

Living Wage in Whitehorse, Yukon: 2019



Yukon Anti-Poverty
COALITION
anti-pauvreté du Yukon

Calculation &
Considerations

About the Yukon Anti-Poverty Coalition

The Yukon Anti-Poverty Coalition facilitates the elimination of poverty in the Yukon through awareness, education, advocacy, action and community building. We partner with other community members on issues involving food, shelter, income and access to services. Our vision is that all people in the Yukon live in an inclusive community free from poverty where diversity is respected and human rights are upheld.

The official mandate of the organization is to:

- Foster strategies, actions and partnerships with organizations to reduce and prevent poverty in the Yukon
- Identify gaps, support collaboration and facilitate the development of solutions to deal with the effects of poverty
- Provide specific programming to alleviate the impacts of poverty on individuals and families
- Provide safe and welcoming spaces for new ideas and solutions to be incubated and supported
- Increase awareness of the causes of poverty and its impacts on Yukon people
- Provide factual information on poverty based on research and lived experience
- Coordinate actions and information, within and outside the Yukon, regarding poverty
- Advocate and support individuals and families to navigate current systems
- Advocate for positive systemic change with partner organizations

About the author

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Background

Each year, the Yukon Anti-Poverty Coalition calculates the living wage for Whitehorse, Yukon to maintain a current and accurate measurement of the cost of living in the community. Living wage calculations are an effective way to measure the cost of living in a community in a way that directly integrates the role of public policy, including the provision of social services and the tax-and-transfer system. This calculation facilitates the identification and quantification of affordability challenges facing low- and modest-income households as well as opportunities for policy changes to improve affordability and to reduce poverty. Calculating the living wage on an annual basis enables an assessment of the effect of policy changes on the ability of low- and modest-income families to meet their basic needs.

This report presents the findings from the fourth annual living calculation for Whitehorse. This year the Living Wage rose \$.50 from \$18.57 to \$19.07.



10 recommendations to improve affordability and reduce poverty for families in Yukon

- ▶ **Measures to Improve affordability by reducing the cost of basic household needs**
 - focus infrastructure investments on building new social or community housing
 - develop a low fee transit pass for low and modest income earners
- ▶ **Measures to improve affordability by increasing incomes for low and modest income households**
 - introduce a Basic Annual Income pilot that reflects the cost of living in the territory
 - implement the schedule for increasing the minimum wage as recommended by the Employment Standards Board in 2018
 - index the Yukon Child Care Benefit to inflation or child care costs
 - target the Carbon Tax Rebate to low income earners
 - enhance the Yukon Child Benefit up to \$1,200 annually per child
- ▶ **Measures to enhance data quality to improve our understanding of poverty in the Yukon**
 - update the Northern Market Basket Measure for Whitehorse
 - follow the NWT example of including communities outside of Whitehorse for the Northern Market Basket Measure
 - renew and implement a Poverty Reduction Strategy with legislated targets and timelines

How is the Living Wage Calculated?

The living wage is equal to the hourly rate of pay that a household requires to meet its basic needs after accounting for government transfers and deductions from income. Government transfers such as the Yukon Child Benefit help reduce the living wage by providing an additional source of household income while deductions from income such as Employment Insurance premiums increase the living wage much like a household expense.

The Canadian Living Wage Framework provides a methodology that guides all living wage calculations across the country. Adhering to a standardized methodology enhances the credibility of these calculations by ensuring consistency. It allows for a meaningful comparison of findings across communities since any differences in the living wage reflect real differences in the cost of living. The framework provides a definition of the reference family and the household expenses included in the calculation. It is intended to represent a modest standard of living.¹

The reference family consists of two adults and two children, ages four and seven. Although the composition of the reference family does not reflect the diversity of living arrangements found in Whitehorse or throughout Canada, Statistics Canada reports that 81.4% of Whitehorse families are headed by couples (either through marriage or common-law), and 59.6% of Whitehorse families with children include two or more children.²

Researchers who have calculated the living wage for other household compositions typically find that the hourly wage that a single person requires to meet their basic needs is similar to what both workers in the reference family must earn to enjoy the same standard of living. Changes to government transfer programs in recent years to benefit households with children, however, may create a gap between the two. The amount that an adult in a lone-parent household requires to meet their basic needs is typically much higher than what both workers in the reference family must earn as lone-parent households cannot achieve the same economies of scale as larger households.

