

# LIVING WAGE

EDMONTON 2021



A report to inform the work to end poverty  
in a generation.

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## WHAT IS THE LIVING WAGE?

A living wage is rooted in the belief that individuals and families should not just survive, but live with dignity and participate in their community. A living wage is defined as the hourly wage that a primary income earner must make to provide for themselves, their families, and reach basic financial security.

The living wage reference family includes two parents working full-time, one child in elementary school, and one child not yet in school.

In 2018, the Government of Canada adopted the Market Basket Measure (MBM) as Canada's official poverty line. The MBM determines poverty thresholds based on the cost of a basket of food, clothing, shelter, transportation, and other necessities adjusted by region. Families with a disposable income lower than the threshold (i.e., families that cannot afford these basket items), are deemed to be in poverty. <sup>[1]</sup> The MBM and its basket of goods is based on subsistence living, which describes the lowest income a family needs to survive.

Alternatively, the living wage allows for a higher standard of living and accounts for the income a family would need to participate in the community. It includes child care, allowance for one parent to attend school, extended health and dental plans, and a minor emergency contingency fund. However, it does not include items that would allow families to "get ahead," such as putting away savings or paying down debt.

A living wage is not the same as the minimum wage. The minimum wage is the wage mandated

by the provincial government that employers must pay all workers. Currently in Alberta, the minimum wage is \$15.00 per hour, and \$13.00 per hour for workers under the age of 18. The minimum wage is typically lower than the living wage. <sup>[2]</sup>

**Edmonton's living wage  
in 2021 = \$18.10**

**Table 1. Living wage over time**

Year	Living wage
2015	\$17.36
2016	\$16.69
2017	\$16.31
2018	\$16.48
2019	\$16.51
2021	\$18.10

**Note: ESPC decided not to calculate a living wage for 2020 due to the complex nature of families' living conditions during this year. In addition, regular data needed for the calculation was delayed as data collection agencies shifted to collecting data focused on the impacts of COVID-19.**

# CHANGES TO EDMONTON'S LIVING WAGE METHODOLOGY

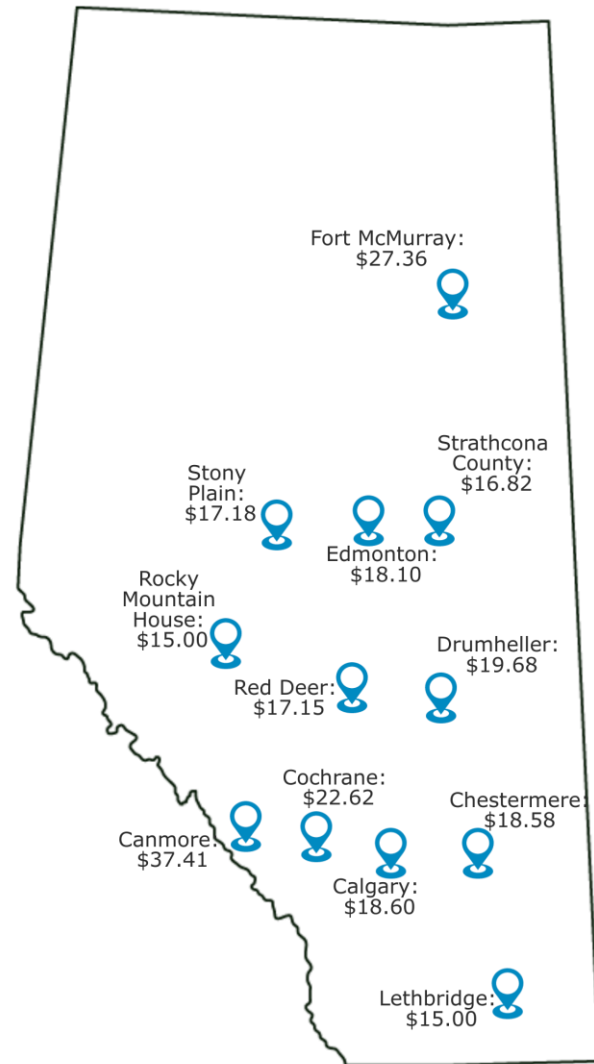
This is the sixth year that the Edmonton Social Planning Council (ESPC) has calculated Edmonton's living wage. In the past, ESPC has calculated the living wage based on the *Canadian Living Wage Framework* [3] created by the Canadian Centre for Policy Alternatives, with a few adjustments made in order to reflect local circumstances.

