

THE LIVING WAGE FOR SAULT STE. MARIE

2019



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This research is part of NORDIK Institute's **Sustainable North** initiative. Sustainable North is a research and evidence-based policy suite investigating options to promote greater community resilience, sustainability, and improved equitable quality of life in Northern Ontario.

CALCULATION OF THE 2019 LIVING WAGE FOR SAULT STE. MARIE

1. What is a Living Wage?

A living wage is an hourly wage a worker needs to meet their necessary expenses and enjoy a decent life beyond poverty. It is calculated with a consideration of community-specific family expenses and includes basic costs such as food, rent, clothing, childcare and transportation, as well as items such as extended health care, recreation and a modest family vacation. This report presents the calculation for Sault Ste. Marie's (SSM) living wage, determining the 2019 amount to be \$16.16 an hour. This hourly wage reflects an adequate income for a family of four (two full-time working adults and two children) to cover their reasonable needs and participate socially in their community.

The living wage movement in Canada is rooted in the context of the failure of the minimum wage policy to cover basic needs for a family (Evans & Fanelli, 2016). The minimum wage is legislated, stipulating the minimum a worker should earn in each province or territory. It does not necessarily ensure a basic level of economic security and social inclusion in their community. The living wage is distinctly different from the minimum wage. It is based on the premise that a worker earning a living wage should not only survive but also attain social inclusion and a good quality of life (Mackenzie & Stanford, 2008). Due to the differences in living costs in different communities, the living wage is expected to be higher in larger cities than in small towns. Government policies such as access to child care, taxes, or transfers also influence living wage calculations, and therefore, the living wage varies from community to community and province to province.

1.1 Why is the Calculation of Living Wage Necessary?

The purpose of the calculation of a living wage is twofold. The living wage provides a guideline to local public, private and non-profits sector employers to compensate workers with a competitive and inclusionary salary to help them afford a basic but decent standard of living. A voluntary commitment to provide a living wage will benefit employers in many ways. A higher wage could improve worker's health and job satisfaction, and consequently, reduce absent days and increase productivity. It also contributes to reducing employee turnover and, therefore, lower recruitment and training costs (Wills & Linneker, 2012). Committing to provide a living wage also enhances the company's reputation among consumers and within the community (Ontario Living Wage Network, 2018).

A living wage also provides a context for why the minimum wage may fail to allow workers to meet basic family necessities and live a decent quality of life. Families who earn low wages struggle with meeting household necessities such as food, shelter, and clothing and keep accumulating debt. They sometimes end up with overtime or multiple jobs and find no time to spend with families. Workers with low wages and overtime hours may experience constant anxiety and long-term health problems (Van Der Hulst & Geurts, 2001). A living wage is one of many tools to help low- and moderate-income families fight against poverty.

1.2 Items Not Calculated in Living Wage

It is also important to note that a family earning a living wage cannot ensure any luxury items. It does not account for families' needs regarding debt or interest payments, savings for retirement or owning a home, savings for children's future education, anything beyond minimal recreation and holidays, costs of caring for a disabled, ill, or elderly family member or anything other than a meager cushion for emergencies (Living Wage Canada, 2013).

2. Overview of the Living Wage Calculation

This section provides an overview of the living wage framework, the characteristics of the reference family, and the items included in the calculation.

2.1 Living wage framework and methodology

The living wage calculation presented in this report follows the *Canadian Living Wage Framework: A National Methodology for Calculating the Living Wage in Your Community* developed by the Canadian Centre for Policy Alternatives (CCPA). This National Framework provides a standard definition and methodology of the living wage calculation for communities who want to be involved in the living wage movement. Based on this framework, the Ontario Living Wage Network (OLWN) has developed an appropriate family expense workbook and CCPA-Ontario Living Wage Calculator to help to estimate the living wage for the communities in Ontario. The CCPA-Ontario Living Wage Calculator has been used for calculating SSM's living wage.

2.2. Reference household

The estimated living wage of a community varies with the types of households considered for the calculation. The family budget depends on the number of family members and working adults in the house, childcare needs, the amount of government benefits and many other things. Therefore, it is necessary to indicate the characteristics of households while calculating the living wage.

