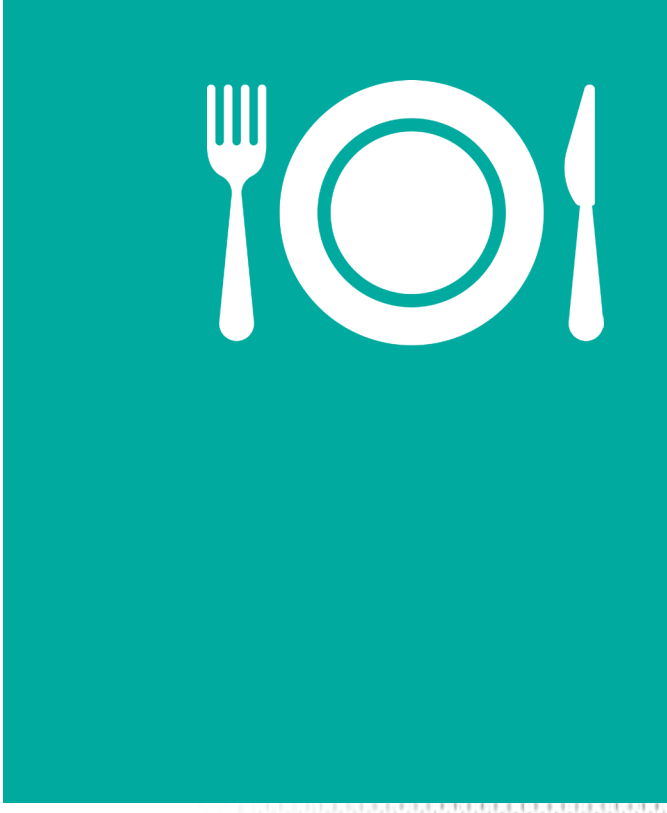
Calculating Ontario's Living Wages
November 2022

Anne Coleman & Robin Shaban



ONTARIO LIVING WAGE NETWORK

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ABOUT THE AUTHORS

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ABOUT THE OLWN

We're championing and showcasing the growing wave of living wage initiatives in Ontario. We are a network of employers, employees, non-profits, researchers, and proponents of decent work standards for all Ontario workers.

Together, we're changing the conversation about what the minimum standard of pay for low-wage workers should be in the province.

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EXECUTIVE SUMMARY

This year's living wage calculations emerge from a backdrop of record–breaking inflation and Consumer Price Index increases, and workers at the bottom end of the wage scale are most vulnerable to these kinds of fluctuations. A living wage is an effective tool to combat working poverty by making sure that employees can make ends meet where they live. By incorporating expenses that a worker must cover, such as shelter, food, transportation and more, our living wages are much closer to reality than a politically set minimum wage.

The Ontario Living Wage Network has two primary roles within the living wage movement in this province; calculate standardized living wage rates with consistency across regions and certify employers who pay it. This report is the culmination of the former, but is quite unlike previous year's releases. We are now able to offer certification to every employer in the province with no gaps in coverage.

Until 2022, we used a mix of municipal, county, and regional boundaries to define each distinct living wage area, of which there a total of 51 in the province. Our coverage under this method culminated at 28 local living wage rates in 2021, representing 55% coverage under that boundary system.

Going forward, we will now perform calculations for 10 regions in Ontario. Instead of using the old boundaries, we now employ Statistics Canada's Economic Regions, which are "...groupings of complete census divisions (CDs) created as a standard geographic unit for analysis of regional economic activity."[1]

Having fewer living wage rates while covering the entire province means that every employer in Ontario now has a tool to use as a benchmark for paying employees a decent wage. The reduction of the number of calculations makes annual re-calculation possible, so living wage rates will remain up to date. Finally, having fewer rates means the living wage certification program is now easier for large provincial, national, and international businesses with multiple locations across the province.

The 2022 living wage rates range from $23.15 for the Greater Toronto Area to $18.05 in London. Many areas will see an increase in living wage rates over last year's calculations. Sault Ste. Marie's rate will increase by 21.6% to $19.70 per hour, which is the largest increase. Thirteen areas, as defined by the previous boundaries, will see an increase of over 10%. Because our calculations have always been made reflecting real local costs—which have all gone up by unprecedented levels—it is a natural outcome that the local rate would follow, regardless of the boundaries used.

