



# **Working Poor or Making a Living?**

## **The Reality of Low Wages in Alberta**

A report by Public Interest Alberta



# WHO WE ARE

Public Interest Alberta (PIA) is a non-partisan province-wide organization focused on education and advocacy on public interest issues. PIA exists to foster in Albertans an understanding of the importance of public services, institutions and spaces in Albertans' lives, and to build a network of organizations and individuals committed to advancing the public interest.

We believe the primary responsibility of government is to advance the collective interests of the citizens of Alberta. This entails a commitment to accessibility, equity and democracy in our society and institutions.

We welcome the support and participation of organizations and individuals in Alberta who are committed to advancing the public interest.

For more information about our projects, or to support our work, please visit our website ([www.pialberta.org](http://www.pialberta.org)) or contact us at:



**Public Interest Alberta**  
Suite 35, 9912 - 106 St.  
Edmonton, AB T5K 1C5  
Phone: (780) 420-0471  
Fax: (780) 420-0435  
Email: [pialta@telus.net](mailto:pialta@telus.net)

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Anette Wickenheiser,  
Research & Communications Assistant



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*Thank you to all Albertans who took the time to fill out our survey and participate in the focus groups.*

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## For More Information on Poverty and the Living Wage, visit:

<b>Campaign 2000</b>	<a href="http://www.campaign2000.ca">www.campaign2000.ca</a>
<b>The Alberta College of Social Workers</b>	<a href="http://www.acsw.ab.ca">www.acsw.ab.ca</a>
<b>The Alberta Federation of Labour</b>	<a href="http://www.afl.org">www.afl.org</a>
<b>Tamarack</b>	<a href="http://www.tamarackcommunity.ca">www.tamarackcommunity.ca</a>
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<b>Canadian Policy Research Networks</b>	<a href="http://www.cprn.org">www.cprn.org</a>
<b>The Edmonton Social Planning Council</b>	<a href="http://www.edmspc.com">www.edmspc.com</a>
<b>Acorn Living Wage Resource Centre</b>	<a href="http://www.livingwagecampaign.org">www.livingwagecampaign.org</a>
<b>Political Economy Research Institute</b>	<a href="http://www.umass.edu/peri/resources/livingwages.htm">www.umass.edu/peri/resources/livingwages.htm</a>
<b>The National Anti-Poverty Organization</b>	<a href="http://www.napo-onap.ca">www.napo-onap.ca</a>

**Public Interest Alberta wants to work with interested partner organizations to advocate for the establishment of living wage policies by municipalities, institutions and, ultimately, the provincial government.**

**Please contact us if you are interested in becoming involved in this process.**

# Executive Summary

## What is the purpose of this report?

A simple idea sparked Public Interest Alberta's living wage campaign:

**People who work at a job full-time should earn an income sufficient to maintain a safe, healthy standard of living.**

No one in Alberta should be working poor. This fundamental principle is our motivation for launching a political debate about low wages that will lead to the establishment of living wage policies across the province.

This report represents the foundation on which the long-term, province-wide process of consultation and advocacy will be built. As a central point of reference, it will help us to define the components of a living wage in our communities and to build an effective strategy for introducing living wage policies.

Despite Alberta's growing wealth, poverty remains a critical issue that needs immediate attention. The purpose of this report is to get more Albertans talking about how low wages and limited social support programs impact us all.

The awareness and support of Albertans will allow us to successfully address low-income issues.

## Our Key Findings

The findings presented in this report are based on data gathered from government sources and existing research, as well as the results of our *Making a Living* survey and focus groups.

The survey asked Albertans to estimate the cost of maintaining a safe, healthy lifestyle in their communities, while the focus groups captured the perspectives of a range of people, from small business owners and HR professionals to front-line workers. The insights from the focus groups were invaluable for getting to the root of the issues we want to address.

Based on this information, we have identified the following key findings:

**The current minimum wage is insufficient to allow individuals and families to escape poverty.**

- The real value of the minimum wage has declined over the last 30 years. It should be indexed to inflation.
- Single minimum wage earners bring home less than half the income they require to cover their estimated living costs. Even the pooled income of two wage earners falls short of the living costs for an individual, let alone a family.

**Albertans recognize that the rising costs of living are stretching the incomes of many families.**

- In addition to basic costs (housing, etc.), Albertans included recreation, education and savings in the living wage.
- Costs vary significantly depending on families' specific situations. In particular, the costs of childcare, post-secondary education and other services place significant burdens on the families who require them.
- Living costs also vary across Alberta. Our results indicate that living costs are significantly higher in Fort McMurray than in other mid-sized cities, for example. Municipal living wage rates must be defined by local needs.

**Not all Albertans are earning a living wage.**

- One in four employed Albertans earned less than \$12 per hour in 2005, a wage level insufficient to cover the cost estimates of survey respondents. Over half of these workers were over 25 years old, and two-thirds were women.
- Many working parents do not earn enough to support their families—over 86,000 children lived in poverty in 2004.

**Low wages for workers providing care services directly impact children and families in need.**

- Our focus groups with childcare workers and service providers for at-risk children revealed that low incomes limit the ability of these agencies to provide the quality of care that their clients need.
- Workers providing these essential services need to be paid a wage that reflects the importance of their work.

**Many low-income families do not receive sufficient income supports to escape poverty.**

- While income supports and public goods and services help many low-income families, many more are left behind. The availability of these resources clearly impacts whether or not a family can support a safe, healthy lifestyle.
- Alberta needs a comprehensive, province-wide strategy to ensure that all families who need support receive it.

**KEEP IN MIND ...** Poverty is a complex subject, and a report of this size cannot capture the diversity of conditions or experience of people living in poverty. This report is not a definitive account of low-income issues.

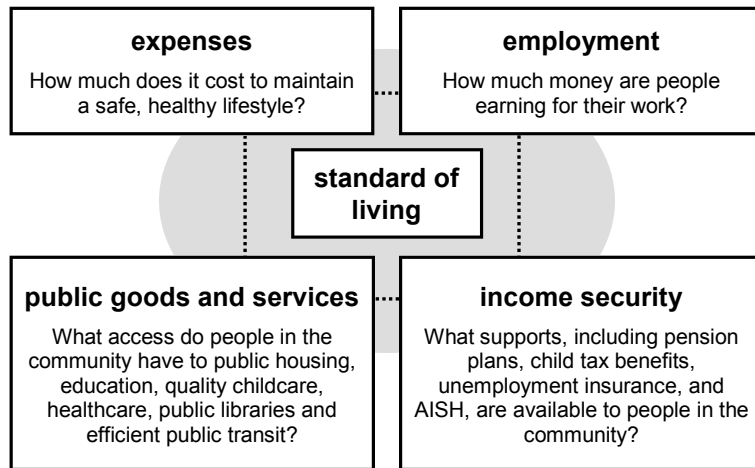
# PART A WHAT IS A LIVING WAGE?