The living wage of a single young adult would differ from that of a family of two parents and eight children, and likewise costs of living increase or decrease depending on the needs of the individuals involved (for instance, an individual requiring regular medications or with chronic health issues is likely to have higher than average basic costs to attain the same standard of living as someone without those needs). The living wage calculation is not meant to reflect the needs of every individual, but rather an economic household with two children in the areas for which it is calculated. We use the term "family" because it is the most common social structure associated with households, though it is worth noting that we recognize not all families are constituted in a single household, not all households would necessarily be composed of people who consider themselves to be a family, and not all families have children. That said, pursuing the calculation of a living wage necessitates the projection onto a specific economic household, or "family," for a more common reference.

The characteristics and assumptions of the family used in this living wage calculation are presented below:

TABLE 1: FAMILY CHARACTERISTICS AND ASSUMPTIONS IN THE LIVING WAGE 2019 CALCULATION

FAMILY CHARACTERISTICS	SSM LIVING WAGE ASSUMPTIONS
Number of total family members	4
Number of adults	2
Number of children	2
Age of family members	<ul style="list-style-type: none"> • Parent 1 and parent 2 with age between 31 and 50 • A 7-year old child • A 3-year old child
Number of parents in paid work	2
Hours of working for each parent	35 hours each
Hourly wage	Equal for each parent
Number of children in daycare/school	<ul style="list-style-type: none"> • One child in full-time daycare • One child in school and in before- and after-school care
Additional characteristics	One parent taking professional development courses at a local college to improve employment capacity

Fifty per cent of the household is assumed to be female to broadly reflect the population at large and recognize the differential costs that women typically pay for common goods calculated in the Survey of Household Spending (See section 3.1).

3. Calculation process

The Living Wage calculation considers the annual family expenses, income from government sources, payroll and income taxes and employment income.

Following are the steps to calculate it.

The SSM living wage is calculated using this basic formula:

Annual Family Expenses	=	Employment Income	+	Income from Government Transfer	-	Payroll and Income Taxes
		<i>(Living Wage)</i>		<i>(CCB, WITB, OCB, GST, OTB, Child Care Subsidy)</i>		<i>(EI Premiums, CPP Premiums, Federal Taxes, Provincial Taxes)</i>

3.1. Annual Family Expenses

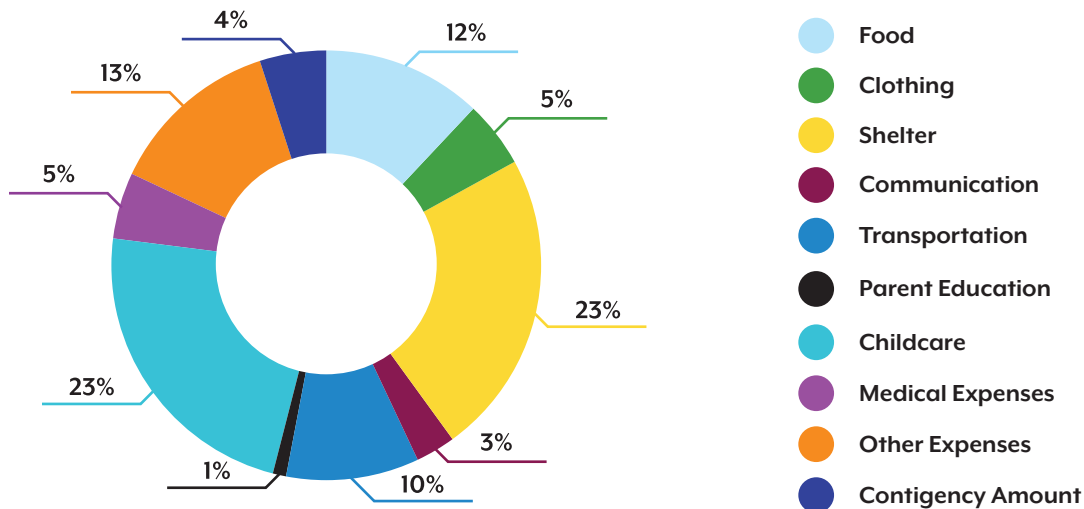
The first step of this calculation is to determine the community-specific expenses for the family of four. The basic family expenses include the food, rental housing and utilities, transportations, clothing, communication and entertainment, childcare, adult professional development, medical costs, and other expenses, including personal care, family vacation, recreation, household supplies etc. These items of expenses have been selected based on the CCPA National Framework and OLWN family expense workbook. In calculating family expenses for SSM, credible and reliable sources have been used such as Algoma Public Health, Statistics Canada’s Survey of Household Spending (SHS) and Market Basket Measure (MBM), local rental market websites, SSM City Corporate information, local college tuition costs, Child Care Algoma etc. (See *Appendix A* for details). *Table 2* provides a summary of the annual expenses for a family of four to live a healthy and socially inclusive life in SSM.

