



## **Minimum Housing Wage 2006: Housing Continues to Move Out of Reach for Minimum Wage Workers**

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## **Minimum Housing Wage 2006: Housing Continues to Move Out of Reach for Minimum Wage Workers <sup>1</sup>**

- Rising rent levels in all 28 Canadian Census Metropolitan areas have resulted in an increase in the minimum housing wage required in all of these cities.
- Single parent families with only one wage earner and difficulty working long hours face the greatest challenge. In Vancouver, Calgary and Toronto a single parent must find a job paying almost three times the minimum wage in order to cover the rent for an average two-bedroom or three bedroom apartment.
- Toronto remains the most expensive city, but compared to 2005, Calgary and Edmonton are catching up, due to the greatest increase in rent levels in the country since 2005.

Minimum housing wage measures the level of hourly wages that a person or household must earn to afford an average rent unit without paying more than the norm of 30% of before tax income for housing.

An hourly wage of more than \$10 is necessary to afford a small bachelor unit in ten of Canada's largest cities. For families requiring a three-bedroom unit an hourly wage of more than \$15 is required in 17 of the 28 largest cities. By comparison the highest minimum hourly wage in BC is only \$8/hr, while most provinces have a minimum wage of \$7.00 to \$7.75

Vancouver and Toronto remain the most expensive cities for renters to rent in Canada, but Calgary (3<sup>rd</sup>) and Edmonton (9<sup>th</sup>) recorded the greatest shift in the overall ranking compared with 2005. Table 1 identifies how much a household must earn per hour in order to afford units of specified sizes in each city.

In Toronto a single person must earn more than \$14/hr to afford an average rent bachelor while a family needs a combined income of almost \$25/hr, more than three times the average wage.

Montreal, although one of the three largest metropolitan regions is notable for the relative level of rental affordability, ranks 20th among the 28 census metropolitan areas (cma). The least expensive places are also in Quebec – where Sherbrooke, Trois Rivières and Saguenay – all have average rents that are affordable to both single persons and two-earner families earning minimum wage

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<sup>1</sup> Produced for the Canadian Housing and Renewal Association (CHRA) by Steve Pomeroy, Focus Consulting In Ottawa. (613)-722-0110; [spomeroy@rogers.com](mailto:spomeroy@rogers.com)

**Table 1: 2006 Minimum Housing Wage <sup>(1)</sup>**

Rank (3)	City (Rank 2005)	Average Rent Oct 2006 <sup>(2)</sup>				Required Min Wage (\$/Hr) to afford housing at 30% income				Actual Min Wage Oct 2006
		Bach	1-Bed	2-Bed	3-Bed	Bach	1-Bed	2-Bed	3-Bed	
1	Toronto (1)	740	896	1067	1272	14.23	17.23	20.52	24.46	7.75
2	Vancouver (2)	701	816	1045	1220	13.48	15.69	20.10	23.46	8.00
3	Calgary (7)	617	780	960	884	11.87	15.00	18.46	17.00	7.00
4	Ottawa (3)	633	774	941	1146	12.17	14.88	18.10	22.04	7.75
5	Oshawa (4)	616	756	861	995	11.85	14.54	16.56	19.13	7.75
6	Victoria (5)	561	681	874	1015	10.79	13.10	16.81	19.52	8.00
7	Kingston (8)	553	688	841	1051	10.63	13.23	16.17	20.21	7.75
8	Kitchener (6)	563	688	824	1212	10.83	13.23	15.85	23.31	7.75
9	Edmonton (14)	561	666	808	902	10.79	12.81	15.54	17.35	7.00
10	Halifax (12)	575	648	799	1029	11.06	12.46	15.37	19.79	7.15
11	Hamilton (9)	492	644	796	946	9.46	12.38	15.31	18.19	7.75
12	Windsor (10)	494	650	774	851	9.50	12.50	14.88	16.37	7.75
13	London (11)	486	628	790	961	9.35	12.08	15.19	18.48	7.75
14	St.Catharines – Niagara (13)	489	636	752	850	9.40	12.23	14.46	16.35	7.75
15	Abbotsford (15)	494	582	719	781	9.50	11.19	13.83	15.02	8.00
16	Greater Sudbury (19)	419	571	706	779	8.06	10.98	13.58	14.98	7.75
17	Thunder Bay (16)	434	571	696	804	8.35	10.98	13.38	15.46	7.75
18	Winnipeg (18)	420	557	709	839	8.08	10.71	13.63	16.13	7.60
19	Gatineau (17)	474	565	667	760	9.12	10.87	12.83	14.62	7.75
20	Montréal (20)	481	574	636	775	9.25	11.04	12.23	14.90	7.75
21	Québec (22)	452	558	637	749	8.69	10.73	12.25	14.40	7.75
22	St.John's (21)	487	542	635	655	9.37	10.42	12.21	12.60	7.60
23	Regina (23)	376	515	619	729	7.23	9.90	11.90	14.02	7.55
24	Saskatoon (24)	395	496	608	639	7.60	9.54	11.69	12.29	7.55
25	Saint John (25)	388	462	556	601	7.46	8.88	10.69	11.56	6.70
26	Sherbrooke (26)	355	416	515	618	6.83	8.00	9.90	11.88	7.75
27	Trois-Rivières (27)	337	421	488	535	6.48	8.00	9.90	11.88	7.75
28	Saguenay (28)	316	402	485	512	6.08	7.73	9.33	9.85	7.75

