

London Living Wage 2019 Report

Calculating the Living Wage in Communities Across Ontario



Acknowledgements

The 2019 living wage calculation uses the [Canadian Living Wage Framework: A National Methodology for Calculating the Living Wage in Your Community](#) and the Canadian Centre for Policy Alternatives Ontario Family Expense Workbook to develop the living wage calculation. The Family Expense Workbook was updated by the Ontario Living Wage Network and the living wage calculation generated using the CCPA-Ontario Living Wage Calculator. The tool used to calculate community expenses, taxes and government transfers is updated on an annual basis. The 2019 calculator update was completed by Iglia Ivanova from the Canadian Centre for Policy Alternatives in British Columbia.

This report was written by Luis Patricio, Shand Licorish and Michael Courey from the London Poverty Research Centre based on the template provided by the Ontario Living Wage Network.

Photo Cover by Molly Miksa Photography.

Table of Contents

Acknowledgements	2
1 Introduction	4
2 Living Wage Methodology	5
3 London Living Wage	6
3.1 London Background	
3.2 Living Wage Calculation	
4 Final Remarks	11
References	12

1 Introduction

The 2019 living wage rate for London has been calculated at **\$16.20** per hour.

A living wage is the hourly wage a worker needs to earn to cover their basic expenses and participate in their community.

A living wage is not the same as the minimum wage, which is the legislated minimum all employers must pay and is set by the provincial government. The living wage sets a higher test and reflects what people need to earn to cover the actual costs of living in their community. The living wage gets families out of severe financial stress by lifting them out of poverty and providing a basic level of economic security. The living wage calculation includes basic items such as food, shelter, transportation and childcare as well as a modest amount for recreation. It does not include debt repayment, retirement savings, costs of home ownership or children's education. It is a call to private and public sector employers to pay wages for both direct and externally contracted employees sufficient to provide the basics and participate in community life.

People who work for low wages are facing impossible choices — buy food or heat the house, feed the children or pay the rent. The result can be spiralling debt, constant anxiety, and long-term health problems. In many cases it means that the adults in a family are working long hours, sometimes at two or three jobs, just to pay for basic necessities. Communities across the province are calculating the living wage as a practical tool for employers. Employers looking to go above and beyond for their employees can use the living wage rate as a base wage in their organization and will know that they are paying a wage that allows for more than just surviving.

The Ontario Living Wage Network has certified over 250 employers in Ontario for making the commitment to pay all employees at least the living wage. Through the living wage employer program we are effectively raising wages of low-income workers across the province.

The living wage in London was first calculated in 2016 at \$15.53 per hour (4.3% increase). Ideally the living wage will be calculated on an annual basis by the members of the local community. London has not had a local group working on the living wage calculation since 2016.

2 Living Wage Calculation Methodology

The principles of a community living wage calculation are laid out in the Canadian Living Wage Framework by the Canadian Centre for Policy Alternatives. This framework calculates a different living wage based on regional differences between cities. The OLWN has created a methodology for calculating the living wage in Ontario. The OLWN provides the tools to calculate the living wage in a community. This provides consistency in living wage calculations across the province.

The following items are sourced at the local level:

- Shelter
- Food
- Childcare
- Public transportation
- Communications
- Health care and critical illness insurance

The following items are sourced at the provincial level:

- Cost of car ownership
- Cost of clothing and footwear
- Other Items: 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.

3 London Living Wage

3.1 London Background

London is a mid-sized city located along a major transportation route halfway between Toronto and Detroit (approximately 200 km from each). It has been defined as a ‘center’ mid-sized city meaning that it has a more self-contained economy as opposed to a ‘satellite’ city which are more defined by their relationship to larger metropolitan areas.

As a centre city, London has strong anchor institutions and a slower rate of growth, lower property values, higher rates of poverty and a need for more locally-made solutions to its economic challenges than satellite cities and large metropolitan areas.

According to the London For All final report, London urgently needs to address poverty as our rates are higher than the provincial averages. More than 62,000 Londoners live with poverty, which is 17% of our population. The report also reflects that 11,000 adults are considered the “working poor” and these figures do not include full-time post-secondary students living on their own (2016). The Child and Youth Network’s report entitled *Poverty Trends in London* (2015) demonstrates that poverty has increased in London since 2006. The report displays trends for the municipality of growing social assistance caseloads; growing numbers of people unable to afford “a modest basket of goods and services;” growing numbers living in impoverished conditions; growing numbers with income levels that limit their participation in society; regardless of poverty measure used, more children, youth, and lone-parent families living in poverty compared to Ontario; and increasing income inequality.