## A LIVING WAGE IS ...

**A level of pay that is sufficient to allow workers to support their families and maintain a safe, healthy standard of living in their communities.**

Public Interest Alberta starts from a simple idea: people who work at a job full-time should earn enough income to maintain a safe, healthy standard of living.

Four factors impact a household's standard of living: expenses, employment, public goods and services, and income security.



For many individuals and families, the amount they earn is not keeping pace with rising costs.

Public policy decisions made by all levels of government impact the living wage requirements of every community. For example, if low-wage families have access to subsidized childcare, they may be better off than families with higher wages that have to worry about paying for childcare.

Likewise, access to public goods and services impacts a community's standard of living. For instance, owning a vehicle may not be necessary in a major urban centre, but could be the only option for people in areas without public transit. Housing costs also vary across the province.

Federal and provincial cuts to social programs, increases in user fees, and under-funding of public goods and services have led to an increasing financial burden on individuals and families. At the same time, minimum wages have not kept pace with Alberta's rising cost of living, meaning stretched budgets for some and deep and persistent poverty for others.

Low wages cause a ripple effect that has far-reaching impacts on our communities. Living wage policies would benefit individual households by allowing working families to move out of poverty and enjoy incomes closer to a realistic cost of living. The broader community, governments and businesses would also experience positive outcomes.<sup>1</sup>

### COMMUNITY IMPACTS ...

- Larger tax base to build healthy communities.
- More disposable income to support the local economy.
- Decreased costs to our healthcare, education and social service systems.

### GOVERNMENT IMPACTS ...

- Increased tax base.
- Reduced reliance on social assistance.
- Reduced costs to healthcare system.

### BUSINESS IMPACTS ...

- Improved worker productivity.
- Reduced staff turnover, resulting in lower hiring and training costs.
- Fewer days lost to staff illness.
- Prevents employers paying a living wage from being undercut.

## Has this been done before?

Many communities, particularly in the US (where over 100 communities have successfully introduced living wage policies), have advocated for and implemented a variety of living wage initiatives. The most common initiatives seek to implement:

### Municipal Living Wage Policies

These policies vary from city to city. They generally require that all municipal employees, contractors and grant recipients earn a municipally-defined wage. They are meant to assure that all organizations receiving government contracts are paying a living wage.

### Provincial Minimum Wage Increases

In the past, there has been strong advocacy for setting the minimum wage at a more livable amount, typically based on commonly accepted measures of poverty. In November 2006, advocacy efforts succeeded in increasing minimum wages in six US states.<sup>2</sup>

# How is the Living Wage different from the Minimum Wage?

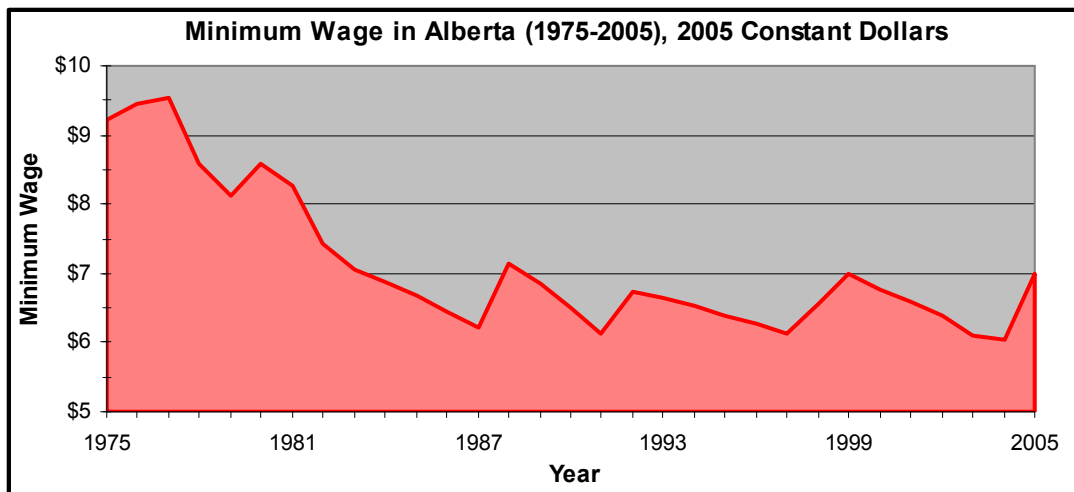
## THE MINIMUM WAGE IS ...

The minimum amount that employers must pay workers within the province, set by the Government of Alberta; it does not necessarily allow people to stay out of poverty.

In 2005, over 60,000 Albertans earned a minimum wage, one-third of whom were 25 years or older.<sup>3</sup>

Alberta's minimum wage was raised from \$5.90 to \$7.00 per hour in 2005. Despite this increase, people working full time do not earn enough to escape poverty, as defined by the Statistics Canada Low-Income Cut Offs (LICO). Even the combined income of two parents (\$25,612 per year after tax) is insufficient to meet the basic needs of a family of four without social assistance.<sup>4</sup>

The minimum wage has been increased periodically over the past 30 years. However, its real value has steadily declined since the mid-70s, as it has not kept pace with inflation.



\*\* Based on Alberta inflation rate. 1975 to 1977 based on the Canadian inflation rate (see footnote 5)

## MYTHS ABOUT THE LIVING WAGE

**MYTH** Municipal living wage policies will lead to higher taxes to cover higher contract costs.

- FACT**
- Research demonstrates that governments and consumers absorb little extra cost. Wage increases can be offset by cutting non-wage costs and phasing in the policy.
  - In the current economic boom, many existing contracts likely pay a living wage, meaning that costs will only increase nominally.

**MYTH** Living wages cause job losses, especially for young people and those just entering the job market, such as recent immigrants.

- FACT**
- Many areas in the US with living wage policies experienced minimal job losses; increased productivity and decreased turnover costs offset the wage increases.