In 2021, ESPC adjusted its methods slightly. Beginning in 2018, ESPC partnered with several organizations and municipalities across Alberta to create the Alberta Living Wage Network ([livingwagealberta.ca](http://livingwagealberta.ca)). Local living wages are calculated across Canada, with participating communities that include: Calgary, Canmore, Chestermere, Cochrane, Drumheller, Fort McMurray, and Red Deer.

It is important that different municipalities use the same methods for accurate living wage comparisons across the province. By using the same methods, analysis shows that differences in living wages are due to differences in the costs of living, rather than different calculation methods. ESPC has decided to adjust its methodologies to remain consistent with the Alberta Living Wage Network.

These methodological changes were made in conjunction with the recently completed MBM update. The MBM is regularly updated "to ensure that it reflects the up-to-date cost of a basket of goods and services representing a modest, basic standard of living in Canada." [1] The most recent update in 2020 took two years to complete. Many of the changes made to the 2021 living wage methodology were made possible by updates to the MBM.

## Living Wages Across Alberta



For the 2021 living wage calculation, ESPC made the following changes:

- In previous editions, ESPC assumed the family had a daughter aged 3 and a son aged 7. <sup>[4]</sup> The assumption is now that the family has a daughter aged 4 and a son aged 9. The precise ages of the children do not make a substantial impact on the living wage calculation. These children are in the same child care arrangements as before—the daughter is in full-time daycare and the son is in after-school care and full-time summer care. Therefore, raising the ages of the children does not affect child care costs. These children also fall into the same age parameters in terms of taxes and benefits, so the benefits the family receives will not change either. The only thing that does change is food costs. Increasing the age of these children increases the cost to feed them, which means higher overall expenses for the family. This method now more closely aligns with Canada’s poverty measure. <sup>[1]</sup>
- In past editions, ESPC had a category for “other” which included the costs of individual items found in the Survey of Household Spending (SHS). <sup>[4]</sup> In this edition, the “other” category used by ESPC is that of the MBM. The “other” category is calculated as 75.4% of the MBM food and clothing costs, plus the cost of a cellphone. The category in this edition includes all of the same “other” item costs from previous editions, plus several more that Statistics Canada considers when it calculates the poverty threshold, such as medicine and children’s toys. “Other” is now more flexible for the unique needs a family may have. Additionally, communications, which was treated as a separate category in 2019, is accounted for in the updated MBM. <sup>[1]</sup> This change caused a large increase in the family’s expenses: the sum of items in 2019 was \$7,222.06, and in 2021 is now \$11,469.
- In the past, ESPC calculated private transportation by averaging the amounts from

SHS and MBM, because MBM did not account for the depreciation of a vehicle. Public transportation was matched to the actual cost of a bus pass from the City of Edmonton. <sup>[4]</sup> The updated MBM uses a much more comprehensive methodology that assumes an older car has depreciated in value and accounts for the cost of a bus pass. <sup>[1]</sup> As such, ESPC switched to the MBM approach for this edition. This change in methodology had a minimal impact on the overall transportation costs.

- In the past, ESPC assumed that one parent was enrolled in two classes per semester. In this edition the parent is considered to be in only one class per semester. This follows the same methodology of both the Ontario and BC networks. In addition, the Alberta Living Wage Network concluded that one class is a more reasonable time commitment for a working parent.
- Shelter has also changed significantly. In the past, ESPC used multiple sources to calculate shelter costs: Canadian Mortgage and Housing Corporation (CMHC) for rent costs, SHS for utilities, and actual cost for insurance. <sup>[4]</sup> In past editions, the MBM was based on the average of a 2- to 3-bedroom rental. This was not reasonable for the reference family because, under Canadian housing suitability standards, male and female children should have separate bedrooms. The MBM update now assumes a 3-bedroom rental and includes the costs of utilities and insurance. <sup>[1]</sup> The MBM is a much more straightforward method, and the difference between these two methods is marginal. As such, ESPC has switched to using the MBM approach.