Both adults in the reference family are assumed to work 35 hours per week and receive equal pay. Full-time employment for both parents is common for two-parent families with children in Whitehorse. Statistics Canada defines a full-time employee as anyone who works 30 or more hours per week at their primary or only job.³ A work week consisting of 35 hours of paid time may be the equivalent of at least 37.5 hours after including unpaid breaks.

Since both adults are assumed to receive equal pay, the living wage calculation does not account for experiences of wage discrimination. For example, Statistics Canada reported that women earned 88 cents for every dollar earned by men in 2015, even after accounting for differences in hours worked, primarily due to wage inequality between women and men within occupations.⁴ Other populations known to experience wage discrimination include Indigenous Peoples, people of colour, and people with disabilities.^{5,6,7}

The framework provides a list of household expenses intended to represent a modest standard of living. Expenses incurred by the reference family include shelter, food, clothing, child care, transportation, health care, other household items and social inclusion, and a small contingency fund. Earning a living wage enables families to meet their basic needs and to avoid the adverse outcomes associated with poverty such as food insecurity, social exclusion, unhealthy child development, poor physical and mental health, and concurrent chronic conditions.⁸

The calculation does not account for the cost of many items that are common to most Canadian families such as credit card debt, home ownership, savings for retirement or children's future education, eating at restaurants, pet ownership, and anything beyond minimal recreation. As such, the calculation provides a conservative estimate of the cost of living in a community.

What is new for 2019?

The living wage for Whitehorse in 2019 is equal to \$19.07 per hour, an increase of \$0.50 per hour from last year. The change was primarily the result of a 2.13% increase in the cost of living, stemming primarily from increases in the cost of child care and transportation (i.e. private vehicle ownership).

Housing affordability remains a significant concern for low- and modest-income households living in Whitehorse and is the single largest expense incurred by the reference family at \$1,844.09 per month. The reference family spends 31.88% of its before-tax household income on housing in 2019, slightly above the affordability threshold of 30% used by the Canadian Mortgage and Housing Corporation.

Child care fees, the second largest expense for the Whitehorse reference family, increased by \$1,219.92 in the last year. Compared to most other Canadian jurisdictions, the Yukon Child Care Subsidy provides relatively generous financial assistance to low- and modest-income households who access child care services. However, any increase in the cost of child care makes it more difficult for Yukon families to meet their basic needs because the territorial government does not index the subsidy to inflation or child care costs. Any increase in child care costs reduces the incentive for parents, particularly mothers, to participate in the workforce.

Considerations for Policy

The living wage rate serves as an indicator for affordability and the cost of living in a community. Given that the living wage calculation integrates the role of social services and the design of the tax-and-transfer system, the living wage rate can serve as a lens for assessing public policy. All levels of government hold some responsibility for areas that greatly impact the affordability of a community. Good public policy should seek to improve affordability through one of the following approaches:

- 1) Reducing the cost of basic household needs such as housing, health care, and child care
- 2) Increasing household incomes through means such as increasing government transfers to low- and modest-income households or increasing the minimum wage

The living wage rate is one of many complementary indicators of affordability and the cost of living. Measuring the rate of poverty using the Market Basket Measure or Northern-Market Basket Measure is an important way to determine the number of people living in poverty and the impact of various policies. Further, measuring and publicly reporting the rate of poverty allows both the federal government and the territorial government to establish targets for poverty reduction as way to ensure accountability and promote progress.

Household Expenses

The Canadian Living Wage Framework outlines nine categories of household expense intended to reflect a modest standard of living. The categories of household expense include shelter, food, clothing and footwear, transportation, child care, health care, parent education, other household items and social inclusion, and a small contingency fund. Each adult in the Whitehorse reference family must earn at least \$19.07 per hour working full-time or \$34,707.40 per year to meet these basic needs and to avoid the adverse outcomes associated with poverty. This section provides a breakdown of each household expense incurred by the Whitehorse reference family.