**MYTH** Living wages are not needed. Most low wage earners get benefits, tax credits and subsidies that raise them out of poverty.

- FACT**
- Low-income benefits and subsidies do not necessarily help to raise low-income earners above the poverty line.
  - Taxpayers should not subsidize low-paying employers through income support programs.

**MYTH** Living wage laws will harm the low-wage workers it is supposed to help, as they will be replaced by highly skilled workers.

- FACT**
- Instead of attracting skilled workers, higher wages improve retention of low-wage workers, which, in turn, benefits employers.

**MYTH** Small businesses and non-profit agencies will be most adversely impacted by a living wage.

- FACT**
- Living wage policies can actually allow small firms and non-profit agencies to better compete with larger businesses, especially when bidding for municipal contracts.

**MYTH** Some jobs aren't worth high wages.

- FACT**
- All workers deserve to earn enough to meet their basic needs and have a safe, healthy standard of living. Low wage jobs often involve physically demanding or unpleasant tasks for which workers should be compensated fairly.

(see footnote 6)

# PART B HOW DO ALBERTANS DEFINE COSTS OF LIVING?

Before we can determine what constitutes a living wage in Alberta, we must assess the costs of maintaining a safe, healthy standard of living.

We consulted Albertans through surveys and focus groups to gain their perspectives on:

- how low wages impact their communities, and;
- what individuals and families of four in their communities would have to spend per month, in four major cost categories, to maintain a safe and healthy lifestyle.

The cost data and comments presented in this report reflect the feedback we received from Albertans across the province.

## KEEP IN MIND ...

The intention of this report is not to define the living wage. Instead, it should be seen as a starting point for the discussions that municipalities must undertake to define what a living wage is in their specific area.

## Total Monthly Costs

The survey results represent the average amount respondents indicated Albertans would need to spend each month to maintain a safe, healthy standard of living. The costs for the following three families suggests that the average family of four requires approximately \$4,411 per month.



**Two incomes**  
**2 children: ages 15 & 17.**



**Single parent**  
**3 children: ages 3, 6 & 9.**



**Two parent, One income**  
**2 children: ages 1 & 4.**



**Single person, mid-30s**  
**Living alone.**

When families and individuals do not earn enough to cover their monthly costs, they may not be able to live a safe, healthy lifestyle—*unless they have access to adequate social supports.*

The more monthly costs are covered by employment income, the less people need to rely on social support payments.

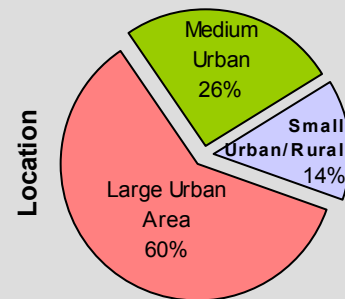
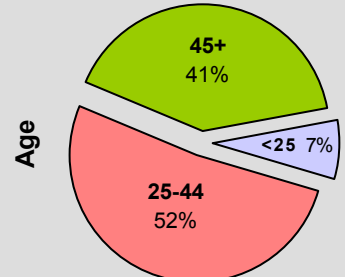
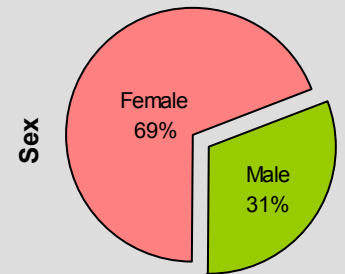
## SURVEY METHODOLOGY

The cost of living calculations presented in this report are based on a province-wide survey (on-line and mail-in) conducted between March 22 and October 24, 2006.

Respondents were asked to estimate the costs required in four cost categories for an individual and one family type.

Responses were monitored and incomplete, duplicate and unrealistic responses were eliminated.

283 Albertans, of the following demographics, responded to the survey.



### Limitations

The results presented are not definitive figures. They represent an exploration of living costs in our province, and a starting point for further discussion.

Some respondents' estimates may be slightly skewed, as they could have:

- made estimates based on their personal situation, and may not have had knowledge of all the costs other family types incur.
- left fields blank if they were unsure of the amount to enter.

## Basic Costs

The survey results suggest that the average family of four (broken down in the table by three family types) needs approximately \$2,400 per month to cover the costs of their basic necessities. The estimated total cost for individuals was just over \$1,200 per month.

	Family A	Family B	Family C	Individual
<b>Basic Costs</b>	<b>\$2,524</b>	<b>\$2,258</b>	<b>\$2,384</b>	<b>\$1,380</b>
Food <sup>i</sup>	\$746	\$664	\$693	\$304
Housing <sup>ii</sup>	\$1,083	\$976	\$1,030	\$662
Transportation <sup>iii</sup>	\$348	\$285	\$324	\$173
Utilities <sup>iv</sup>	\$347	\$333	\$337	\$241

<sup>i</sup> Amount needed to eat a varied, healthy diet (considering time constraints on food preparation for some families).

<sup>ii</sup> Shelter that will accommodate the varied requirements of individuals or families.

<sup>iii</sup> Transit, cabs, personal vehicles, etc. (depends upon which modes of transportation are effective in the community)

<sup>iv</sup> Phone, power, heating, water and waste disposal. May include cable, internet, etc.

## REAL LIFE PERSPECTIVES

*“My wage is based on an 8 hour work day, [but] I seldom work less than [10 hours]... if you calculate that, all of a sudden my wage drops from \$15 per hour to \$10...”* [Childcare worker]

*“We [tell people being discharged] that they are eligible for up to 5 hours of home care per day, but we know that they will never get it... there are simply not enough people [homecare workers] ... [they] are not paid a living wage, so of course there is a staffing crisis.”*

[Social worker]

*“There are an increasing number of people who are on the edge... in Lethbridge close to 40% of people staying in homeless shelters are working or going to school. When people are not able to earn a living, it means they lose the ability to dream—and this has immense costs for all of us.”* [Mayor of Lethbridge]

### Housing

The average housing costs identified in the survey were similar to the Canadian Mortgage and Housing 2006 statistics.<sup>7</sup> However, these costs are rising rapidly. Housing costs increased 37% overall in Edmonton last year<sup>8</sup>, while rental costs in Calgary rose 19%.<sup>7</sup>

Estimates from the survey varied across Alberta:

- The estimated costs for Fort McMurray were significantly higher than the provincial average—\$2,034 for families of four, and \$1,126 for individuals.
- By comparison, Calgary’s estimated costs were \$1,225 (families) and \$732 (individuals), and Edmonton’s were \$1,073 (families) and \$652 (individuals).
- It appears that some respondents assumed that single people could share housing, as they entered costs much lower than average rental rates. Many low-income earners are forced to share accommodations to survive.