There are now over 500 certified living wage employers, with roughly half of them first certifying since the start of the COVID-19 crisis in March of 2020. We look forward to certifying many more organizations, large and small, and in new parts of the province.

CONTEXT

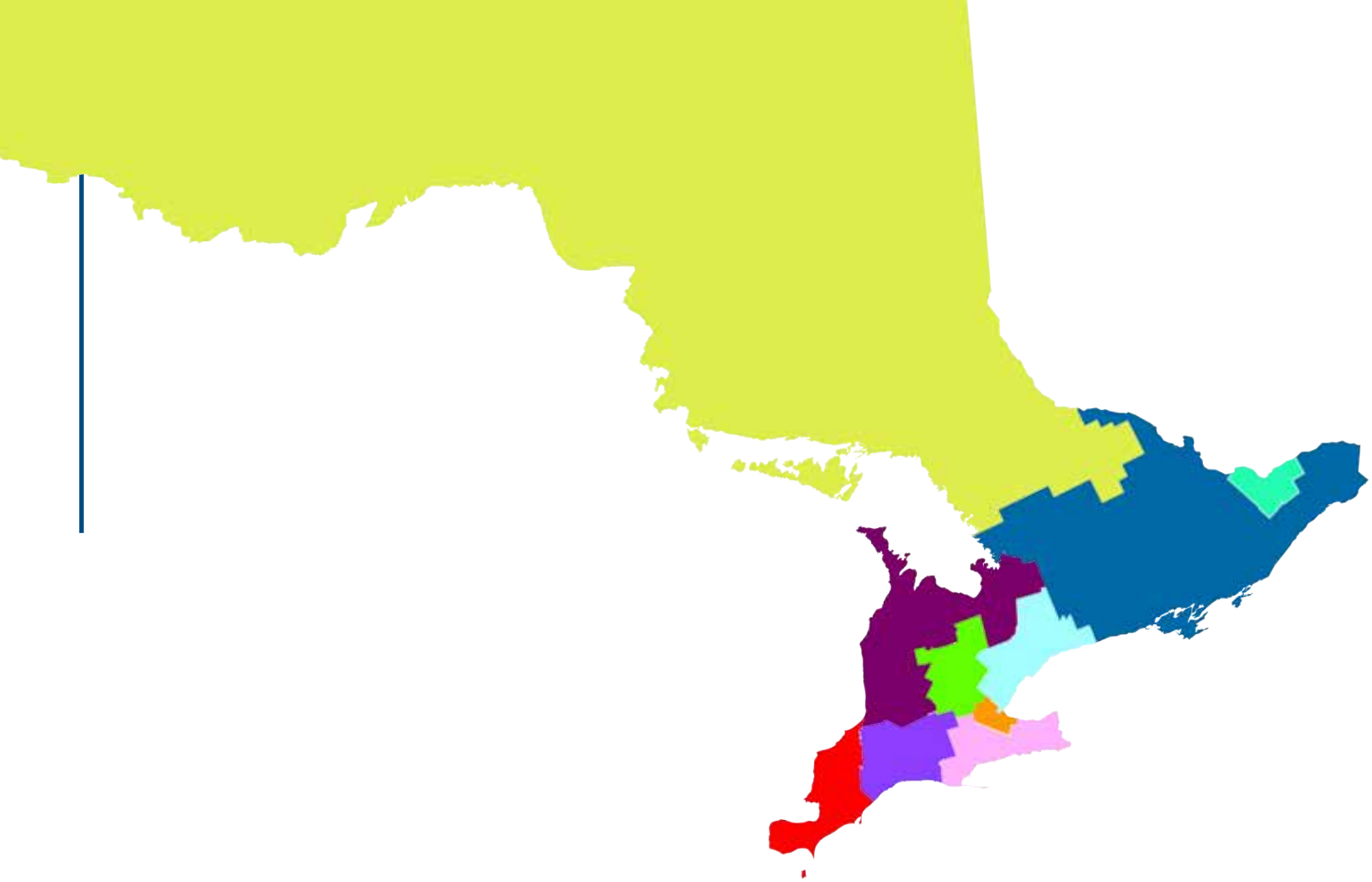
The living wage movement in Canada stemmed from conversations around child poverty in the early 2010s. One major contribution to child poverty is parents who are working but still not able to make ends meet. Because of this focus on children the living wage was originally calculated for a family of four with two working parents. At the time, testing showed that the living wage rate for single parents with one child and single adults were fairly close to that of the reference family of four. However, over time, the living wage rates for these different household types have grown. The introduction of the Canada Child Benefit in 2016 by the federal government lowered living wage rates across the country. In 2019, the provincial government in Ontario introduced the CARE credit, which offers additional support to households with children.