Shelter

Monthly Expense: \$1,844.09

Annual Expense: \$22,129.12

The shelter expense incurred by the reference family covers the cost of rental housing including utilities (i.e. electricity, heating, and water), tenant insurance, internet, and phone services. This is the Whitehorse reference family's largest household expense in 2019.



Food

Monthly Expense: \$1,127.26

Annual Expense: \$13,527.17

The food expense incurred by the reference family covers the cost of a basic, nutritious diet such as that outlined in the National Nutritious Food Basket or the Revised Northern Food Basket. However, the food expense does not cover other food-related costs incurred by many Canadian families including dining at restaurants and individual dietary preferences or restrictions such as lactose intolerance, celiac disease, or veganism.



Clothing and Footwear

Monthly Expense: \$237.75

Annual Expense: \$2,852.96

The clothing and footwear expense covers the cost of clothing and footwear for most common work, school and social occasions as outlined in the Northern Market Basket Measure feasibility study adjusted for inflation. The Northern Market Basket Measure clothing basket is modified from the Market Basket Measure to reflect the clothing needs of Northerners.



Transportation

Monthly Expense: \$538.45

Annual Expense: \$6,461.35

The transportation expense covers the cost of owning and maintaining a used vehicle plus the cost of a monthly transit pass. Although public transportation can be a viable option for many families, a family with two parents working full-time with one child in full-time day care and another in elementary school cannot rely on public transportation alone. Since both parents work full-time, the family may be unable to rely solely on one vehicle, particularly if the parents work different schedules or in different parts of town.



Child Care

Monthly Expense: \$1,230.14 Annual Expense: \$14,761.68

The reference family includes two children, ages four and seven. The four-year-old requires full-time child care while the seven-year-old requires before- and after-school care and full-time care when not attending school. The child care expense is equal to the cost of obtaining child care services from a licenced provider for both children.



Health Care

Monthly Expense: \$233.38 Annual Expense: \$2,804.16

The health care expense is equal to the cost of extended health and dental insurance that covers the entire family. The plan purchased by the reference family does not include disability or life insurance, and the family would still incur any costs related to non-insured or partially-insured medical services.



Adult Education

Monthly Expense: \$84.67 Annual Expense: \$1,016.00

The adult education expense is equal to the cost of two full-credit evening courses at Yukon College including tuition, student fees, and an allowance for textbooks and school supplies. Attending night classes allows the parents to improve their skills and employment capacity. Participants in a focus group consisting of low-income earners identified access to post-secondary education opportunities as a pathway out of poverty.⁹



Other Household Items and Social Inclusion

Monthly Expense: \$1,029.22 Annual Expense: \$12,350.7062

The other household items and social inclusion expense is intended to reflect the cost of items such as toiletries and personal care, furniture, household supplies, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings, small birthday gifts, a modest family vacation, and some sports or arts activities for the children. All items included in this category of household expense were purchased by a minimum of 70% of Canadian households as reported by Statistics Canada in its Survey of Household Spending.



Contingency Fund

Monthly Expense: \$222.48 Annual Expense: \$2,669.80

The contingency fund provides some cushion for unexpected events such as job loss, the illness of a family member, legal fees, or medical expenses not covered by the health insurance plan. The fund is represented as a household expense equal to two weeks' pay for each worker in the reference family.

Government Transfers

Government transfers provide households with an additional source of income outside of employment to help offset the cost of living. Increases in transfers to low- and modest-income families help lower the living wage by decreasing the amount of income that a family must earn to meet their basic needs. Both the federal government and the territorial government provide a range of targeted income supports to assist low – and modest – income families as well as special populations such as seniors and people with disabilities. Income supports available to the Whitehorse reference family include the Canada Child Benefit, the Yukon Child Benefit, and the Yukon Child Care Subsidy. The Whitehorse reference family receives a total average monthly benefit of \$1,388.35 in 2019.

Assistance with Income Tax Filing

All households must file an income tax return to be eligible to receive income supports such as the Canada Child Benefit, the Yukon Child Benefit, the Goods and Services Tax Credit, and the Working Income Tax Benefit. Each year thousands of low – and modest – income households do not file their tax return and, thus, do not receive the income supports to which they are entitled. The federal government offers assistance to low-income households with completing their tax return through the Community Volunteer Income Tax Program. For more information about the Community Volunteer Income Tax Program, visit <https://www.canada.ca/en/revenue-agency/services/tax/individuals/community-volunteer-income-tax-program.html>.