### Transportation

Estimated transportation costs also varied considerably.

- It is clear that some respondents felt it was sufficient to use public transit<sup>9</sup>, while others thought that a vehicle<sup>10</sup> is necessary.
- Respondents using figures reflective of the lower costs of public transit tended to be from cities that have public transit systems, while those who used the higher costs related to operating a vehicle were from smaller centres.
- More respondents felt it was necessary for the families to have a vehicle (as reflected by the higher costs in the table above), but a number of people from the cities seemed to believe that families could rely on public transportation.



### Food

Respondents’ estimates for monthly food costs correspond with the department of Agriculture’s estimated cost of a nutritious food basket.<sup>11</sup>

- September 2006 food basket estimates were \$210 per month for an individual (male aged 25-49), and \$690 for a family of four (two adults, and two school-aged children).

### Utilities

The average estimated costs of utilities are somewhat higher than the City of Edmonton’s 2005 estimates for utility charges (including phone, power and water) across Alberta.<sup>12</sup>

- This suggests that some respondents included other utilities, such as cable and internet. With the increasing emphasis on connectivity and access to information, these costs may be a necessity for some families for either work or school purposes.
- Regardless of whether families include these “extras”, the skyrocketing costs of basic utilities have caused financial difficulties for low-income individuals and families. Despite government subsidies to offset high prices, the average power bill has increased between 60 and 100% since deregulation in 2001.<sup>13</sup>
- The reality that many low-income families are forced to live in poor-quality housing is an additional concern. Poor insulation and leaky windows, for example, lead to higher utility costs.



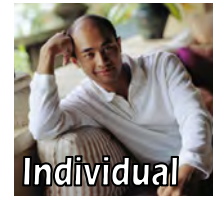
Family A



Family B



Family C



Individual

## FOCUS GROUPS

### Real Life Perspectives

To gain insight into the daily realities of low income issues, we held five focus groups with the following communities:

- Childcare workers
- Immigrant women (ESL students)
- Service providers for at-risk children
- Small business owners
- Cross-section of Lethbridge residents

Each focus group revealed a range of experiences and perspectives on low-income issues in Alberta. However, some common themes were apparent:

- A living wage must cover basic needs, as well as unexpected expenses, medical costs, general savings, and a few “luxuries.” A decent standard of living is not just about survival.
- Wages must keep pace with inflation, and be linked to industry averages.
- Many people face barriers to better jobs and wages, such as language, recognition of foreign credentials, and restrictive regulations.

Many workers providing essential services, such as childcare and crisis support, earn low wages. (Service occupations like these are traditionally female-dominated.<sup>14</sup> This signifies a major wage barrier for women.)

The agencies that employ these workers are often contracted or funded by the government. Our focus groups exposed a number of problems that have stemmed from this situation:

- A notable wage gap exists between government-run and government-contracted non-profit agencies. As a result, non-profits cannot attract the quality staff needed to deliver the services they are contracted for.
- Low wages lead to high staff turnover. As a result, the funds allocated to these services are further stretched.
- An unstable group of staff is less able to provide the quality of service families need. Any stable staff are likely to suffer from stress and burnout caused by their financial instability.
- Low wages essentially subsidize the costs of service for families, service operators, and the government.

To see the full focus group reports, visit PIA’s website at [www.pialberta.org](http://www.pialberta.org)

## Household Costs

Survey respondents estimated that the average family of four (broken down in the table by three family types) would require approximately \$690 per month to cover the costs of maintaining safe and healthy living conditions for the household. The estimated total cost for individuals was approximately \$340 per month.

	Family A	Family B	Family C	Individual
<b>Household Costs</b>	<b>\$726</b>	<b>\$643</b>	<b>\$681</b>	<b>\$339</b>
Clothing <sup>i</sup>	\$251	\$212	\$222	\$92
Furnishings <sup>ii</sup>	\$115	\$118	\$124	\$78
Housekeeping <sup>iii</sup>	\$110	\$119	\$117	\$66
Recreation <sup>iv</sup>	\$250	\$194	\$218	\$103

<sup>i</sup> Adult and children’s clothing and shoes, for both recreation and work purposes.  
<sup>ii</sup> Durable household goods: furniture, cooking instruments, etc.  
<sup>iii</sup> Household maintenance costs: cleaning supplies, laundry expenses, toiletries, etc.  
<sup>iv</sup> Can include occasional restaurant meals, movies, local sport or cultural events, children’s recreational programs, etc.



### Clothing, Furnishings, and Housekeeping

While these are not necessarily costs that families incur on a regular monthly basis, all respondents recognized that they are a part of maintaining a safe, healthy lifestyle.

## Leisure, Recreation and Cultural Activities

The estimates made by respondents for leisure and recreation costs highlight the importance that Albertans place on these activities.

- Nearly all survey respondents (99%) included leisure costs as a component of the living wage.
- They estimated that families of four would need between \$190 and \$250 per month, and individuals would require about \$100; this makes up about one third of total household costs.

Leisure and recreation activities should not just be a luxury for families with higher incomes. They contribute to good physical and mental health, which are essential to a maintaining a safe, healthy standard of living.



## REAL LIFE PERSPECTIVES: A LIVING WAGE MEANS...

*“...[having] enough to buy what I need when I need it. Not having to wait six months for a new winter jacket... enough for my daughter to not feel ‘poor’ compared to her friends... not always saying ‘No, we can’t afford it.’ Enough to buy pizza now and then, and then make plans for the future and save a bit.”*

*“... [being] able to save money to do something beyond just living.”*

[Childcare workers]

## Costs of Services

The survey results demonstrate that families with young children need much more than the other family types to cover the costs of the services they may need to access over the course of a month. Costs vary significantly from family to family. While young families tend to have higher childcare costs, other families may incur higher healthcare expenses.

	Family A	Family B	Family C	Individual
<b>Costs of Services</b>	<b>\$378</b>	<b>\$1,217</b>	<b>\$753</b>	<b>\$270</b>
Childcare <sup>i</sup>	\$0	\$767	\$288	\$0
Healthcare <sup>ii</sup>	\$190	\$197	\$222	\$102
Primary Education <sup>iii</sup>	\$78	\$100	\$63	\$0
Continuing Education <sup>iv</sup>	\$110	\$153	\$180	\$168

<sup>i</sup> Cost of quality childcare for families headed by lone-parents or two working parents.