TABLE 2: SUMMARY OF ANNUAL FAMILY EXPENSES

CATEGORY	ANNUAL COST
Food	\$8,836.00
Clothing and Footwear	\$3,630.00
SHELTER	
Rent	\$14,888.00
Hydro	\$1,252.00
Tenant Insurance	\$246.00
COMMUNICATION	
Cell Phone	\$1,220.00
Internet	\$1,020.00
Netflix	\$120.00
TRANSPORTATION	
Vehicle	\$6,479.00
Bus Fares and Passes	\$804.00
EDUCATION AND CHILDCARE	
Parent Education	\$835.00
Childcare (before subsidy)	\$16,269.00
MEDICAL EXPENSES	
Non-OHIP medical expense	\$2,952.00
Life Insurance	\$154.50
Critical Illness Insurance	\$293.50
OTHER	
Other Expenses	\$9,399.36
Contingency Amount	\$2,735.93
Total Family Expenses	\$71,134.00

Chart 1 represents the percentage of annual family expenses in each category. Childcare and Shelter occupy the biggest share of the total family budget followed by Food, Transportation, and Other Expenses category.

CHART 1: PERCENTAGE OF FAMILY EXPENSES IN EACH CATEGORY



3.2. Income from government transfer

After adding up total family expenses, the calculation moves to the income side of the calculation process. A living wage reflects what a worker needs to earn to meet basic family needs, once government transfers have been added to the family's income and deductions have been subtracted (Living Wage Canada, 2013). Therefore, the next step is to determine the amount of government benefits and subsidies a family can receive. A family that lives in SSM can be eligible for government transfers such as Canada Child Benefit (CCB), Working Income Tax Benefit (WITB), Ontario Child Benefit (OCB), Ontario Trillium Benefit (OTB), GST/HST Credit, and Child Care Subsidy (see Appendix B for the definition of each category). The CCPA-Ontario Living Wage Calculator has been used to calculate the amount of family income from government transfers. Table 3 provides a summary of the calculated benefits of the reference family.

TABLE 3: SUMMARY OF NON-WAGE INCOME (GOVERNMENT TRANSFER)

CATEGORY	NON-WAGE INCOME
Canada Child Benefit (CCB)	\$8,790.19
Working Income Tax Benefit (WITB)	–
Ontario Child Benefit (OCB)	\$294.48
Child Care Subsidy	\$10,052.20
GST/HST Credit	\$72.65
Ontario Trillium Benefit	\$586.16
Total Income from Transfers	\$19,795.68

3.3. Payroll and income taxes

The income side of the calculation also takes taxes and contributions into the account. The federal and state taxes and mandatory payroll contributions have been calculated using the CCPA-Ontario Living Wage Calculator. Table 4 provides a summary of the income taxes and contributions of the referenced household.

TABLE 4: GOVERNMENT TAXES AND CONTRIBUTIONS

CATEGORY	INCOME/TAXES/DEDUCTIONS
Household Employment Income	\$58,821.67
Federal Income Tax	\$2,986.18
Provincial Income Tax	\$901.02
Total Government Taxes	\$3,887.20
CPP and EI Contributions	\$3,595.82
Total Government Taxes and Contributions	\$7483.02

3.4. Employment income (living wage)

The last step of the calculation is to incorporate all the calculated government benefits, taxes, and contributions with employment income. After adding the government benefits and subtracting the taxes and mandatory contributions from the employment income, the final result is the employment income necessary to meet the family expenses estimated in step one. Table 5 represents the summary of this last step.

TABLE 5: HOUSEHOLD INCOME AFTER TAXES AND TRANSFERS

CATEGORY	INCOME/TAXES/DEDUCTIONS
Household Employment Income	\$58,821.67
Plus: Total Government Transfers	\$19,795.68
Minus: Total Government Taxes and Contributions	\$7483.02
Household Income after tax and transfers	\$71,134.00

The employment income, \$58,822, represents the living wage income in this report. That is, each full-time worker in the family should earn \$16.16 per hour to earn total employment income of \$58,822 and live a decent quality of life.

The 2019 living wage for Sault Ste. Marie is \$16.16 per hour.