These methodological changes, in conjunction with a rising cost of living, led to increased expenses for 2021. In 2019, ESPC calculated the family’s expenses to total \$73,761.97. In 2021, their costs jumped to \$80,058.00 (see Table 3).

## CHANGES TO COSTS AND BENEFITS

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In past editions ESPC kept the methodology consistent so that readers could see how factors such as a rising cost of living, changing benefits, and new government policies affected the living wage. This type of analysis is now more complex. While rising costs of living and changing benefits have certainly affected the living wage, their effects are tangled up with the above methodological changes.

The cost of living continues to rise. Some of the expenses that had no methodological changes increased significantly. Child care, for example, cost \$16,685 in 2019, and rose to \$20,790 in 2021. <sup>[5]</sup> According to the Consumer Price Index for Edmonton the cost of items has risen by an average of 3% between the 2019 and 2021 calculation. <sup>[6]</sup>

There have also been changes to government benefits and transfers that have affected the amount of income available to families.

### NEW BENEFITS INCLUDED IN THE CALCULATION

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The Government of Canada introduced a young child supplement to the **Canada Child Benefit (CCB)** to provide relief as Canadians deal with and recover from the COVID-19 pandemic. Families that make under \$120,000 annually may be eligible to receive a one-time payment of \$1,200 for every child under the age of six. <sup>[7]</sup>

The **Climate Action Incentive** is a new refundable tax credit implemented to offset expenses that have increased due to the federal carbon tax. The rules stipulate that only one family member can claim the credit to receive \$490 annually (in Alberta), plus \$245 for a spouse or common law partner, and \$123 for each dependent. This credit is not based on income; all families receive the same amount, based on their province of residence. <sup>[8]</sup>

### CHANGES TO EXISTING BENEFITS

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Effective July 2020, the Alberta Child Benefit and the Alberta Family Employment Tax Credit were combined into one program, the **Alberta Child and Family Benefit (ACFB)**. The ACFB is divided

into two components: the base component and the working component. The base component offers up to \$1,330 annually for the first child and up to \$3,325 for four or more children. This component starts to decrease once a family earns an annual income of \$24,467 and ends when the family income reaches \$41,000. The working component applies to a family that earns over \$2,760 a year, providing up to \$681 annually for the first child, or \$1,795 for four or more children. This component starts to drop after a family earns \$41,000 annually and ends if they earn \$61,000 in household income. <sup>[9]</sup>

This change in child benefits led to a significant drop in the living wage reference family's government income. In 2019, ESPC calculated that a living wage family would receive \$1,382.62 annually through the old program structure. But in 2021, the family only receives \$528 annually.

In the beginning of 2021, the **Alberta Child Care Subsidy (ACCS)** was quite generous for lower income families but had a very steep cut-off. The maximum income a family could earn and still receive the ACCS was \$74,999. <sup>[10]</sup> However, the living wage family's expenses are \$80,058. Once the family earns \$75,000 they lose this subsidy, but still do not earn enough employment income to cover their expenses. In September 2021, the Government of Alberta increased the threshold to receive the ACCS. A family can continue to receive benefits up to an income of \$89,999. The reference family can now access this subsidy, which provides them with \$8,546 in government income.

There remain several restrictions to the ACCS that make it difficult for some families to access. First, the subsidy is only available if one of the parents or children is a Canadian citizen or permanent resident, <sup>[10]</sup> meaning families of temporary foreign workers are ineligible. Second, the ACCS is only available to families who have a secured spot in a licensed child care program. Edmonton has a shortage of licensed program spaces—there are an estimated 3.7 spaces for every 10 children aged 0–4 in Edmonton. <sup>[11]</sup> Lastly, the ACCS is a subsidy that requires an application process, which creates barriers to access.

Overall, these changes to benefits and subsidies did not make a large impact on the living wage family.

## METHODS

The living wage is based on the needs of a two-parent family with two young children, one school-aged and one not yet in school. It is calculated as the hourly rate at which a household can meet a modest standard of living, once government transfers have been added to the family's income and deductions have been subtracted. <sup>[12]</sup> This method assumes that both parents work full-time (35 hours a week, 52 weeks a year).