<sup>ii</sup> Alberta Health Care Insurance premiums, plus supplemental coverage (Blue Cross, etc.), prescription drugs, dental and eye care, etc.

<sup>iii</sup> School supplies, books, field trips, etc. (considering increasing use of electronic media) for Kindergarten through Grade 12 students.

<sup>iv</sup> Continuing education for adults (courses to upgrade skills or part-time study while working)

## REAL LIFE PERSPECTIVES

Government policies and practices can create wage barriers:

*"... [The childcare subsidies create] a [wage] ceiling [that] has absolutely nothing to do with the cost of service you deliver... [Plus, if] childcare costs exceed a certain portion of mom's income, they will no longer go to work, so... what you can charge... is not determined by the quality [or cost] of care... or [the income childcare workers] need to be maintained... which is considered in all other industries, but it is not in ours."* [Childcare worker]

*"[My] husband was [an] electrical engineer in our country. [It took him] four years to get a good job. He's now working as a security guard."* [ESL student]

### Childcare

The main cause of cost variations between family types, and a major source of financial difficulties for families with children, is the cost of childcare.



- The survey estimate for the single-parent family coincides with the provincial average for a 3-year-old:

Monthly costs for toddlers (18+ months) range from \$600-\$750 (\$800-\$900 for infants).<sup>15</sup>

- Many families with school-aged children also require after school care. Many service providers are for-profit companies that charge hundreds per month.
- Some respondents made much lower estimates, likely assuming that families can use day homes, or pay neighbours or relatives to care for their children.

Some subsidies are available to low-income families:<sup>15</sup>

- The Alberta government's current five-point plan gives families earning under \$39,600 per year \$575 for infants and \$500 for children over 18 months old in licensed day care centers. As a family's income rises, their subsidy amount decreases.
- In addition, all families receive \$100 per month from the federal government for each child under the age of six. This money is taxable based on the parent with the lowest income, meaning that the single parent would lose significantly more of it than the single-earner, two-parent family.
- A few municipalities provide after-school care subsidies, but only one limits the price for low-income families. The City of Edmonton subsidizes after-school care and caps the cost at \$340 per month; fully subsidized families only pay \$65 per month.<sup>16</sup>
- Thus, if a lone-parent family (family B) not living in Edmonton got the full subsidy amounts, it is realistic to assume that they would pay about \$750 - \$800 per month for childcare and after-school care.

### Primary Education

The range of costs given by respondents—38% entered costs of \$100 per month or greater—indicates that some schools require parents to pay more than others.

### Continuing Education

Respondents' estimates for continuing education costs are also significant, as approximately two-thirds of respondents included costs in this category.

- The amounts in this category clearly reflect the importance, and increasing cost, of life-long learning.
- Employees earning low wages typically have to cover pay for their own professional development, as their employers are unlikely to cover these costs. This makes it difficult for them to gain the skills they need to move on to higher-paying positions.

### Healthcare

Respondents' healthcare cost estimates varied, indicating that these expenses depend largely upon the health situation of family members. Healthcare premiums and Alberta Blue Cross supplemental health coverage can be subsidized for low-income families:<sup>17</sup>

- Families with children earning a taxable income of less than \$32,210 and individuals earning less than \$17,450 are eligible for a full subsidy.
- The survey results show that many respondents listed amounts above the basic premiums (\$44 per month for single coverage, \$88 for families). This indicates that families need extra funds to cover the costs of medications, dental care and other medical needs.

## Long-Term Expenses

Survey respondents estimated that the average family of four (broken down in the table by three family types) needs approximately \$570 per month to cover long-term expenses and savings goals. The estimated total cost for individuals was about two-thirds of the amount for a family of four.

	Family A	Family B	Family C	Individual
<b>Long-Term Expenses</b>	<b>\$627</b>	<b>\$517</b>	<b>\$524</b>	<b>\$362</b>
Post-Secondary Education <sup>i</sup>	\$191	\$174	\$140	\$74
Retirement <sup>ii</sup>	\$251	\$192	\$206	\$179
Savings <sup>iii</sup>	\$185	\$151	\$178	\$109

<sup>i</sup> Saving for future educational needs to ensure children can afford tuition.  
<sup>ii</sup> Saving to ensure retirement years will be financially stable.  
<sup>iii</sup> Savings for unexpected expenses or future purchases (e.g. house down payment).



### Post-Secondary Education

Similar to continuing education (under *Costs of Services*), the estimated monthly savings for post-secondary education reflects the importance Albertans place on advanced education.

- Educational attainment is closely related to the types of jobs people hold and the levels of income that people earn over their lifetimes. As tuition continues to rise, it is becoming more important for parents to save for their children’s education.
- Tuition rates more than tripled and the provincial government cut post-secondary funding by almost a quarter since 1991-92. The average undergraduate university tuition in Alberta was \$5,125 in 2005-06.<sup>18</sup> The new provincial tuition policy will limit yearly increases to the inflation rate.
- Student debt increased more than the national average in Alberta through the ‘90s to 2000, when over 48% of students had student loans. The average graduate had a debt of about \$17,900.<sup>19</sup>
- Over half of the respondents included an education savings amount for individuals. This reflects the increasing cost of advanced education for adults.

### Retirement Savings

Over 80% of survey respondents included retirement savings as part of monthly living costs. This illustrates the increasing need for people to allocate savings to ensure that they will be able to sustain a safe, healthy standard of living in their retirement years.

- Fewer employers are offering pension plans for their employees, and income received from the Canada Pension Plan is often not enough to live on.
- Retirement savings are often a “luxury” that low-income families, who may be barely meeting their basic daily needs, cannot contribute to.

### General Savings

General savings must also be included in living costs. The majority of respondents added an amount for savings.

- The ability to accumulate additional savings is critical to preventing poverty. Extra funds can provide a buffer in the event of unexpected costs or family crises (e.g. a child’s severe illness requiring a parent to take time off work) that might otherwise cause great financial strain.

