

# CALCULATING THE COST OF LIVING IN NIAGARA REGION

# 2018

The Niagara Poverty Reduction Network



This brief provides context on the cost of living in Niagara region in 2018, as well as a detailed description of the methodology used to calculate the expenses in each category.

# CONTEXT

Calculating the cost of living in Niagara region requires a thoughtful process that determines and calculates expenditures necessary to meet basic needs and to participate both economically and socially in the community. In order to maintain calculation consistency with other Canadian communities, but to recognize the unique context of the cost of living in Niagara region, a standardized cost of household expenditures formula was used for a family of four, as outlined in the national living wage framework<sup>1</sup>.

In 2018, the Ontario Living Wage Network reviewed and updated the methodology for calculating the cost of living in Ontario. The key methodology change is an adjustment of work hours per week for each adult. In the past, Ontario communities have calculated the cost of living based on a 37.5-hour work week. In reviewing the methodology, the decision was made to move to a 35-hour work week. According to Statistics Canada, the average usual hours for workers 15 years and older in Canada is 35 hours per week<sup>2</sup>. This will be explored further in the 2018 Niagara Region Living Wage report. Some changes to methodology sources provided for cost of living line items to communities will also be highlighted.

The context and methodology includes the following scenario:

- A family of four – two parents, both aged 35, and two children, one aged three and one aged seven
- One child in year-round full-time daycare
- One child in before and after-school care during the school year and in camps during the summer and school breaks
- Full-time hours of employment per week (35) for each of the two parents
- Seven categories of family household expenses line items: Food, Clothing/Footwear, Shelter, Transportation, Child Care, Economic and Community Participation/Inclusion, Other (i.e. Health Benefits, Contingency) as outlined in the national living wage framework.

The cost of living in Niagara region calculation for a family of four includes items to:

- meet basic needs (i.e. shelter, food, transportation, child care, laundry, phone)
- participate in the economic and social fabric of the community (i.e. local monthly outing, recreation membership), and
- buy goods or purchase services that can help to escape marginal subsistence (i.e. school supplies, internet).

These items and services are considered basics that families require for living in the 21st century in a developed country such as Canada.

The list of family expenses contains no extravagances. For example, it does not include:

- savings for children's post-secondary education
- debt repayment
- home ownership (which can include costs for house down payment, mortgage, insurance, property taxes, maintenance and repairs, large appliances, and more)

The cost of living in Niagara region calculation only demonstrates family household expenses; it does not calculate for possible subsidies, coupons, or discounts which an eligible family could try to access, nor does it look at government taxes or benefits. It is strictly expenditures.