4. Employment Income in Sault Ste. Marie

According to the Low-Income Cut-off (LICO) indicator, the income line for a family of four living in a community similar to SSM with population size 30,000 to 99,999 was \$40,298 in 2015 (Statistics Canada, 2017, Table 11-10-0241-01, Low-income cut-offs, before tax). A four-person family with less than \$40,298 in income is considered to live in poverty according to the LICO indicator. Yet families who earn above the LICO line may still earn low wages and struggle to meet their basic needs in life. A family with both parents earning the minimum wage of \$14.00 per hour can earn \$50,960 in employment income annually. This amount is more than the LICO line but less than the living wage income calculated above. Many families in Sault Ste. Marie earn less than \$50,960 in employment income annually. According to the 2016 Census data, the median employment income in Sault Ste. Marie is \$28,989 (Statistics Canada, 2016 Census of Population). A household with two working adults earning the median income would collectively earn \$57,978 annually, which is still less than the living wage earnings for a household with two working adults and two dependents. This tells us that half of the working population is earning less than the living wage.

While the employment income data is based on 2016 rather than the 2019 year that our living wage calculation is based on, it still provides some perspective on the employment income scenario facing thousands of workers in Sault Ste. Marie. In terms of income, many families are living a quality life, but there are thousands who are left behind and need to earn more to meet their family's basic needs. Table 6 represents an employment income scenario if the reference household earns a) Low Income Cut-off (LICO); b) Minimum wage; c) Median employment income; and d) Living wage.

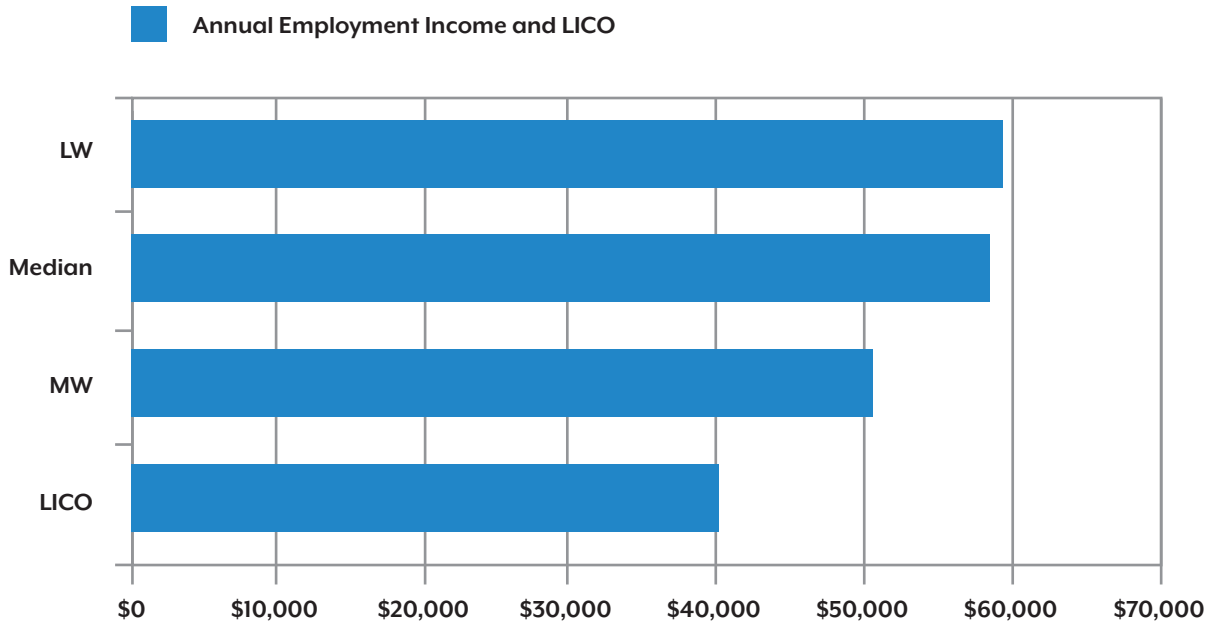
TABLE 6: COMPARISON OF ANNUAL HOUSEHOLD INCOME

EARNING	ANNUAL HOUSEHOLD INCOME	SOURCE
Low Income Cut-off (LICO)	\$40,298.00	Statistics Canada (2017)
Minimum wage	\$50,960.00	Ontario ¹ , Canada (2019)
Median employment income	\$57,978.00	Statistics Canada, 2016 Census of Population
Living wage	\$58,821.67	2019

¹ <https://www.ontario.ca/document/your-guide-employment-standards-act-0/minimum-wage>

Chart 2 is the graphical representation of the comparison of annual household income with each wage category.