In 2017, Statistics Canada (2016) released Census data on income and highlighted the disparaging situation for the City of London. The figures reflected two different poverty measures widely utilized on the social issue. Based on the Low Income After Tax (LIM-AT), the overall prevalence of low income in London in 2015 was 18.8% (representing 71,030 individuals), which was higher than the provincial figure (Ontario was 14.4%) and national figure (Canada was 14.2%). Based on the Low-Income Cut-Off – After Tax (LICOAT), the overall prevalence of low income in London in 2015 was 11.6% (representing 43,860 individuals), which was higher than the provincial figure (Ontario was 9.8%) and national figure (Canada was 9.2%).

The London Poverty Research Centre has taken the lead on highlighting precarious work in the City of London. Wilson (2019) demonstrates “significant structural issues in London’s labour market and disturbing levels of insecure or poor-quality jobs.” Although the unemployment rate has decreased to a 10-year low, London has seen an increase of poor-quality jobs defined by employment that provides low-wages, unstable weekly income, erratic schedules, temporary or contract-work, limited or no benefits, and with little control over working conditions. In 2016, the data demonstrated that among Londoners in their prime working age (25-54), 27% were in non-standard employment and another 25% were either unemployed or outside the labour market (Wilson, 2019). Other key figures of precarious employment in London include (Michalski and Kerr, 2017):

- Among working Londoners aged eighteen to sixty-four, 24.5% were in poor quality or precarious jobs while another 25.3% were in jobs which were vulnerable to becoming precarious, with at least one of the key factors
- Nearly 50% of working Londoners (49.8%) have jobs with some level of precarity or instability.
- Those who reported higher on the precarity index had significantly lower self-reported health

- Precarious work correlates with higher levels of depression, being angry, and having a negative impact on their family lives.

3.3 London Living Wage Calculation

The living wage calculation uses a reference household of two adults each age 35, a 7-year old boy and a 3-year old girl. And is based on both parents working 35 hours a week full-year.

The living wage is calculated as the hourly rate at which a household can meet its basic needs, once government transfers have been added to the family’s income and deductions have been subtracted.

Basic Living Wage Formula Calculation

Family Expenses	=	Employment Income	+	Government Transfers	-	Payroll and Income Taxes
------------------------	---	--------------------------	---	-----------------------------	---	---------------------------------

Calculation of Living Wage Basket Items

Food

The cost of food for a local community is sourced from the Nutritious Food Basket provided by the local public health unit. Costs are broken down by age and gender and can be matched to the living wage reference family.

Clothing and Footwear

Expenses for clothing and footwear are obtained from the Survey of Household Spending (SHS) (2017), Table: 11-10-0223-01 (formerly CANSIM 203-0022) 3rd Quintile. The estimates from the SHS are from 2017 and are adjusted for inflation to 2018, using CPI data from Table: 18-10-0005-01 (formerly CANSIM Table 326-0021). These numbers are provided by the Ontario Living Wage Network for local communities across the province.

Shelter

Rent

Canada Mortgage and Housing Corporation (CMHC) provides annual Market Rental Reports for communities with a population of 10,000 or more. The estimated monthly rent for a three-bedroom apartment is used for the living wage reference family. If a community is not listed in the CMHC report a rental rate estimate is obtained by conducting a survey of advertised rentals and taking an average.

Hydro

Local communities source the expense for hydro costs from the Ontario Energy Board. The average estimated electricity usage of 750 kWh is sourced from the Report of the Ontario Energy Board Defining Ontario’s Typical Electricity Customer, April 14, 2016 which can be found at

https://www.oeb.ca/sites/default/files/uploads/Report_Defining_Typical_Elec_Customer_20160414.pdf

Tenant Insurance

The cost of tenant insurance in a community is sourced through www.Kanetix.ca with a personal property limit of \$35000. The lowest quote for tenant insurance is used as the expense.

Communication

Each adult in the living wage reference family will have the least expensive unlimited talk and text cell phone plan. Upfront costs such as activation fees, SIM cards or modems are not included. Also excluded are any short-term promotional discounts for new customers. The family will have the least expensive unlimited internet plan to support a basic Netflix subscription.

Transportation

The assumptions for transportation vary depending on the availability of public transit in the community. In many cases smaller communities or communities that are very rural do not have a public transit option.

In communities where public transit is available, assume that one parent drives to work and the other commutes using public transit. This means that the reference family owns one vehicle and purchases a monthly public transit pass.

Adjustments to these transportation options are recognized based on local conditions. For example, the methodology can recognize the use of 2 vehicles, 1 vehicle and 1 monthly adult transit pass or 2 monthly adult transit passes with a monthly car rental and potentially child bus tickets.

In communities that have both an urban centre with public transit and surrounding rural areas the assumption can be made that two cars are necessary in rural areas and one care and one adult transit pass are necessary in the urban setting. A weighted average based on population can be used to determine the cost of transportation for the whole community.

The Depreciation, gas, and maintenance costs for owning and operating a four-year old Hyundai Elantra are sourced through Statistics Canada. The amount for car insurance is based on the lowest quote available from the insurance website www.kanetix.ca. The remaining expenses for operating a vehicle are drawn from the data provided by the cost for a monthly transit pass is sourced through the municipal website.