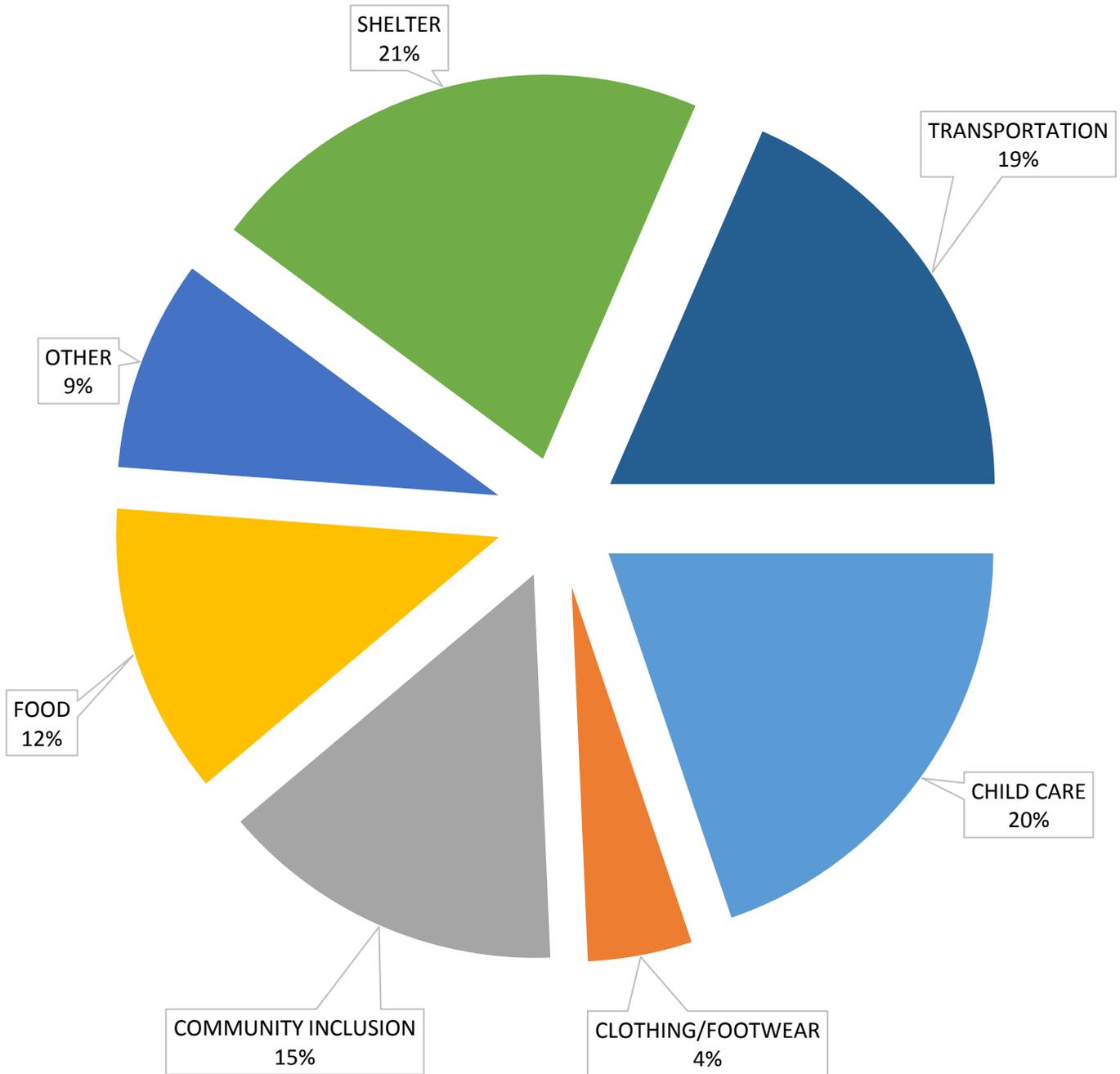
FOR 2018, THE CONSERVATIVELY ESTIMATED COST OF LIVING EXPENSES FOR A FAMILY OF FOUR IN NIAGARA REGION TOTALED **\$71,483.00**

THE TOTAL COST OF LIVING COULD BE REDUCED BY OVER **\$3,200 ANNUALLY**, IF A WORKER RECEIVED EMPLOYER-PROVIDED GROUP HEALTH BENEFITS AND INSURANCE.

TABLE 1: NIAGARA REGION'S 2018 COST OF LIVING: SUMMARY OF ANNUAL FAMILY EXPENSES

ITEM	ANNUAL AMOUNT (rounded to the nearest dollar figure)
Food	\$8,786
Clothing/Footwear	\$3,201
<b>SHELTER</b>	
<i>Rent, 3 bedroom apartment</i>	\$13,692
<i>Utilities</i>	\$1,316
<i>Tenant Insurance</i>	\$191
Transportation/Vehicle	\$13,196
<b>CHILD CARE (before subsidy)</b>	
<i>Daycare/Camps</i>	\$14,125
<b>ECONOMIC AND COMMUNITY PARTICIPATION/INCLUSION</b>	
<i>Cell Phone</i>	\$678
<i>Internet and Cable</i>	\$650
<i>Other – Includes Family Outings, Personal Care, Laundry, Recreation, Household Items/Furnishings, School Supplies/Fees, Reading Materials, Bank Fees, Birthday Presents</i>	\$9,038
<b>OTHER</b>	
<i>Non-OHIP Medical Insurance</i>	\$2,719
<i>Critical Illness and Life Insurance</i>	\$510
<i>Adult Education</i>	\$632
<i>Contingency</i>	\$2,749
<b>TOTAL FAMILY HOUSEHOLD EXPENSES</b>	<b>\$71,483</b>

FIGURE 1: NIAGARA REGION 2018 COST OF LIVING HOUSEHOLD EXPENSES PERCENTAGE BREAKDOWN BY CATEGORY



# METHODOLOGY

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## FOOD

Nutritious food is an important part of a healthy life. In Ontario, every public health unit is required to calculate the weekly cost of healthy food for individuals and families of all ages and combinations. The cost of the food is based on the cost to purchase appropriate quantities of up to 60 healthy foods that represent a nutritious diet in different age and gender groups<sup>3</sup>. This does not include any nutritional supplements, special diets, or organic food products. In Niagara region, this information is posted by Niagara Region Public Health on Niagara Region's website and is updated annually<sup>4</sup>.