## REAL LIFE PERSPECTIVES: INVESTING IN FUTURES

A level of income that allows workers to save and plan for their future gives them the peace of mind that allows them to focus on—and even to stay in—their jobs, instead of worrying about their finances:

*“I would be in a better state of mind which would affect my attitude, energy level at work.”*

*“[We have] no pension plan. This, along with low wages, is of concern as there are no extras to save for the future. This is one of the reasons staff feel they have to leave the field...”*

[Service providers for at-risk children]

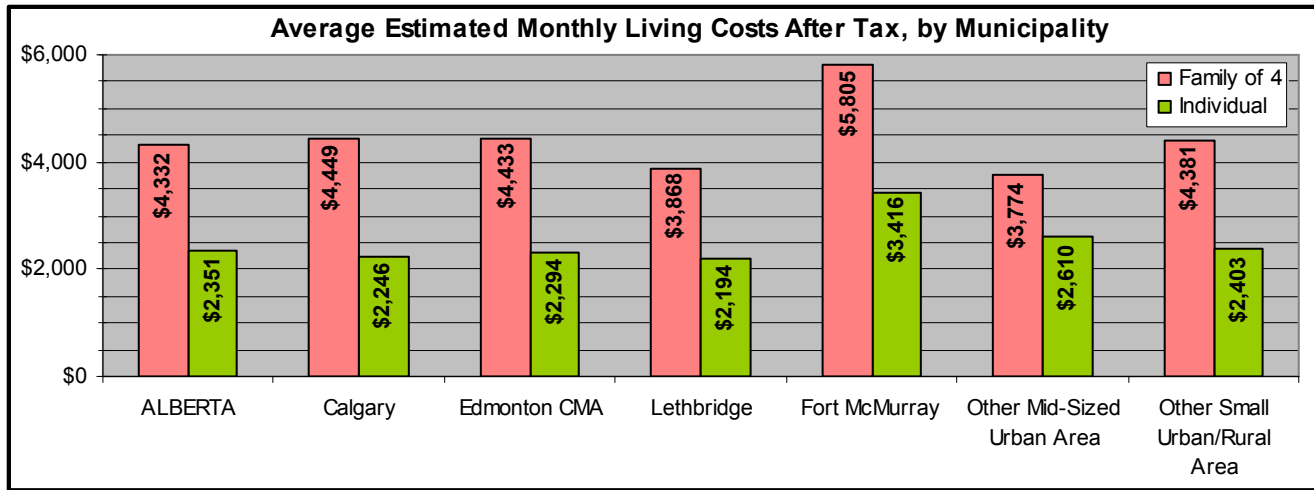
### Other Expenses

Albertans were also asked to identify any other monthly costs not included in the previous four categories that should be included in monthly living costs. The most common expenses listed were vacations, insurance, and gifts.

*The totals given by respondents were not included in the monthly living costs presented in this report.*

## How do Monthly Costs Vary Across Municipalities?

When the survey results are calculated by the respondent's location of residence, it becomes evident that, with the exception of Fort McMurray, monthly costs do not vary significantly across Alberta.



### Large and Mid-Sized Urban Areas

- The large urban areas of Calgary and Edmonton had estimated living costs similar to the Alberta average.
- The cost estimates of respondents from Lethbridge and other mid-sized urban areas (Medicine Hat, Red Deer, etc.) were slightly less than the large cities.
- Not surprisingly, the estimates for Fort McMurray were considerably higher than average, with individuals requiring about 45% more than the Alberta average. Likewise, families of four need an estimated 35% more per month than the provincial average.

### Small Urban and Rural Areas

- Respondents from small urban/rural areas estimated costs closer to the large urban areas than to the mid-sized cities.
- This demonstrates that it is not cheaper to live in smaller communities. People in these areas are likely to incur greater costs due to a lack of accessible public resources, particularly transportation.



### REAL LIFE PERSPECTIVES: PEOPLE IN NEED

When workers providing essential public services earn inadequate wages, it not only affects them but has detrimental effects on the people they serve:

*“As a manager, if my staff were earning more I would not be worried about losing the amazing staff that I have. Many staff tell me that they love their job and this agency but they can't afford to work here.”*

*“... [Workers] would take the time to become well-trained, and take pride in their jobs, and thus impact the children in a positive manner. ... [Some] families are waiting for two years to get service, but because there are no workers, they can't be served.”*

[Service providers for at-risk children]

### ... VALUING WORKERS

The level of pay workers receive sends a strong message about the value that the government, or their employers, place on the services, and even the people they serve:

*“The work must be valued by the government and compensated as work that is vital to the fabric of society. As it stands, workers feel that the government does not recognize the work they do, and as such, [it] is leaving the most vulnerable individuals in society to ‘fend for themselves’. Until adequate funding is considered, children with disabilities will not receive service.”*

[Service providers for at-risk children]

*“Providing a living wage means that employees will feel valued for the work they do and are going to stay. Small businesspeople want their employees to stay and be happy, but many of them have a hard time competing with the big corporations.”*

[Small business owner]

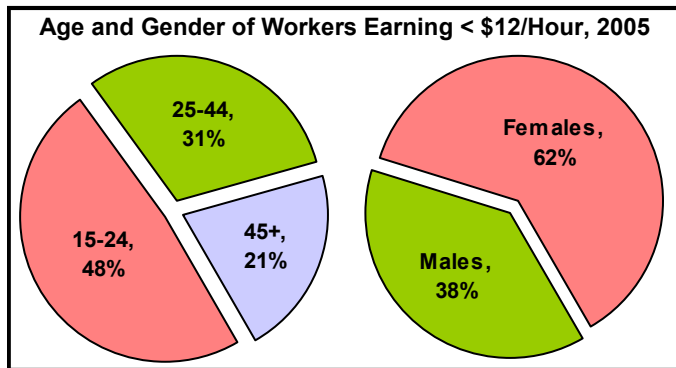
# PART C ARE ALL ALBERTANS EARNING A LIVING WAGE?

There is no denying that Alberta is a wealthy province. In September 2005, Albertans were earning an average of \$20.08 per hour; full-time workers earned an average of \$21.19 per hour, men earned \$22.16 and women earned \$17.75.<sup>20</sup> However, a closer look reveals that the prosperity has not benefited everyone equally:

## One quarter of employed Albertans earned less than \$12 per hour in 2005.<sup>3</sup>

### Not all low-wage workers are young.

- Over half (184,400) of workers earning less than \$12.00 per hour were above the age of 25 in 2005; over 22,000 of them earned the minimum wage.<sup>3</sup>
- This is a major concern, as people in these age groups are likely to be supporting families.