Government transfers for the living wage reference family are typically calculated based on the previous year's living wage income. This reflects how government benefits are calculated in reality. However, given that ESPC made a number of changes to the methodology this year, the living wage will be calculated this year as though it were the first year doing so. This means that when benefits are calculated, it is assumed that the previous year's income was the same as the current year. In future calculations ESPC will use the previous year's income to calculate benefits.

**Table 2. Family Characteristics**

Family characteristics	Edmonton living wage assumption
<b>Parents</b>	
Number	2
Gender & age	Male, 31–50 Female, 31–50
Work	Both work 35 hours a week
School	One in school attending one class per semester
<b>Children</b>	
Number	2
Gender & age	Girl, aged 4 Boy, aged 9
Child care	4-year-old in full-time day care, 9-year-old in out-of-school care and full-time summer care

The basic calculation is as follows:

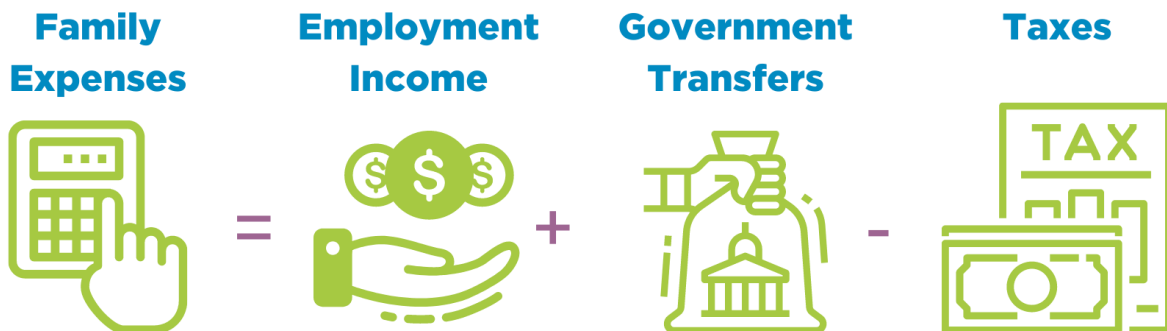




Table 3. Family Expenses

Expenses: 2019 vs. 2021				
Item	2019		2021	
	Source <sup>[4]</sup>	Annual cost	Source	Annual cost
General				
Food	Nutritious food basket	\$11,380.72	AHS food basket	\$13,946.00
Clothing and footwear	MBM	\$1,727.00	MBM <sup>[13]</sup>	\$1,897.00
Health care	Blue Cross plan C	\$4,224.72	Blue Cross plan C <sup>[14]</sup>	\$4,274.00
Contingency	2 weeks' pay	\$2,311.40	2 weeks' pay	\$2,534.00
<b>General Total</b>		<b>\$19,643.84</b>		<b>\$22,651.00</b>
Shelter				
Rent	CMHC	\$16,548.00	MBM <sup>[13]</sup> and used EPCOR rate to separate out electricity cost and adjust separately <sup>[15]</sup>	\$19,582.00
Utilities	SHS	\$3,033.77		
Insurance	TD Insurance	\$438.96		
<b>Shelter total</b>		<b>\$20,020.73</b>		<b>\$19,582.00</b>
Transportation				
Private vehicle	SHS & MBM	\$7,143.34	MBM <sup>[13]</sup>	\$4,359.00
Public transportation/bus pass	Ride Transit	\$600.00		
<b>Transportation total</b>		<b>\$7,743.34</b>		<b>\$4,359.00</b>
Child care				
Full-time	YMCA	\$10,440.00	YMCA <sup>[5]</sup>	\$13,400.00
Out-of-school care	YMCA	\$5,550.00	YMCA <sup>[5]</sup>	\$5,950.00
Summer care	YMCA	\$695.00	YMCA <sup>[5]</sup>	\$1,440.00
<b>Child Care total</b>		<b>\$16,685.00</b>		<b>\$20,790.00</b>
Parent Education				
Tuition	NorQuest College	\$1,500.00	NorQuest College <sup>[16]</sup>	\$867.00
School fees (eligible for tax credit)	NorQuest College – fees were not separated out		NorQuest College <sup>[17]</sup>	\$249.00
School fees (not eligible for tax credit)		\$447.00	NorQuest College <sup>[17]</sup>	\$91.00
Textbook allowance	NorQuest College	\$500.00	MBM "other" category <sup>[13]</sup>	\$0.00
<b>Parent Education Total</b>		<b>\$2,447.00</b>		<b>\$1,207.00</b>
Telecommunications		\$3,150.00		
Cellphone	TELUS	\$1,890.00	MBM "other" category <sup>[13]</sup>	
Internet	Shaw	\$945.00		
TV	Shaw	\$315.00		
<b>Telecommunication Total</b>		<b>\$3,150.00</b>		<b>N/A</b>
Other				
Household furnishings	SHS	\$1,433.20	MBM "other" category <sup>[13]</sup>	
Cleaning supplies	SHS	\$220.26		
Personal care	SHS	\$808.21		
Recreation	SHS	\$1,309.89		
Reading	SHS	\$109.58		
Child school fees	SHS	\$163.86		
Banking fees	SHS	\$27.06		
<b>Other Total</b>		<b>\$4,072.06</b>		
<b>TOTAL</b>		<b>\$73,761.97</b>		<b>\$80,058.00</b>