The monthly cost of healthy food for a family of four with two adults, both aged 35, and two children, one aged seven and one aged three, is \$732 with an annual total cost of \$8,786. Table 2 provides a breakdown of the cost of nutritious food for a family of four in this scenario.

TABLE 2: FOOD

FAMILY MEMBER	MONTHLY COST	ANNUAL COST
PARENT A	\$253	\$3,036
PARENT B	\$214	\$2,571
CHILD A	\$150	\$1,805
CHILD B	\$115	\$1,374
TOTAL FOOD	\$732	\$8,786

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## CLOTHING AND FOOTWEAR

The cost of clothing and footwear is taken from Statistics Canada's 2016 Survey of Household Spending (SHS), third income quintile<sup>5</sup>. The monthly cost for clothing and footwear is estimated to be \$267 and the annual cost of clothing and footwear for Niagara region's cost of living calculation is calculated at \$3,201 (2017 inflation adjusted).

TABLE 3: CLOTHING AND FOOTWEAR

	MONTHLY COST	ANNUAL COST
TOTAL CLOTHING AND FOOTWEAR	\$267	\$3,201

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## SHELTER

The costs of shelter include rent, utilities, and tenant insurance and this ranks as the highest total expense category for Niagara region families. It is assumed that parking is included in the cost of rent for this family. Table 4 outlines the estimated total shelter costs for this family of four.

### RENT

The Canada Mortgage and Housing Corporation (CMHC) provides updated information on median rental costs in rental markets across the country. The cost of rent for this calculation is drawn from CHMC's Fall 2017 Rental Market Report for Ontario and, specifically, the St. Catharines/Niagara area (Grimsby and West Lincoln are excluded) and is for a three-bedroom apartment. The average monthly rent for a private three-bedroom apartment in St. Catharines/Niagara area is \$1,141 per month, which equates to \$13,692 annually<sup>6</sup>.

The decision to use a three-bedroom apartment is based on each child having a separate bedroom. Home ownership, while often desirable, is not always fully affordable for many families and has many additional cost variables including house down payment, mortgage and home insurance, municipal/regional property taxes, home maintenance and repairs, large appliance purchases, and more.

### UTILITIES

The cost of utilities was estimated based on the average monthly energy usage of a unit in a low- or high-rise apartment building from three local utility companies: Horizon Utilities (St. Catharines), Welland Hydro Electric Corp. (Welland), and Niagara Peninsula Energy (Niagara Falls). It assumes the cost of water is included in the rent<sup>7</sup>.

The monthly cost of electricity is estimated to be \$110 per month or \$1,316 per year. Of course, the energy efficiency of the building in which one's apartment is situated will have an effect on the cost of heat and electricity. This could mean that the cost of utilities could be slightly lower or higher than is reflected in this cost of living calculation.

### TENANT INSURANCE

Tenant insurance is an important component of any renter's shelter costs because if fire or flooding damages the contents of an apartment, a family would be hard-pressed to be able to afford to replace their possessions. The cost of tenant insurance is based on the lowest quote available on-line from Kanetix for a replacement value of \$35,000<sup>8</sup>. The annual cost of tenant insurance is \$191, though the cost will vary based on where the apartment is located, the age and construction of the building, whether or not the apartment is in a basement, and other factors. Therefore, the true cost of tenant insurance could be slightly lower or higher for some families; this is only a representative estimate of what is available.

TABLE 4: SHELTER COSTS

	MONTHLY COST	ANNUAL COST
Rent-3 Bedroom Apartment	\$1,141	\$13,692
Utilities	\$110	\$1,316
Tenant Insurance	\$16	\$191
TOTAL SHELTER	\$1,267	\$15,199

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## TRANSPORTATION

In a large geographic area such as Niagara region (nearly 1,900 square kilometers) that currently lacks a seamless, robust regional public transit system, a vehicle is a necessity for commuting throughout the region to and from work, and for shopping, appointments, errands, and child care. Data from the Niagara Workforce Planning Board shows the typical commuting patterns of employed Niagara residents<sup>9</sup>. The numbers of employed residents who commute within the municipality in which they live, compared to employed residents who commute outside the municipality in which they reside are about evenly split. However, most of Niagara's smaller, more rural communities' rates of outside commuting are much higher – these are also typically communities with limited or no public transit. Appendix A outlines the patterns.

