.bcconversationonhealth.ca/media/HOCBC-Child_Poverty.pdf

^{vi} BC Conversation on Health Summary: Social Determinants of Health. Available:

www.bcconversationonhealth.ca/EN/envisioning_a_healthy_british_columbia/social_determinants/

^{vii} When Working is not enough to Escape Poverty: An Analysis of Canada's Working Poor.

Available: <http://www.hrsdc.gc.ca/en/cs/sp/sdc/pkrf/publications/research/SP-630-06-06/SP-630-06-06E.pdf>

^{viii} BC Progress Board Advisory Reports. Available: http://bcprogressboard.com/adv_work.html

^{ix} Health Inequities: Provincial Health Services Authority (Working Paper)

^x Vibrant Communities Living Wage Fact Sheet. Available:

www.vibrantcalgary.com/media/Living%20Wage%20Fact%20Sheet%20September%202007.pdf

^{xi} The Impact of Implementing a Living Wage Policy for the City of Calgary. Available:

www.vibrantcalgary.com/media/FCS2008-10.pdf