CHART 2: ANNUAL EMPLOYMENT INCOME WITH EACH WAGE CATEGORY AND LICO



5. Concluding remarks

This report represents the overview of the 2019 Sault Ste. Marie living wage calculation. The living wage is determined by the family budget as well as the non-wage income from government benefits and subsidies. One way to ensure a reasonable salary for workers to afford basic needs and a decent standard of living is the voluntary commitment by local public, private and non-profits sector employers to compensate workers with no less than a living wage. Yet many small, independent businesses struggle to meet their payroll obligations as it is, with numerous small business owners working with poverty-level compensation or dependent on another family member's income, or drowning in debt. The 2019-20 coronavirus pandemic also illustrated the precarity of many markets that support small, local businesses. These conditions highlight the constraints of an approach limited to employers, particularly considering the massive disparities that exist between various employers' abilities to meet (or exceed) their existing pay obligations. Research demonstrating the positive economic impacts of minimum wage increases, however, suggests that if those enterprises that are able to increase their minimum-wage earning employees' compensation to the level of a living wage would benefit the local economy at large by driving up demand for the goods and services of small businesses (Tiesson 2015, 11).

There are, however, other ways to help low wage workers to live a standard life beyond poverty. Many Government policies can influence family budgets and shift certain costs away from individual families. Government responses to the coronavirus pandemic have also illustrated the flexibility of government tools to support small businesses and workers. In the future, for example, investments in infrastructure development or housing markets can lower family expenses in terms of transportation and rental costs. Providing no-fee child care would eliminate \$16,269 from annual necessary expenses (working out to a reduction of approximately \$6,200 when factoring in the loss of direct child-care subsidies that would likely accompany such a move). Likewise, expanding public medical insurance coverage to include vision, dental and prescription drugs could save families over \$2,500 annually in private insurance costs. Such policies would reduce the living wage and shift some of the burdens from employers' shoulders. Similarly, any increase in direct government benefits for low and medium-income workers can also affect the income side of the calculation, resulting in the family needing a lesser amount of income from their employers to meet the basic needs of the family. Indeed, if no-fee child care were pursued in concert with other measures, the existing minimum wage of \$14 per hour could be a living wage. Where the government would shift its tax collection and revenue generation could also impact the calculation, but options exist to prevent it from impacting the lowest wage earners. Government actions such as OHIP+, affordable housing policies, and the Ontario Child Benefit decrease the out-of-pocket cost of living, releasing some of the pressure on employers to ensure that families can meet their core budgetary needs. Other public measures, such as decreasing transit costs, or policy interventions to reduce phone and internet costs would further reduce the average cost of living. Thus both governments and many employers have the tools available to make life more affordable in Sault Ste. Marie.

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Appendix A: Summary of Annual Family Expenses

CATEGORY	ITEM	ANNUAL COST	
Food		\$8,836.00	<p>Algoma Public Health. The Cost of Eating Well in the district of Algoma (2018).</p> <p>These costs are based on a healthy diet including a variety of foods from Canada's Food Guide.</p>
Clothing and Footwear		\$3,630.00	<p>The Survey of Household Spending (2017), table 11-10-0223-01 (formerly CANSIM 203-0022), 3rd Quintile, Ontario. The 2017 clothing and footwear costs have been adjusted for inflation, using CPI data from table: 18-10-0005-01.</p>
Shelter	Rent	\$14,888.00	<p>Primary rental market data for the 3-bedroom apartment in SSM (e.g., Kijiji, SooToday, Marketplace). The estimated rent includes the costs of gas and water.</p>
	Hydro	\$1,252.00	<p>Ontario Energy Board electricity calculator. The average estimated electricity usage amount is 750 kWh, which is sourced from the Report of the Ontario Energy Board Defining Ontario's Typical Electricity Customer, April 14, 2016. PUC Services Inc. is the utility company serving the SSM community.</p>
	Tenant Insurance	\$246.00	<p>Kanetix website. The cost of tenant insurance is the estimate provided by www.kanetix.ca with personal property limit of \$35,000</p>
Communication	Cellphone	\$1,220.00	<p>Fido Unlimited Canada min and Unlimited text with 2GB data plan for each adult. This is one of the least expensive unlimited talk and text cell phone plan (with data) in this community, including applicable taxes.</p>
	Internet	\$1,020.00	<p>Shaw Service Provider. The basic unlimited internet plan, 'Internet 50'. Upfront costs such as activation fees, SIM cards or modems are not included. The cost did not consider any short-term promotional discounts for new customers.</p>
	Netflix	\$120.00	<p>The basic Netflix plan.</p>