Based on these commuting patterns, as well as Niagara region's vast geography and lack of an all-inclusive regional public transit system, Niagara region's cost of living calculation includes the cost of owning, operating, and maintaining two used vehicles.

The cost of owning and operating a vehicle includes: depreciation costs, the annual cost of a license plate sticker, car insurance, gasoline, and maintenance. The 2018 cost of living methodology uses the cost of owning and operating a four-year-old Hyundai Elantra and the annual costs are sourced through CAA<sup>10</sup>. The annual amount per vehicle is \$6,598 and with two vehicles the total annual cost is \$13,196.

As per other cost of living expense calculations, these are only estimates and may not reflect the reality of all families and their vehicle ownership experience. An unexpectedly high repair bill, a spike in gasoline prices, or the need to drive longer distances are realities many families face and can make the annual vehicle operation costs higher than our estimate. In order to maintain employment outside the home in Niagara region, having a reliable vehicle is an absolute requirement and is one of the single largest costs a family faces.

TABLE 5: TRANSPORTATION

	MONTHLY COST	ANNUAL COST
TOTAL TRANSPORTATION	\$1,100	\$13,196

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## CHILD CARE

Child care is one of the single most expensive items on the list of family household expenses in Niagara region (and is often the case in other municipalities). Both reliable full-time, as well as before- and after-school care, are essential when two parents are working full-time jobs. In the summer months, during Christmas and March Break school closures, and on school professional development days, camps or child care are also being required for older children.

Child care options are either home-based or centre-based. This calculation has assumed the family has chosen to use centre-based child care available through the YMCA of Niagara, which operates many centres in or near local schools<sup>11</sup>. There are a range of prices available in different centres and home-based care options; the YMCA of Niagara rates are in line with average centre rates across Niagara. The family's income may qualify for a subsidy to off-set some of the costs. The YMCA of Niagara also offers day camp during the summer months and holidays that are amongst the lowest priced and accessible across Niagara region<sup>12</sup>.

In total, an estimated \$14,125 will be spent on child care expenses annually. Table 6 provides a breakdown. These expenses include the expectation that parents will take two weeks off per year and not be charged for or require child care. A family discount of 5% is available to all families through the YMCA – the child with highest daily fee pays full fee, additional children receive 5% discount. Not included in child care costs are any potential child sitting fees on evenings or weekends. Overall fees may be slightly higher or lower, depending on centre space availability and camp availability.

TABLE 6: CHILD CARE COSTS

CHILD	CARE	MONTHLY COST	ANNUAL COST
3-YEAR OLD	Full-Day Care	\$823	\$9,880
7-YEAR OLD	Before- And After-School Care, PD Day Care, Summer/Holiday Camps	\$354	\$4,245
TOTAL CHILD CARE		\$1,177	\$14,125

## ECONOMIC AND COMMUNITY PARTICIPATION/INCLUSION

The ability to participate in the social aspects of community life is an important component of a cost of living calculation. Dignity, respect and inclusion includes the ability to: communicate and interact with neighbours and friends, take outings as a family, have enough money to take a modest vacation each year, and ensure your children have the ability to participate in school activities. In years past, family communication relied on having a land-line telephone and perhaps cable television. Today, digital communication tools such as a home computer are important for inclusion in mainstream communication and learning activities.

There are several items included in Niagara’s cost of living calculation that were deemed important for economic and community participation and social inclusion, such as personal care and maintenance items, recreation, school supplies/fees, and communication. A description of each is below and Table 7 provides a cost breakdown summary of all items.

### CELL PHONE

The calculation includes two basic cell phone plans (unlimited text and talk only, no data plan), and no home land-line phone. One in five households no longer has a land-line phone; cell phones provide flexibility for a working family and are a necessity for family contact, making appointments, safety, and emergencies. The calculation is for the cost of two Freedom Mobile monthly service plans with taxes only, not the cost to purchase the phones. The monthly total for two plans is approximately \$57, which is \$678 annually<sup>13</sup>.