**Notes:**

	Minimum housing wage calculated based on working 40hrs per week, 52 weeks per year
	Average rents based on CMHC Oct 2006 Survey of Privately Initiated Apartment Structures of Three Units and Over. Rents exclude heat and utilities
	Ranking based on average of one-bed and two-bed housing wage
	Tabulations produced by Steve Pomeroy, Focus Consulting Inc, Ottawa

Using minimum wage to compare the relative levels of rental affordability, Chart 2 identifies the number of persons employed in full time work at the prevailing provincial minimum wage that are required in order to afford the average rent unit. Highlights of the chart:

- For singles there are five cities (unchanged from 2005) where full time employment at minimum wage is sufficient to afford an average bachelor unit). This means that in most (23) cities a single person must work long hours just to afford the rent, or must secure higher wage employment.
- Among families seeking a two-bedroom unit, assuming there are two full-time workers, the average two-bedroom unit is affordable in only ten of the 28 cities (the average three bedroom unit is affordable in half or 14 of the cities).

Among the cities requiring more workers in each household to afford a three-bed unit, Kitchener, Kingston and London stand out. These cities have large university populations and students often share larger units. The high population of university students also tends to influence the type of units built and provide strong demand thereby cause higher rent levels for the larger family sized units. This may have the effect of crowding-out low-income families that also seek these units.

This shows that the “just get a job” mantra often directed at the poor or homeless is not a sufficient step to address the problem of housing affordability – which reinforces poverty by causing the person or household to spend too much for housing, leaving too little for other necessities.

Compared to 2005, the increase in the minimum housing wage required to afford appropriate housing reflects rising rent levels. Canada Mortgage and Housing Corporation’s (CMHC) release (December 2006) of the annual rental survey showed an overall increase in rent levels of 3.2% for the country as a whole. Certain regions significantly exceeded the national average, most notably Calgary (19.5%) and Edmonton (9.9%), reflecting strong economy and migration into Alberta, which is fueling demand and forcing upward pressure on rents.