These credits are both examples of needed income support. However, adults without children do not have access to the same benefits. The difference between living wage rates for the reference family of four, the single parent with one child, and single adult have grown significantly. The growing number of single adults in our province indicates that our original living wage calculation methodology was leaving people behind. In 2021 the OLWN began calculating living wages based on a weighted average of costs for these three different household types.

LIVING WAGE CALCULATION METHODOLOGY: THE LIVING WAGE REGIONS

The living wage regions build from Statistics Canada's geographic concept of economic regions. Economic regions are geographic units defined by Statistics Canada to represent regional economies. We use these geographic groupings, as well as the city of Hamilton and two census metropolitan areas also defined by Statistics Canada – Toronto and Ottawa – to create the official living wage regions.

A key consideration when establishing the living wage regions is to verify that people live and work in the same regions. We used data on commuting patterns from the 2016 census to validate that this is, in fact, the case.



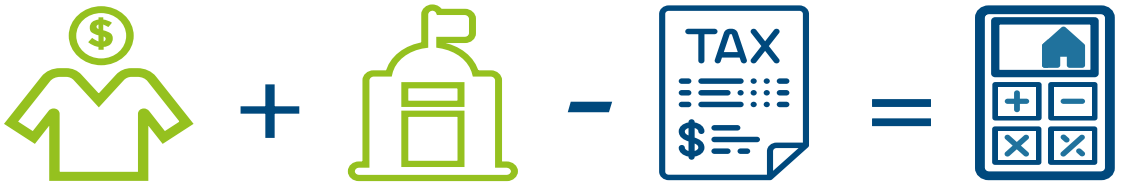
East	$19.05
Dufferin Waterloo Guelph-Wellington	$19.95
Brant Niagara Haldimand Norfolk	$19.80
London Elgin Oxford	$18.05
Southwest	$18.15
Grey Bruce Perth Huron Simcoe	$20.70
North	$19.70
Ottawa	$19.60
Toronto	$23.15
Hamilton	$19.05

CALCULATING THE LIVING WAGE

The living wage is the hourly earnings someone needs to earn to have an income that covers their cost of living. To calculate this number, we start by determining the costs of a basket of basic goods and services for three types of families: two parents aged 35 and two children aged 7 and 3, a single parent (35) with a child aged 7, and a single adult.

To calculate the living wage, we determine the after-tax income that each adult would need to have to cover the expenses included in the basket for their family type. For the wage calculation, we consider government transfers the family may receive (like the Canada Child Benefit, the Ontario CARE benefit) and the payroll and income taxes the adults may pay.

BASIC LIVING WAGE FORMULA



Income from employment + **Income from government** − **EI & CCP Premiums Provincial and Federal taxes** = **Annual family expenses**

We calculate a wage for each of the three families, and then take a weighted average of these wages based on the proportion of adults in Ontario in each type of family using data from the 2016 census.

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Adults in couple families with some children 0-5 and some 6-14 years of age	**374,870**
Lone parent families with children 6-14 years of age	**114,100**
Single adults between 15 and 65	**844,650**

THE COST OF LIVING IN ONTARIO

To calculate the living wage for each of the three family types, we first calculate expenses for each family type in each county or district in Ontario.

Next, we aggregate this county-level data to the economic region level using population-weighted averages (e.g., Windsor, Essex, Chatham-Kent and Lambton County are combined into the Southwest region). An additional 4% is added to this total level of expenses as a contingency measure.
Once we have the final expenses for each family type in each economic region, we find the level of earned income, taxes and transfers that would provide them with the amount of income needed to cover these expenses. To calculate the living wage, we then divide the earned income by 52 weeks in the year and 35 hours per week (and by 2 for families of four) to arrive at an hourly living wage.

The data we use for these expenses come from various sources, outlined in the table below. All data are in 2022 dollars (adjustments are made using CPI values from Statistics Canada tables 18-10-0005-01 for 2021 and table 18-10-0004-13 for 2022 when source costs were not in 2022 dollars).