Canada Child Benefit

Monthly Benefit: \$732.73 Annual Benefit: \$8,762.78

The Canada Child Benefit is a tax-free monthly payment made by the federal government to eligible families to help with the cost of raising children under 18 years of age.

Goods and Services Tax Credit

Quarterly Benefit: \$3.24 Annual Benefit: \$12.96

The Goods and Services Tax Credit is a tax-free quarterly payment made by the federal government to low-income households to help offset the cost associated with the Goods and Services Tax.

Yukon Child Benefit

Monthly Benefit: \$57.34 Annual Benefit: \$688.08

The Yukon Child Benefit provides tax-free financial support to eligible low- and modest-income families to help with the cost of raising children under 18 years of age. Eligible households can receive up to \$820 per year for each eligible child.

Yukon Child Care Subsidy

Monthly Benefit: \$582.86 Annual Benefit: \$6,994.34

The Yukon Child Care Subsidy provides financial support to assist families who need child care for their children and may not be able to afford the cost of child care. The amount that a family receives depends on the age of the child, the number of hours that the child spends in care, and whether the child has any special needs. Eligible households can receive up to \$578 per month for each pre-school-aged child and up to \$303 per month for each school-aged child while attending school and up to \$550 per month during the summer.

Yukon Carbon Price Rebate

Quarterly Benefit: \$172.00 Annual Benefit: \$172.00

The Yukon Carbon Price Rebate provides financial support to offset the cost of the carbon tax paid by Yukoners. Starting in October 2019, all Yukon households receive a minimum of \$43 per quarter per person with individuals living in communities outside of Whitehorse receiving an additional 10% remote supplement to offset the disproportionate impact of the carbon tax on Yukoners living in remote communities. In future years, the benefit paid to individuals will increase as the carbon price continues to increase.

Note that the Whitehorse reference family does not qualify for some income supports targeted to low-income households including the *Working Income Tax Benefit/Canada Workers Benefit* and the *Yukon Rent Supplement Enhancement* as their net household income exceeds the threshold for these supports.

Deductions from Income

Almost all individuals who work in Canada pay federal income tax, provincial or territorial income tax, Canada Pension Plan premiums, and Employment Insurance premiums. Policies that reduce deductions from income paid by low- and modest-income families help make life more affordable for these families and lower the living wage. The calculation assumes that the other household items and social inclusion expense cover the cost of eligible child fitness and arts expenses so that the family can take full advantage of available territorial tax credits. All tax credits are allocated in a manner that is most advantageous to the household to help ensure a conservative estimate of the living wage. The Whitehorse reference family pays an average of \$625.05 per month in deductions from income in 2019.

Federal Income Tax **Monthly Deduction: \$190.25** **Annual Deduction: \$2,283.03**

Most individuals who work in Canada pay federal income tax. For the 2018 tax year, the federal income tax rate for individuals with a taxable income of less than \$46,605 equalled 15%. Income deductions for eligible child care expenses and the Northern Living Allowance as well as income tax credits for eligible expenses reduce the amount of tax paid by the individual claiming the deduction or credit.

Territorial Income Tax **Monthly Deduction: \$75.84** **Annual Deduction: \$910.09**

Most individuals who work in Yukon pay territorial income tax. For the 2018 tax year, the territorial income tax rate for individuals with a taxable income of less than \$46,605 equalled 6.4%. Income deductions for eligible child care expenses and the Northern Living Allowance as well as income tax credits for eligible expenses reduce the amount of territorial income tax paid by the individual claiming the deduction or credit.

Canada Pension Plan Premiums **Monthly Deduction: \$265.26** **Annual Deduction: \$3,183.15**

Almost all individuals who work in Canada, outside of Quebec, contribute 5.1% of their pay, up to a maximum annual amount of \$2,748.90, to the Canada Pension Plan.

Employment Insurance Premiums **Monthly Deduction: \$93.71** **Annual Deduction: \$1,124.52**

Almost all individuals who work in Canada, outside of Quebec, contribute 1.62% of their pay, up to a maximum annual amount of \$860.22 to Employment Insurance.

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