Depreciation	\$1995
Insurance	\$1,388
Gas	\$1562
Maintenance	\$1414
Registration	\$120

Parent Education

The cost of two 3-credit courses, textbooks and additional administrative fees can be found by visiting the website for the local college/university in a community. If there is a standard course fee across disciplines then use this amount. If costs for courses differ across disciplines then take an average across 4 different programs. Textbook costs should be sourced from the local college/university by taking an average of the cost of textbooks across the same disciplines to determine course fees.

Child Care

The cost for child care is sourced through the local service provider in a community. Communities will find the cost of 251 days of full-day care for the 3-year-old child, 187 days of before and after school care, and 50 days of summer care for the 7-year-old child.

Health, Life and Critical Illness Insurance

Non-OHIP Health, life and critical illness insurance are sourced from www.kanetix.ca.

The Manulife FlexCare ComboPlus is used as a comprehensive coverage package that includes: prescription drugs, dental care, vision care, and other health practitioner expenses such as registered massage therapy, acupuncture, chiropractic therapy.

The lowest price quotes from Kanetix are used for the cost of life insurance and critical illness insurance.

Other

The Statistics Canada Market Basket Measure (MBM) 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.

Family Expenses

Family Expenses		Annual
Food		8,288
Clothing and Footwear		3,630
Shelter	Rent	14,880
	Hydro	1,292
	Telephone	814
	Tenant Insurance	217
	Internet and Cable	768
Transportation	Vehicle & misc. transit	8,316
Other		8,986
Education (adults)		1,284
Child care (before subsidy)		19,867
Non OHIP medical		2,952
Life and Critical Illness Insur.		482
Contingency amount	4.0%	2,871
Total Family Expenses		74,647

Government Transfers and Taxes

Based on total household expenditure the amount of taxes paid by the household and income from Government Transfers are calculated.

Non Wage Income (Government transfers)	
Canada Child Benefit (CCB)	8,792
Working Income Tax Benefit (WITB)	-
Ontario Child Benefit (OCB)	296
Child Care Subsidy	13,655
GST/HST Credit	73
Ontario Trillium Benefit	358
Total Income from Transfers	23,174

Living Wage and Government Deductions and Taxes	
Household Employment Income	58,918
Federal Income Tax	2,933
Provincial Income Tax	909
Total Government Taxes	3,843
Household Income After Taxes	55,076
Less: CPP and EI Contributions	3,602
Plus: Total Government Transfers	23,174
Income after tax and transfers	74,647
Living wage	16.20

4 Final Remarks

The living wage calculation serves as a beginning point for conversations about what fair wages are and how they impact our community. Investments made to address poverty reduction can strengthen communities and provide tremendous savings with long-term social and economic benefits. An important feature of the calculation is that it highlights the importance of high quality government transfers and subsidies to help families thrive. The Canada Child Benefit, municipal child care and public transportation subsidies reduce the living wage required to cover one's basic needs. Without these transfers and supports the living wage would increase putting it further out of reach.

The living wage should be seen as one of many tools in our toolbox to move society toward a more equitable and inclusive future. Focusing our economic development on creating 'decent work' that is both economically stable and meaningful is an important area for cultivation. A Living Wage is not the end goal, but it is a positive step towards achieving a more prosperous future.

Employers become certified as Living Wage Employers through the Ontario Living Wage Network. It is noticeable that many types and sizes of employers have become certified Living Wage members. In London we have large and small for-profit companies and not-for-profit organizations certified (Visit livingwagelondon.ca to see a current list of living wage employers). If you would like to become a living wage employer contact either:

London Poverty Research Centre at King's
manager@povertyresearch.ca - 519-709-4155

or

Ontario Living Wage Network
manager@ontariolivingwage.ca

References

London For All: A Roadmap to End Poverty. (2016). Retrieved from

<https://www.london.ca/city-hall/mayors-office/Documents/London-for-All-final-report.pdf>

Child and Youth Network (2015). *Poverty Trends in London*. Retrieved from <http://londoncyn.ca/wp-content/uploads/2012/07/Poverty-Trends-in-London.pdf>

Statistics Canada. 2017. London, CY [Census subdivision], Ontario and Middlesex, CTY [Census division], Ontario (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001. Ottawa. Released September 13, 2017 (Cited via City of London)

Wilson, Sue (2019). *Why are Workers Struggling in Good Times and Bad? From Precarious Employment to Decent Work Paper Series*. King's University College, London Poverty Research Centre (No. 2019 – 1)

Michalski, Joseph H. and Kerr, Don (2017). *Setting the Scene: Precarious Employment in London*. London Poverty Research Centre at King's.

<http://www.povertyresearch.ca/resources/precarious-employment/>