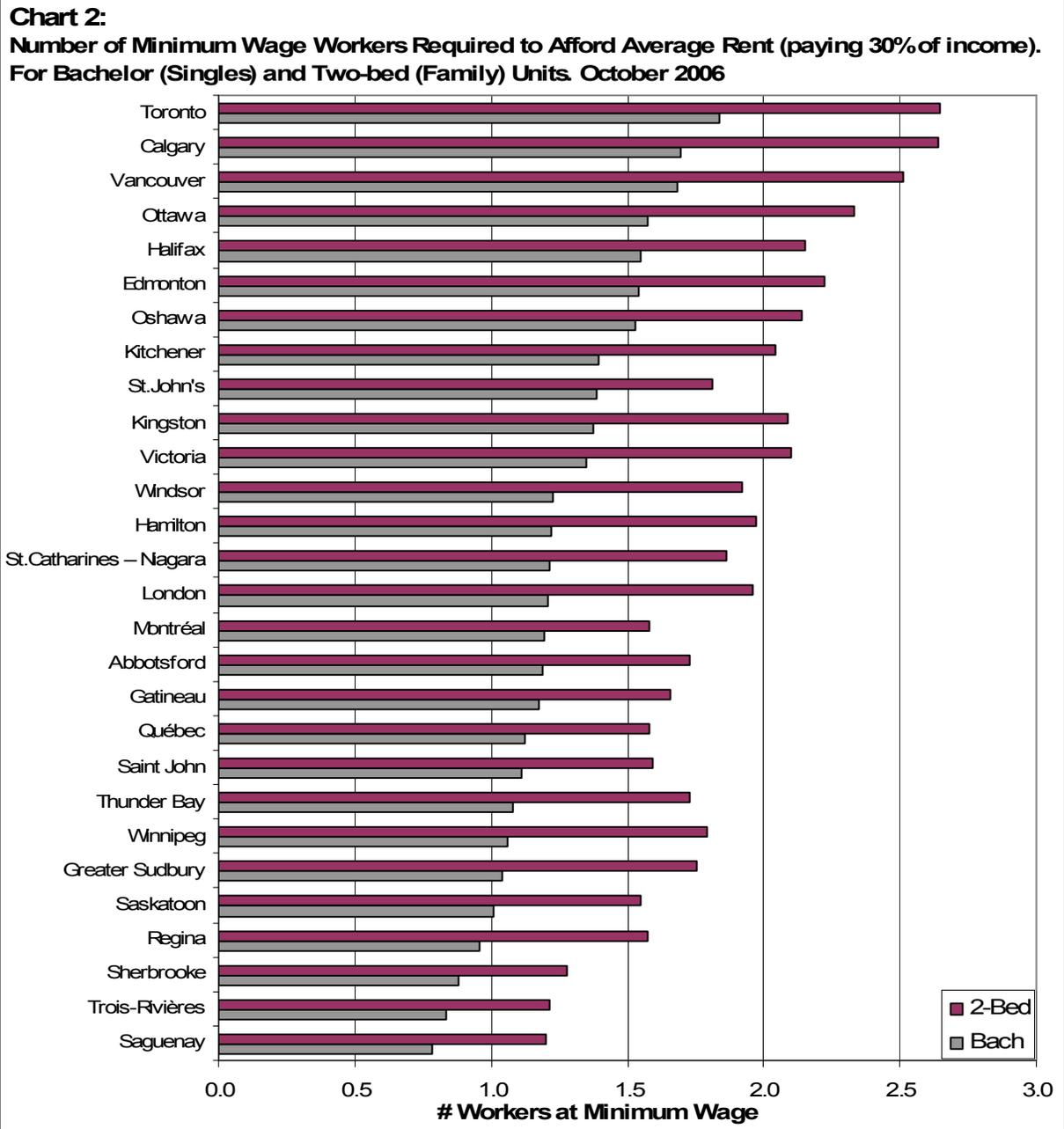
### **Rising Wages have moderated the impact of increased rent levels.**

While rents have increased in all centres, and on average by 3.2% between October 2005 and 2006, this has been paralleled by increases in both the legislated minimum wage level in a number of provinces as well as generally rising wages, especially in regions of strong growth, like the west.

As identified in Table 3, all provinces and territories -except BC and Alberta- raised their minimum wage level in 2006. In most cases, the increase in the minimum wage exceeded the rate of increase in average rents, with the effect that the number of minimum wage workers required to earn the minimum housing wage (Chart 2 above) declined very slightly in all jurisdictions except BC and Alberta.