### INTERNET/CABLE

The cost of basic residential internet access is sourced from Vaxxine<sup>14</sup>, a low-cost internet service provider covering most of Ontario. A basic Netflix<sup>15</sup> plan is also included. The total monthly cost, with taxes, is approximately \$54, which equates to \$650 per year. This does not include the activation fee or any additional add-ons.

## OTHER INCUSIONARY ITEMS

A new source was provided for the 2018 cost of living report to account for a number of items that are considered important and valid for economic and community participation/inclusion.

The Statistics Canada Market Basket Measure (MBM)<sup>16</sup> calculates the Other Inclusionary Items expenses at 75.4% of the combined expenses for Food, and Clothing and Footwear. This amount is intended to cover such items as 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. For Niagara region, this is calculated to be \$9,308 annually.

TABLE 7: COMMUNITY PARTICIPATION/INCLUSION

	MONTHLY COST	ANNUAL COST
CELL PHONES (2)	\$57	\$678
INTERNET/CABLE	\$54	\$650
OTHER – I.E. FAMILY OUTINGS, PERSONAL CARE, LAUNDRY, RECREATION, BANK FEES, HOUSEHOLD ITEMS/ FURNISHINGS, SCHOOL SUPPLIES/FEES, READING MATERIALS, BIRTHDAY PRESENTS	\$753	\$9,038
TOTAL COMMUNICATION	\$864	\$10,366

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## OTHER EXPENDITURES

The expenditures listed so far fall into the categories of general expenses required for basic survival needs (i.e. housing, food) and community participation (i.e. communication, recreation). There are, however, a few other expenditures than the general expenses that allow a family health and security above subsistence levels to improve their quality of life. Table 8 summarizes the costs of these expenditures.

### NON-OHIP (ONTARIO HEALTH INSURANCE PLAN) MEDICAL INSURANCE

Non-OHIP medical expenses, including dental care, vision care, and prescription drugs, can quickly add up over the course of a year and may be impossible for a family to cover without having an insurance plan. While some employers provide an employee benefits package, not all do. The Wellesley Institute recently reported on the lack of health benefits for people earning low wages; they found that one in three people do not receive any health benefit coverage through their work place and that the lower a person's employment earnings, the greater the likelihood of not receiving employer-provided medical benefits<sup>17</sup>.

The lowest cost to purchase suitable, comprehensive non-OHIP medical insurance for a healthy family of four is based on a quote from Blue Cross sourced through Kanetix - \$2,719 per year<sup>18</sup>. It includes coverage for dental care, prescription drugs, vision care, and other health care practitioner care such as registered massage therapy, acupuncture, and chiropractic therapy.

Insurance plans can vary, depending on which services are included. Families may make a choice to customize a plan to better meet their needs. Some services and treatments may still require additional out-of-pocket expenditures.

## CRITICAL ILLNESS AND LIFE INSURANCE

Having critical illness and life insurance coverage for unexpected illness, injury, or death of an employed adult family member is very important to maintain the stability of the family and overall quality of life. While some employers provide an insurance benefit package, not all do.

Niagara region's cost of living calculation opted for a basic critical illness and life insurance plan, sourced through Kanetix<sup>19</sup>, which includes:

- Critical Illness Insurance (both adults) - \$25,000 coverage/person - \$298 annually
- Life Insurance (both adults) - \$50,000 coverage/person - \$212 annually

The combined annual total for both critical illness and life insurance for two adults is \$510. Note that the sources/criteria provided for the 2018 cost of living methodology for these items have changed from the 2017 sources/criteria, resulting in a lower total amount for these two expense items in 2018.

## PARENT EDUCATION

Improving one's skills is an important component of ensuring the ability to compete in today's labour market. The cost of living calculation assumes that each parent will complete one community college courses (either in-class or on-line) over the course of one year. The average total cost for two courses taken at Niagara College<sup>20</sup> is \$632.