CATEGORY	ITEM	ANNUAL COST	
Transportation			The city has public transportation but it does not extend throughout the city and area. Owning a vehicle is necessary for families in this community. The transportation costs include the cost of one vehicle and bus passes for one parent and both children throughout the year.
	Vehicle	\$6,479.00	OLWN methodology, which is similar to the Canadian Automobile Association (CAA) method. The estimated cost is based on owning and operating a 4-year-old 2015 Hyundai Elantra. The costs include depreciation, insurance, gasoline, oil changes, registration, and repair costs. The depreciation is calculated using a 30% declining balance method based on the estimated purchase price of the vehicle. The Insurance quote was found through www.kanetix.ca . Annual mileage is assumed 20,000 kms. The Average price of gas in Ontario was sourced through CANSIM Table 326-0009, Statistics Canada. The registration cost was found through Service Ontario. The repair costs sourced from the Survey of Household Spending.
	Bus Fares and Passes	\$804.00	SSM Municipal Website , Bus Fares and Passes.
Education (adults)		\$835.00	Sault College. The cost is provided by a local college. At Sault College, regular part time rate for 2 courses including books and other fees.
Child care (before subsidy)		\$16,269.00	Child Care Algoma. The costs include: a) The annual cost for full-day care for a 3-year-old based on 251 days of care/year; b) The annual cost for before and after school care for a 7-year-old based on 187 days of care/year; c) The annual cost of day camp for a 7-year-old based on 50 days of care/year.

CATEGORY	ITEM	ANNUAL COST	
Health	Non-OHIP medical expense	\$2,952.00	Manulife Flex Care Combo Plus Basic Plan from www.kanetix.ca . The plan includes: prescription drugs, dental care, vision care, and other health practitioner expenses such as registered massage therapy, acupuncture, chiropractic therapy.
	Life Insurance	\$154.50	www.kanetix.ca . The quote is for joint coverage with \$50,000 coverage amount; 20-year term. This is the lowest price plan.
	Critical Illness Insurance	\$293.50	www.kanetix.ca . The quote is for the coverage amount of \$25,000 each. This is the lowest price plan.
Other expenses		\$9,399.00	The Statistics Canada MBM (Market Basket Measure) calculates the Other expense at 75.4% of the combined expense for Food and Clothing and Footwear. This amount is intended to cover toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings (for example to museums and cultural events), birthday presents, modest family vacation and some sports and/or arts classes for the children. This approach is used for calculating the living wage in British Columbia by Living Wage for Families.
Contingency amount		\$2,736.00	OLWN methodology. The contingency amount is calculated at 4% of the family's total expenses. This amount provides some cushion for unexpected events.
Total Family Expenses			\$71,134.00

Appendix B²: Definition of Government Benefits and Income Taxes

The following section provides a detailed description of the government benefits, taxes, transfers, and other payroll deductions associated with the 2019 Sault Ste. Marie living wage calculation and income level:

Working Income Tax Benefit (WITB): The working income tax benefit (WITB) is a refundable tax credit that provides tax relief for eligible low-income individuals and families who are in the workforce.

Ontario Child Benefit (OCB): The Ontario Child Benefit provides direct financial support to low to moderate-income families – whether they are working or not. It helps parents with the cost of raising their children. It provides a maximum payment of \$1,434 per child per year.

Child Care Subsidy: In Ontario, the provincial government provides lump sum funding to municipalities across the province to provide child care subsidies for families in financial need. The subsidy works on a sliding scale, offering greater support for families with the lowest incomes.

GST/HST Credit: The goods and services tax/harmonized sales tax (GST/HST) credit is a tax-free quarterly payment that helps individuals and families with low and modest incomes offset all or part of the GST or HST that they pay. It may also include payments from provincial and territorial programs.

Ontario Trillium Benefit: The Ontario Trillium Benefit combines the following three credits to help pay for energy costs as well as sales and property tax: Northern Ontario Energy Credit, Ontario Energy and Property Tax Credit, and Ontario Sales Tax Credit.

Federal and Provincial Income Tax: Each living wage calculation takes into account the amount of money an income earner pays in federal and provincial taxes, after all government credits and deductions.

Canada Pension Plan and Employment Insurance Contributions: With few exceptions, every person who is employed and earns over \$3,500 per year in Canada must contribute to the Canada Pension Plan (CPP). Workers must also contribute to the Employment Insurance (EI) fund. Both contributions are subject to a yearly maximum. Generally, both contributions are deducted from one's paycheque.