**Table 4. Benefits Comparison**

<b>Benefits: 2019 vs. 2021</b>				
<b>Benefit name</b>	<b>2019 <sup>[4]</sup></b>		<b>2021</b>	
	<b>Included?</b>	<b>Amount</b>	<b>Included?</b>	<b>Amount</b>
GST credit	Yes	\$426.12	Yes	\$212.00
Canada Child Benefit	Yes	\$10,099.08	Yes	\$9,782.00
Alberta Child Care Subsidy	Yes	\$8,280.00	No – not eligible	\$8,546.00
Alberta Family Employment Tax Credit	Yes	\$1,382.62	N/A – replaced with ACFB	
Alberta Child Benefit	No – not eligible		N/A – replaced with ACFB	
Alberta Child and Family Benefit	N/A – did not exist		Yes	\$528.00
Climate Action Incentive	N/A – did not exist		Yes	\$981.00
CCB young child supplement (COVID specific)	N/A – did not exist		Yes	\$1,200.00
<b>TOTAL</b>		<b>\$20,187.82</b>		<b>\$21,249.00</b>

**Table 5. Taxes Summary**

<b>Item</b>	<b>Parent 1</b>	<b>Parent 2</b>	<b>Total</b>
Hours / week	35	35	70
Wage	\$18.10	\$18.10	
Employment income	\$32,938.72	\$32,938.72	\$65,877.45
Adjustments (child care)	(\$13,000.00)		
Net income	\$19,938.72	\$32,938.72	\$52,877.45
EI premiums	\$520.43	\$520.43	\$1,040.86
CPP premiums	\$1,604.41	\$1,604.41	\$3,208.82
Federal income tax	\$412.33	\$1,702.06	\$2,114.39
Federal refundable tax credits	\$0.00	\$0.00	\$0.00
Provincial income tax	\$0.00	\$704.30	\$704.30
After-tax income	\$30,401.55	\$28,407.52	\$58,809.07
Monthly after-tax income	\$2,533.46	\$2,367.29	\$4,900.76

**Table 6. Final Calculation**

<b>Item</b>	<b>Formula</b>	<b>Parent 1</b>	<b>Parent 2</b>	<b>Total</b>
Employment income	Living wage x 35 hours per week x 52 weeks	\$32,938.72	\$32,938.72	\$65,877.45
Taxes	Federal taxes + provincial taxes + CPP + EI	\$2,537.17	\$4,531.20	\$7,068.38
After-tax income	Employment income - taxes	\$30,401.55	\$28,407.52	\$58,809.07
Non-wage income	Annual government transfers	\$10,624.50	\$10,624.50	\$21,249.00
Available income	After-tax income + non-wage income	\$41,026.05	\$39,032.02	\$ 80,058.07
Family expenses	See Table 3			\$ 80,058.00
Gap	Available income - family expenses			\$ 0.07
Living wage	Employment income ÷ 52 weeks ÷ 35 hours	\$ 18.10	\$ 18.10	\$ 36.20

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