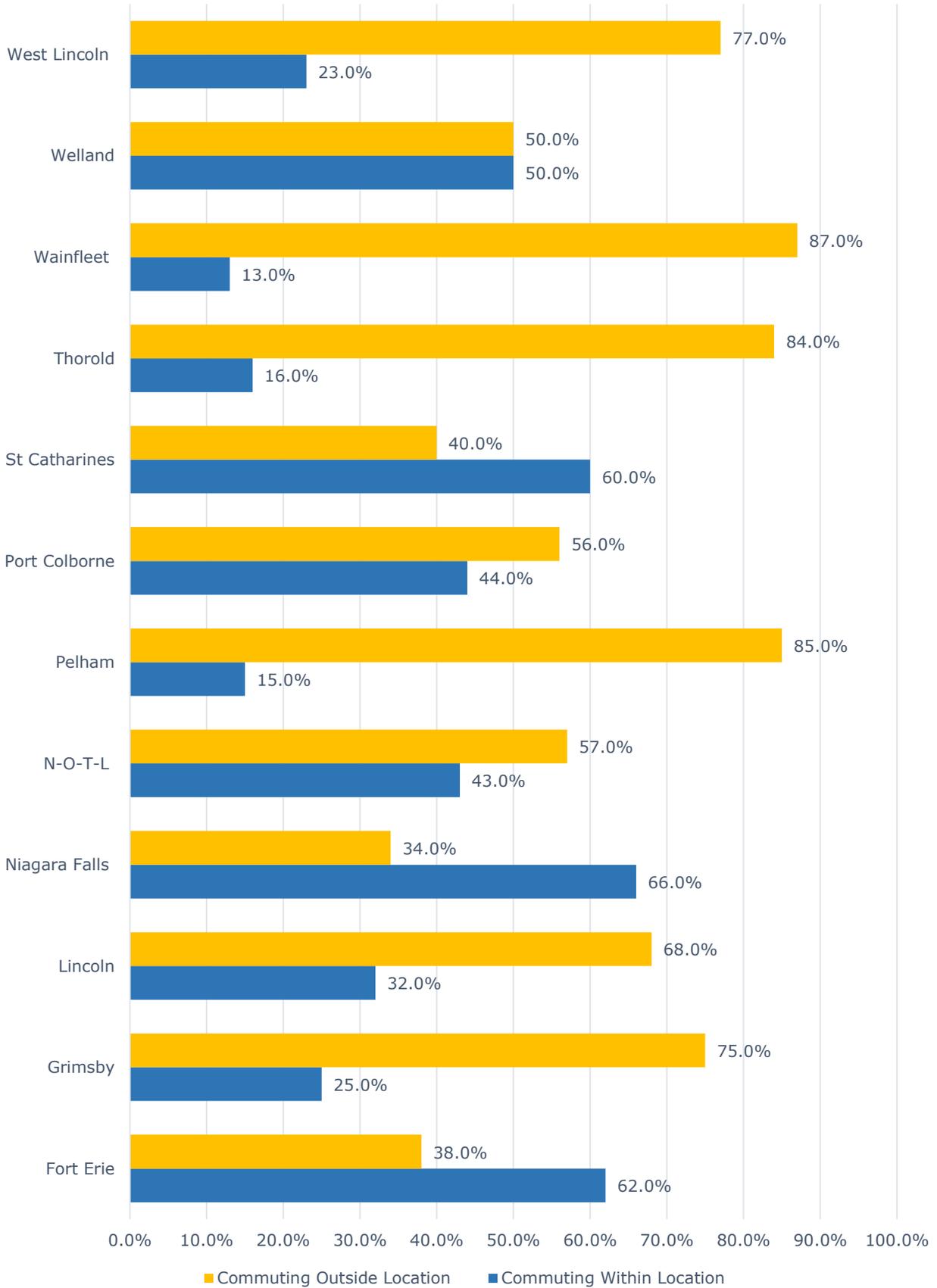
## CONTINGENCY AMOUNT

A contingency amount is included in the cost of living calculation to cover emergency costs, such as higher than expected vehicle operating expenses or repairs or services not fully covered through non-OHIP medical insurance. The contingency amount is four per cent of the total family expenditures, or roughly two weeks' pay. The contingency amount in this calculation is \$2,749.

TABLE 8: OTHER EXPENDITURES

	MONTHLY COST	ANNUAL COST
Non-OHIP Medical Insurance	\$227	\$2,719
Critical Illness/Life Insurance	\$43	\$510
Parent Education	\$53	\$632
Contingency	\$229	\$2,749
TOTAL OTHER EXPENDITURES	\$552	\$6,610

# APPENDIX A - NIAGARA REGION COMMUTING PATTERNS FOR EMPLOYED RESIDENTS



# SOURCES

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