### Women are more likely to earn low wages.

- Two-thirds of workers earning less than \$12.00 per hour in 2005 were women.<sup>3</sup>
- This gender gap is consistent across age groups, as well as Alberta's major economic regions.<sup>3</sup>
- Female single parents are at a clear disadvantage. This is a critical situation, particularly because 80% of lone-parent families are headed by women.<sup>21</sup>

### Minority groups are more likely to earn low wages.

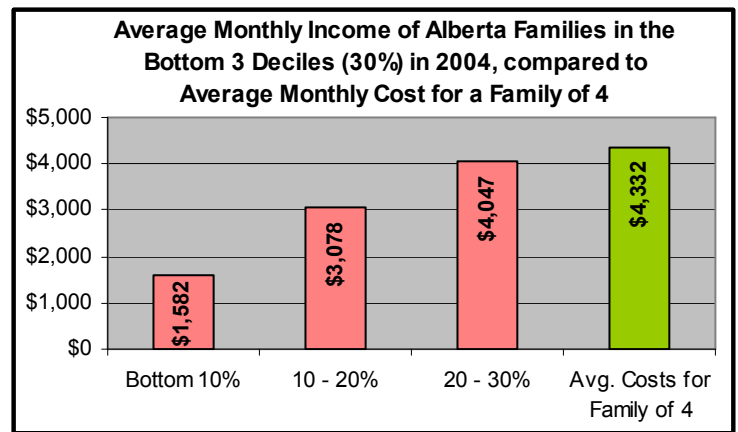
- Aboriginal workers, recent immigrants and visible minorities are far more likely than the general population to be in low-wage jobs.<sup>22</sup>

## Child poverty remains too high.

- In 2004, about one in eight (86,000) children under 18 years of age in Alberta were living in poverty.<sup>23</sup>
- Many of these children have working parents. About one in five families with children under 18 (68,700 families) earned less than the Low Income Cut Offs (LICO) before income supports.<sup>24</sup>

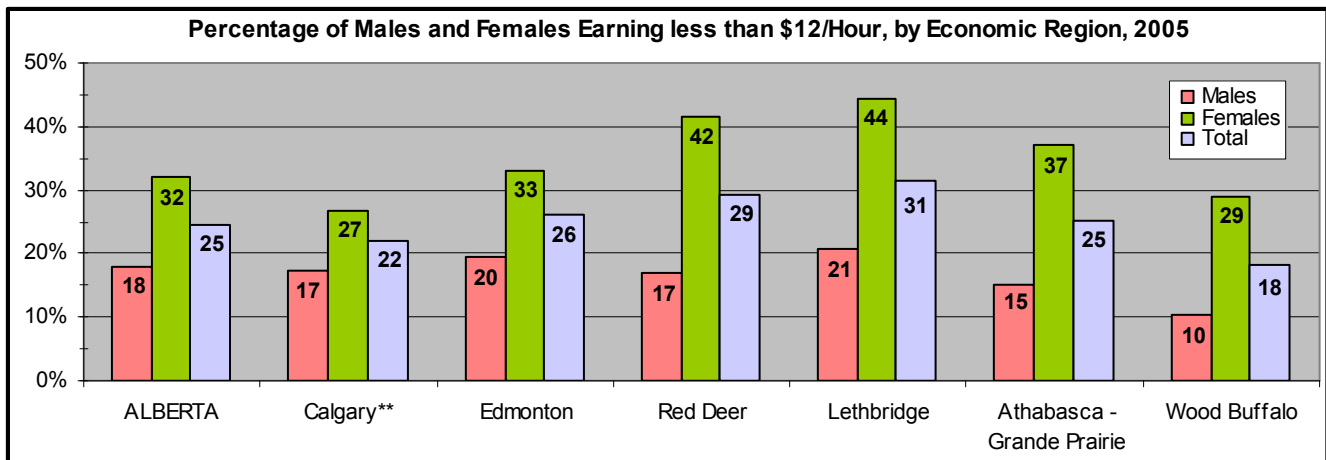
## Actual wages do not cover monthly living costs for the lowest-income families.

- Families in the bottom 30% of the income range in Alberta earn less than the estimated monthly costs derived through our survey.<sup>25</sup>



## Some cities have more low wage workers.<sup>3</sup>

- Lethbridge had the greatest proportion of low-income earners in Alberta in 2005—about one-third of its workers earn less than \$12.00 per hour.
- The income gap between men and women also varied by city. The largest gaps were found in Red Deer, Lethbridge, and the Athabasca-Grande Prairie Region.



(\*\*Calgary data is based on the first six months of 2006.)

# What Role do Income Supports and Public Goods and Services Play?

As we stated at the beginning of this report, a household's standard of living is the product of four factors: expenses, employment, income supports and public goods and services. For a more complete picture of how much families are earning, we need to account for the variety of programs that support different types of families and individuals.

## Existing Social Programs

The Canadian Child Tax Benefit, Child Tax Benefit supplement, and GST tax credit provide significant support for low-income families. In addition, Alberta offers a variety of programs for low-income workers, including subsidies covering childcare and healthcare.

Municipalities also contribute by providing better access to public services, such as Edmonton's subsidized recreation passes and Calgary's low-wage transit pass.

These programs, along with all the others we have not listed here, make a tangible difference in the lives of many low-income households in terms of reducing financial pressures and improving overall quality of life.

For example, the net monthly income of a single parent (family B) earning \$12.00 per hour would increase from \$1,670 to \$2,814 after adding tax benefits and credits.

In 2004, income supports brought one-third of low-income families in Alberta above the Low Income Cut Offs (LICO).<sup>23</sup> However, the most recent figures show:

**In 2004, 48,000 low-income families with children did not receive sufficient aid to let them escape poverty.<sup>23</sup>**

## Program Gaps

Clearly, something is missing when so many families can't make ends meet—particularly in our prosperous province. An evaluation of Alberta's network of programs reveals a patchwork approach that lacks the comprehensiveness and consistency required to ensure that families in need do not fall through the cracks.

Alberta needs a comprehensive, province-wide strategy to ensure all households who need support receive it.

This strategy must encompass the entire spectrum of public goods and services, rather than focusing solely on income supports. The more that Albertans must pay out of their own pockets for public services, the less able low-income families are to access them.

## The Role of Employers

Income supports and public goods and services are essential—our tax dollars should support the social and financial health of our communities.