FOOD COSTS

We use the food costs from the most recent Nutritious Food Basket (NFB) data collected by local Public Health Units[2] across the province. If the NFB was not updated within the past year, we adjust the most recent NFB cost by the average increase in NFB costs across other communities.

Between April 2021 and April 2022 Statistics Canada reports the price of food increased by 9.7% in Canada[3]. The cost of food is one of the highest costs included in the living wage calculation. The rise in food prices across our province have added significantly to the increase in living wage rates for all communities.

ANNUAL FOOD COSTS

Community	Family of Four	Single Parent	Single Adult
East	$10,242	$5,135	$3,450
Dufferin Waterloo Guelph-Wellington	$10,106	$5,038	$3,453
Brant Niagara Haldimand Norfolk	$10,205	$5,083	$3,524
London Elgin Oxford	$10,656	$5,307	$3,683
Southwest	$11,069	$5,490	$3,605
Grey Bruce Perth Huron Simcoe	$10,692	$5,214	$3,866
North	$12,373	$6,651	$4,728
Ottawa	$9,776	$4,878	$3,373
GTA	$11,245	$5,474	$3,850
Hamilton	$10,862	$5,712	$4,485

SHELTER COSTS

A conservative estimate for rent is sourced through the Canadian Mortgage and Housing Corporation (CMHC).[4] The CMHC provides average rental costs in urban areas with a population of more than 10,000 people. The data collected includes all rental units in a community. This means that both units rented for a number of years and those newly rented are included in the average cost of rent in a community. Rapidly increasing rental costs over the past ten years have created a growing gap between the data collected by CMCH and current market rental rates. The OLWN will continue to look for ways to address this growing gap and more accurately reflect realities in our province. This year, steps were taken to address this issue in the three census metropolitan areas of Hamilton, Ottawa and the Greater Toronto Area that have stand–alone calculations. For these communities the average occupied rent and average vacant rent reported by CMHC were averaged together for the final resulting rental cost.

In communities where data from CMHC is not available, the Canadian Rental Housing Index[5] is used as a source for average rental costs. The average cost of rent for the 3rd quintile is used in the calculation. These numbers are from 2016, and as such, are offset using Consumer Price Index (CPI).[6]

It is assumed that our reference family of four with a boy and a girl will need a 3-bedroom apartment. Our single parent will need a 2-bedroom apartment, and the single adult will need a one bed-room apartment.

Hydro costs for each community are found through the Ontario Energy Board bill calculator.[7] Tenant insurance costs were sourced through Kanatix.ca. Internet costs are locally sourced.

ANNUAL SHELTER COSTS

Community	Family of Four	Single Parent	Single Adult
East	$20,482	$17,009	$14,896
Dufferin Waterloo Guelph-Wellington	$23,965	$19,071	$16,930
Brant Niagara Haldimand Norfolk	$18,502	$16,656	$14,635
London Elgin Oxford	$18,106	$17,216	$14,513
Southwest	$18,123	$16,508	$13,485
Grey Bruce Perth Huron Simcoe	$18,813	$17,185	$14,814
North	$16,157	$15,101	$13,130
Ottawa	$24,401	$21,905	$17,717
GTA	$27,224	$23,416	$20,203
Hamilton	$20,387	$18,754	$15,850

According to the data collected for our calculations, the cost of a 2-bedroom apartment is between 75-95% of the cost of a 3-bedroom unit. In our scenario, the three-bedroom unit is occupied by two working adults, making shelter costs much less affordable for single individuals in our province.

CLOTHING AND FOOTWEAR

Annual costs for clothing and footwear are sourced through the Survey of Household Spending.[8] The average spending on these items for those at the 3rd quintile of income and are assumed to be constant across regions. These costs are adjusted using CPI[9] to find costs for 2022.

Household Type	Annual Cost
Family of Four	$2,812
Single Parent	$1,606
Single Adult	$763

TRANSPORTATION

In rural areas or areas with insufficient transit, or it is assumed that an adult will need a car to get to and from work. In an urban area with a sufficient public transit system we include the cost of one car and one adult transit pass for our reference family of four. For a single adult, the cost of one adult transit pass is used. A single parent will need a car to get to and from work and to pick up their child from school and activities. In communities that have both urban and rural areas, we've used a weighted average between the rural and urban scenarios based on rural and urban populations.

The cost of car ownership and operation is gathered through the Canadian Black Book[10] and Statistics Canada[11] data on average gas prices and car maintenance in Ontario. Car insurance costs are sourced through Kanetix.ca.