Table 3 also shows that the average hourly wage is significantly higher than the minimum wage. At a national level, the average hourly wage in November 2006 was just over \$20/hr and had increased 2.9% since November 2005 (compared to the national average increase in rents of 3.2%). Moreover, while BC and Alberta did not increase their minimum wage, these two

provinces benefited from strong provincial economies, job growth and as a consequence, above average increase in average wages, (4.2% and 6.3% respectively).



Looking at the sales and service employment category, where most part-time and entry level jobs tend to be found, it is notable that even here, the average hourly wages is still significantly above minimum wage. This suggests that efforts to address housing affordability and poverty issues should embrace initiatives that seek to increase employment readiness and skills and thus enable workers to move up the income ladder so that they are better able to afford and maintain pace with rising rents.

**Table 3: Minimum and Averages Hourly Wages 2006**

	Minimum Wage		Average Hourly Wage		Comparable Averages (2006)	
	Oct 2006	Yr-yr Change	Nov 2006	Yr-yr Change	Part-time (Nov 2006)	Sales and Service Occupations (Nov 2006)
British Columbia	\$8.00	0.0%	\$20.52	4.2%	\$16.04	\$14.28
Alberta	\$7.00	0.0%	\$21.6	6.3%	\$15.3	\$13.98
Saskatchewan	\$7.55	7.1%	\$18.62	5.8%	\$13.63	\$12.35
Manitoba	\$7.60	4.8%	\$17.89	2.9%	\$13.64	\$12.63
Ontario	\$7.75	4.0%	\$20.86	2.4%	\$13.63	\$13.61
Quebec	\$7.75	2.0%	\$19.01	1.0%	\$14.00	\$13.29
New Brunswick	\$6.70	6.3%	\$16.56	3.8%	\$11.65	\$10.66
Nova Scotia	\$7.15	5.1%	\$16.95	3.0%	\$11.96	\$11.47
PEI	\$7.15	5.1%	\$16.27	5.9%	\$12.49	\$10.76
Newfoundland	\$6.75	8.0%	\$16.71	1.2%	\$12.78	\$10.11

**Sources:**

Min wage HRSDC Database on Minimum wage:

[http://www110.hrdc-drhc.gc.ca/psait\\_spila/lmnc/eslc/eslc/salaire\\_minwage/index.cfm/doc/english](http://www110.hrdc-drhc.gc.ca/psait_spila/lmnc/eslc/eslc/salaire_minwage/index.cfm/doc/english)

Average hourly wages, Statistics Canada: <http://www40.statcan.ca/l01/cst01/labr69i.htm>

**Methodological note**

The concept of a minimum housing wage was developed by the US National Low Income Housing Coalition (NLIHC) and is published annually in the US by the NLIHC as a way to draw attention to this economic issue. The minimum housing wage is calculated for all cities and counties in the US together with a weighted national average that is monitored overtime (see <http://www.nlihc.org/oor2005/>). Here it is calculated using the CMHC average market rents (October 2006) for in all 28 metropolitan cities in Canada.

The concept can be readily adapted to Canada using the CMHC average market rent statistics released each fall following a rental survey conducted in October by CMHC. Generating the minimum housing wage for Canadian metropolitan areas provides additional insight on relative levels of affordability in different cities by relating rent levels to wages. The minimum housing wage (MHW) determines the hourly wage required for households to pay the average market rents in their city at 30% of gross income (the nationally adopted affordability norm).

In deriving the MHW it is assumed that individuals work 40 hrs per week for 52 weeks per year (173.3 hrs/month). This overestimates the likely earnings as most individuals have some sick days and many low-wage workers are not able to find full time work.

**Data sources:**

2006 Average Market rents: CMHC Rental Market reports <http://www.cmhc-schl.gc.ca/en/inpr/>

Minimum Wage Rates: HRSDC Database on Minimum wage:

[http://www110.hrdc-drhc.gc.ca/psait\\_spila/lmnc/eslc/eslc/salaire\\_minwage/index.cfm/doc/english](http://www110.hrdc-drhc.gc.ca/psait_spila/lmnc/eslc/eslc/salaire_minwage/index.cfm/doc/english)

Average hourly wages, Statistics Canada: <http://www40.statcan.ca/l01/cst01/labr69i.htm>