However, the social support system should not enable cost-cutting employers to avoid paying living wages. Public funds should not subsidize the low wage economy when many employers can afford to pay more.

# Do Existing Wages Support a Safe, Healthy Standard of Living?

## Minimum Wage

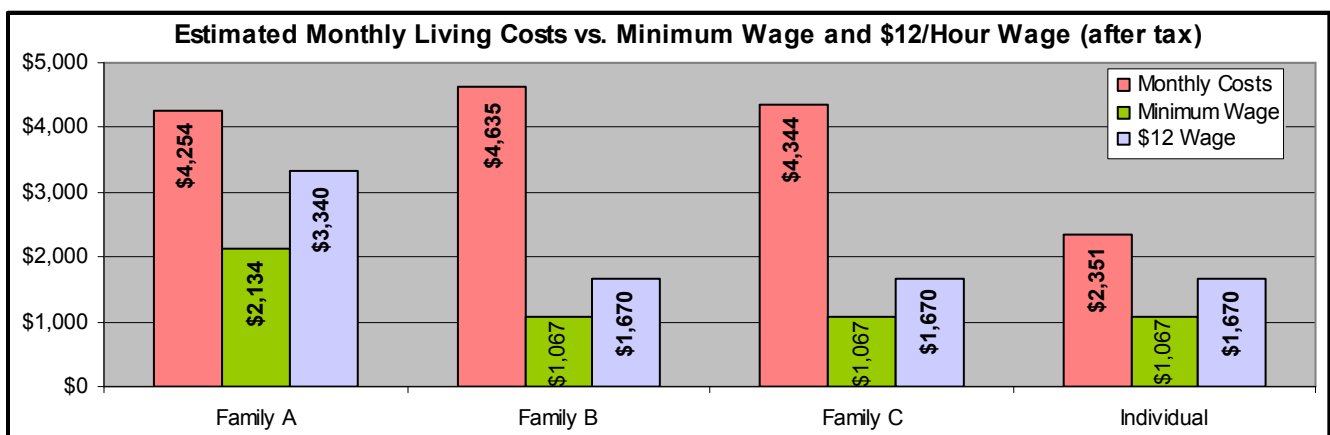
The minimum wage, currently the province's only wage legislation, is hugely inadequate when compared to the survey results.

- Individuals earning \$7.00 per hour bring home less than half of their estimated average living costs.
- Families of four with a single income can cover just one-fourth of their estimated monthly costs.
- Even the pooled income of two minimum wage earners falls short of covering the monthly costs for an individual, let alone a family of four.

## \$12 per Hour Wage

A wage of \$12.00 per hour, while much higher than \$7.00, still falls short of the estimated costs of living.

- Individuals and dual-income families of four earn about two-thirds of their estimated living costs.
- Single-income earners supporting families continue to fall far behind, earning about one-third of the income needed to support a safe, healthy standard of living.
- Even if costs of services and long-term expenses are excluded, individuals earning less than \$12 per hour could barely cover their basic and household costs.



# PART D Towards Developing Living Wage Policies

**Political action must be taken to ensure that all Albertans can maintain a safe, healthy standard of living.**

We believe it is time for the citizens of Alberta to begin advocating for living wage policies at both the provincial and municipal levels of government. This report is a first step in that process.

We now understand more about what Albertans would include in a living wage, and how low wages affect workers and their communities. Even in Alberta's booming economy, there are still a significant number of people living in poverty—people struggling to make a living in a time when prosperity seems boundless. Our findings make this very clear:

**Too many Albertans are not earning a living.** It is clear that the high percentage of employed Albertans (25%) earning less than \$12 per hour do not have incomes sufficient to cover the average estimated monthly living costs of individuals and families living in Alberta.

**A living wage covers more than absolute basic costs.** All survey respondents included other costs in the living wage, like recreation, education and retirement savings. A safe, healthy standard of living is not just about survival.

**The solution to low-income issues must first be defined at a local level.** As shown by our survey results, costs of living do vary across the province. Each municipality must work with its citizens to define a living wage policy.

**The consequences of low wages are not limited to workers.** Children and families that need support are less likely to get the quality of service they require when agencies cannot pay their workers a living wage.

**Social support programs leave many low-income families behind.** While they do help many families, existing income-support programs and public goods and services are not providing enough for all families to escape poverty. The current piece-meal programs and services must be expanded into a province-wide poverty reduction strategy.

As the boom progresses and living costs continue to rise the situation is unlikely to improve for many Albertans who are working poor. If we maintain the status quo, it will surely get worse. **Now is the time—we must take action.**

## What is PIA going to do?

Public Interest Alberta will be taking the following actions to make our vision of a safe, healthy standard of living for all Albertans a reality:

- **Municipal Living Wage Policies.** We will advocate for municipalities to adopt living wage policies to ensure that municipal employees and contractors, as well as employees of organizations receiving municipal contracts and grants, are paid a living wage. The question of how much wages need to be raised is a matter that each municipality will have to consider, taking into account the needs of individuals and families under their jurisdiction.
- **Provincial Living Wage Policy and Poverty Reduction Strategy.** We will advocate to ensure provincial contracts and grants give enough to allow organizations to provide a living wage. In addition, we will continue to push for a comprehensive, province-wide poverty reduction strategy.
- **Provincial Minimum Wage Adjustments.** We will work to assure that Alberta's minimum wage reflects the real cost of living, and is indexed to the annual inflation rate.

## What can you do?

- **Stay informed.** Sign up for PIA's living wage email update list at [www.pialberta.org](http://www.pialberta.org).
- **Learn more about living wage policies and initiatives.** There are many resources available, including the selection listed on the inside front cover of this report.
- **Join the campaign for living wage policies in your community.** In Calgary: Vibrant Communities Calgary ([info@vibrantcalgary.com](mailto:info@vibrantcalgary.com) or 403-283-2197). In Lethbridge: South West Alberta Coalition on Poverty ([office@womanspace.ca](mailto:office@womanspace.ca) or 403-329-8338). Those interested in getting involved in living wage advocacy in Edmonton or other cities around Alberta can contact PIA directly.
- **Contact your provincial MLA.** Tell them you support the establishment of a provincial living wage policy and an increase to Alberta's minimum wage.
- **Get involved.** Join organizations who are working together to develop a comprehensive, province-wide poverty reduction strategy.



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**Public Interest Alberta**  
*Advocating for a Better Alberta for All*