The cost for car ownership and operation for 2022 is $7,010 per vehicle. Adult transit passes range in price across the province from $720 - $1,716 per year.

ANNUAL TRANSPORTATION COSTS

Community	Family of Four	Single Parent	Single Adult
East	$10,889	$7,010	$3,961
Dufferin Waterloo Guelph-Wellington	$9,669	$7,010	$2,659
Brant Niagara Haldimand Norfolk	$13,093	$7,010	$6,089
London Elgin Oxford	$10,210	$7,010	$3,200
Southwest	$10,876	$7,010	$3,866
Grey Bruce Perth Huron Simcoe	$12,762	$7,010	$5,715
North	$11,017	$7,010	$4,007
Ottawa	$8,516	$7,010	$1,506
GTA	$8,439	$7,010	$1,841
Hamilton	$8,784	$7,010	$1,774

Transit costs have a big impact in the living wage rate in an economic region. The aggregation of communities into economic regions has generally led to an increase in transportation costs, as all rural areas of our province are now included. This inclusive approach provides more accurate living wage rates, as it is now capturing commuting patterns across Ontario. Previous calculations may have left rural residents behind.

ADULT EDUCATION

The living wage methodology includes the cost of one continuing education course per adult. Costs of three different courses from different disciplines were averaged from local colleges. The cost of adult education for the reference family of four is doubled.

ANNUAL ADULT EDUCATION COSTS

Community	One Course
East	$467
Dufferin Waterloo Guelph-Wellington	$433
Brant Niagara Haldimand Norfolk	$333
London Elgin Oxford	$464
Southwest	$408
Grey Bruce Perth Huron Simcoe	$455
North	$464
Ottawa	$472
GTA	$451
Hamilton	$420

MEDICAL EXPENSE, LIFE AND CRITICAL ILLNESS INSURANCE

The costs for non-OHIP medical insurance, life insurance and critical illness insurance are sourced through Kanetix.ca. The cost for non-OHIP medical insurance is the same for all economic regions. This plan 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.

Household Type	Annual Cost
Family of Four	$2,952
Single Parent	$1,676
Single Adult	$1,165

Household Type	Annual Cost
Family of Four	$480
Single Parent	$280
Single Adult	$280

The cost of life and critical illness insurance varies from community to community. However, these rates only differ by a maximum of $50 per year. This small difference does not result in a change to the resulting living wage rate for a community. One costing for life and critical illness insurance was sourced from a community from each economic region and was then averaged and applied across the province.

COMMUNICATIONS

Internet and cell phone costs are sourced locally for each community. Communication costs vary across the province based on coverage area for cell service and the type of internet connection available. Often costs for communications are more expensive in rural areas. This is particularly true in Northern communities.

Our methodology assumes each adult will need a cell phone. Each household type requires internet access that supports a streaming service. Included in the cost of internet is $16.99 a month for a popular streaming service.

ANNUAL CELL PHONE COSTS

Community	Family of Four	Single Parent and Adult
East	$1,418	$709
Dufferin Waterloo Guelph-Wellington	$989	$495
Brant Niagara Haldimand Norfolk	$1,035	$518
London Elgin Oxford	$1,492	$746
Southwest	$1,492	$746
Grey Bruce Perth Huron Simcoe	$1,188	$594
North	$1,691	$846
Ottawa	$949	$475
GTA	$1,003	$502
Hamilton	$949	$475

ANNUAL INTERNET COSTS

Community	
East	$1,063
Dufferin Waterloo Guelph-Wellington	$1,083
Brant Niagara Haldimand Norfolk	$866
London Elgin Oxford	$1,125
Southwest	$1,130
Grey Bruce Perth Huron Simcoe	$943
North	$1,428
Ottawa	$1,188
GTA	$900
Hamilton	$1,128

CHILD CARE COSTS

Child care costs are sourced locally from communities across the province. While this is a major contributor to annual family expenses, these costs are offset by child care subsidy. In 2023, the introduction of $10 per day child care could have a great impact on living wage rates across the country.

ANNUAL CHILD CARE COSTS

Community	Family of Four	Single Parent
East	$16,605	$6,090
Dufferin Waterloo Guelph-Wellington	$19,040	$6,472
Brant Niagara Haldimand Norfolk	$15,924	$5,325
London Elgin Oxford	$13,463	$4,319
Southwest	$14,319	$5,494
Grey Bruce Perth Huron Simcoe	$16,095	$5,531
North	$16,521	$6,273
Ottawa	$15,444	$5,655
GTA	$17,939	$6,685
Hamilton	$15,442	$6,117

OTHER EXPENSES

Following the convention of the Statistics Canada Market Basket Measure, we calculate other expenses as 75.4% of the cost of food, 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. The participation aspect of the living wage calculation is mainly covered in this expense.

ANNUAL 'OTHER' COSTS

Community	Family of Four	Single Parent	Single Adult
East	$9,843	$5,082	$3,176
Dufferin Waterloo Guelph-Wellington	$9,740	$5,010	$3,179
Brant Niagara Haldimand Norfolk	$9,815	$5,044	$3,233
London Elgin Oxford	$10,155	$5,213	$3,352
Southwest	$10,467	$5,350	$3,294
Grey Bruce Perth Huron Simcoe	$10,182	$5,142	$3,491
North	$11,449	$6,226	$4,141
Ottawa	$9,491	$4,889	$3,118
GTA	$10,599	$5,338	$3,478
Hamilton	$10,310	$5,518	$3,957

GOVERNMENT TRANSFERS AND TAXES

There are several government transfers and taxes that impact workers receiving a living wage.

GOVERNMENT TRANSFERS

Name	Details
Canada Child benefit	This benefit provides up to $6997 for each child under 6 years of age and up to $5,903 for each child 6-17 years of age, with benefits reduced above $32,797 of family net income
GST credit	This credit offsets the cost of GST for low-income families, providing up to $467 per adult and declines with family net income

Canada Worker's Benefit	This benefit provides up to $1,395 for working adults and declines with family net income
Ontario Child Benefit	This benefit provides up to $1,509 per child and declines with family net income
Ontario Energy and Property Tax Credit	This credit offsets a portion of sales taxes on energy and property taxes for low-income families
Northern Ontario Energy Credit	This credit offsets a portion of energy costs for individuals living in Northern Ontario
Ontario Sales Tax Credit	This credit offset sales taxes and pays up to $324 per person, with benefits declining with family net income
Ontario LIFT Credit	This tax credit provides up to $875 to low-income families and declines with family net income
Ontario CARE Credit	This credit offsets a proportion of eligible child care expenses, with the proportion declining with family net income
Ontario Climate Action Incentive	This credit provides a fixed amount per person and is not dependent on family net income

GOVERNMENT TAXES

Name	Details
Canada Pension Plan premiums	5.7% of taxable income above $3,500 (up to $3,499.80) is paid into the CPP
Employment Insurance premiums	1.58% of taxable income (up to $952.74 per person) is paid into the EI program
Federal income tax	Federal income tax is paid by each adult (assuming both have equivalent earned income for two parent families). CPP and EI premiums, medical insurance and adult education costs are deducted from taxable income
Provincial income tax	Provincial income tax is paid by each adult (assuming both have equivalent earned income for two parent families). CPP and EI premiums, and medical insurance costs are deducted from taxable income

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ENDNOTES

1 Statistics Canada, Standard Geographical Classification (SGC) 2016, https://www.statcan.gc.ca/en/subjects/standard/sgc/2016/introduction

2 Nutritious Food Basket data for Toronto comes from The City of Toronto. Details on the Nutritious Food Basket for each community can be found via Public Health Units in Ontario.

3 Statistics Canada, Food price increase, https://www150.statcan.gc.ca/n1/daily-quotidien/220609/dq220609a-eng.htm

4 Canadian Housing and Mortgage Corporation, Rental costs for urban communities of 10,000 or greater, Housing Market Information Portal

5 Canadian Housing and Mortgage Corporation, Rental costs for communities not covered by CMCH, Canadian Rental Housing Index

6 Statistics Canada, Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted

7 Ontario Energy Board, Bill Calculator

8 Statistics Canada, Clothing and footwear costs, Table 11-10-0223-01 Household spending by household income quintile, Canada, regions and provinces.

9 Statistics Canada, Clothing and footwear CPI Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted

10 Candian Black Book, Cost of Car ownership, https://www.canadianblackbook.com/value-your-vehicle

11 Statistics Canada, Average gas price, Table 18-10-0001-01 Monthly average retail prices for gasoline and fuel oil, by geography