

Northwest Territories

2022

**LIVING WAGE
SUPPLEMENT:**

**Comparative Affordability
in Small Communities**



Alternatives North

February 2022



Alternatives North

Alternatives North is a territorial social justice coalition based in Yellowknife. Members include churches, labour unions, environmental organizations, women and family advocates, anti-poverty groups as well as individuals with an interest in our work. It is a leader in poverty reduction and elimination efforts. Alternatives North helped bring the No Place for Poverty Coalition to life in December 2009. It supported the creation of the Government of the Northwest Territories' strategic framework on poverty (*Building on the Strengths of Northerners*) tabled in June 2013, and the Territorial Anti-poverty Action Plan tabled in June 2015. For more information, visit www.alternativesnorth.ca or contact us at info@alternativesnorth.ca.

Publication author: Michel Haener, MSc—M. Haener Consulting Services

mhaener@telus.net

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Introduction

The 2022 NWT Living Wage Report updates the Living Wage rates for Yellowknife, Hay River, and Inuvik and extends the calculation to include Fort Smith. The report details the application of the Canadian Living Wage Framework (CLWF) including calculation assumptions and data sources in diverse contexts. For the recommended Living Wage Couple Family reference household –two-parents with two children– the 2022 Living Wage rate for each parent was determined to be:

- Yellowknife - \$23.28
- Fort Smith – \$18.07
- Hay River - \$21.55
- Inuvik - \$22.59

By providing an indication of the wage rate needed to meet basic living expenses within these communities, these Living Wage rates provide information on relative affordability. The question arises then, what about other NWT communities? Ideally, the CLWF would be used to guide a Living Wage rate calculation for every NWT community. However, this would be a significant undertaking given challenges associated with sourcing appropriate data that is specific to each community. As well, the limited supply of market housing in many communities creates a particular context not contemplated within the CLWF.

Despite these limiting factors, there is an interest in understanding how living cost differences in small communities across the Northwest Territories translate into the relative wage income needs of working households. This report uses information from the 2022 Living Wage Report and community-specific living cost differentials to arrive at comparative estimates of the employment wage rates that allow Couple Families to meet their expenses in smaller NWT communities.

Scope and Calculation Approach

Northwest Territories communities not included in the 2022 NWT Living Wage Report for which the NWT Bureau of Statistics has published both Community Price Index (Food) and Living Cost Differential values are included in the analysis.

Only a Couple Family reference household as described in the 2022 NWT Living Wage Report is considered. Further, it is assumed that the reference household is Indigenous.

The analysis utilizes the several information sources to approximate annual expenses in each community for the reference household and inserts the expense data into the living wage calculation framework.

The following data sources are used:

- 2022 NWT Living Wage Report expense component estimates for Yellowknife, Fort Smith, Hay River, and Inuvik
- Northern Market Basket Measure (N-MBM) thresholds¹
- Community Price Index (Food) data²
- Living Cost Differential data³

Further information respecting the measures noted in the above list (N-MBM, Community Price Index (Food) and Living Cost Differential) are provided in Appendix A. Each of these measures have limitations that are highlighted.

A description of expense estimation assumptions is provided in Appendix B.

It is important to re-emphasize that the analysis does not align with guidance provided in the CLWF; therefore, the resulting wage estimates should not necessarily be considered best estimates of the wage rates needed to balance annual expenses in each community. Instead, the wage estimates in this report are more appropriately used only as comparative measures of the employment income demands stemming from living cost differences.

Findings

The chart on the following page shows the estimated wage rates for each community included in the analysis. The comparative pattern of wage estimates aligns closely with differences in living cost differentials across communities.

The Beaufort Delta communities have the highest wage estimates ranging from \$21.92 for Tuktoyaktuk to \$24.90 in Sachs Harbour.

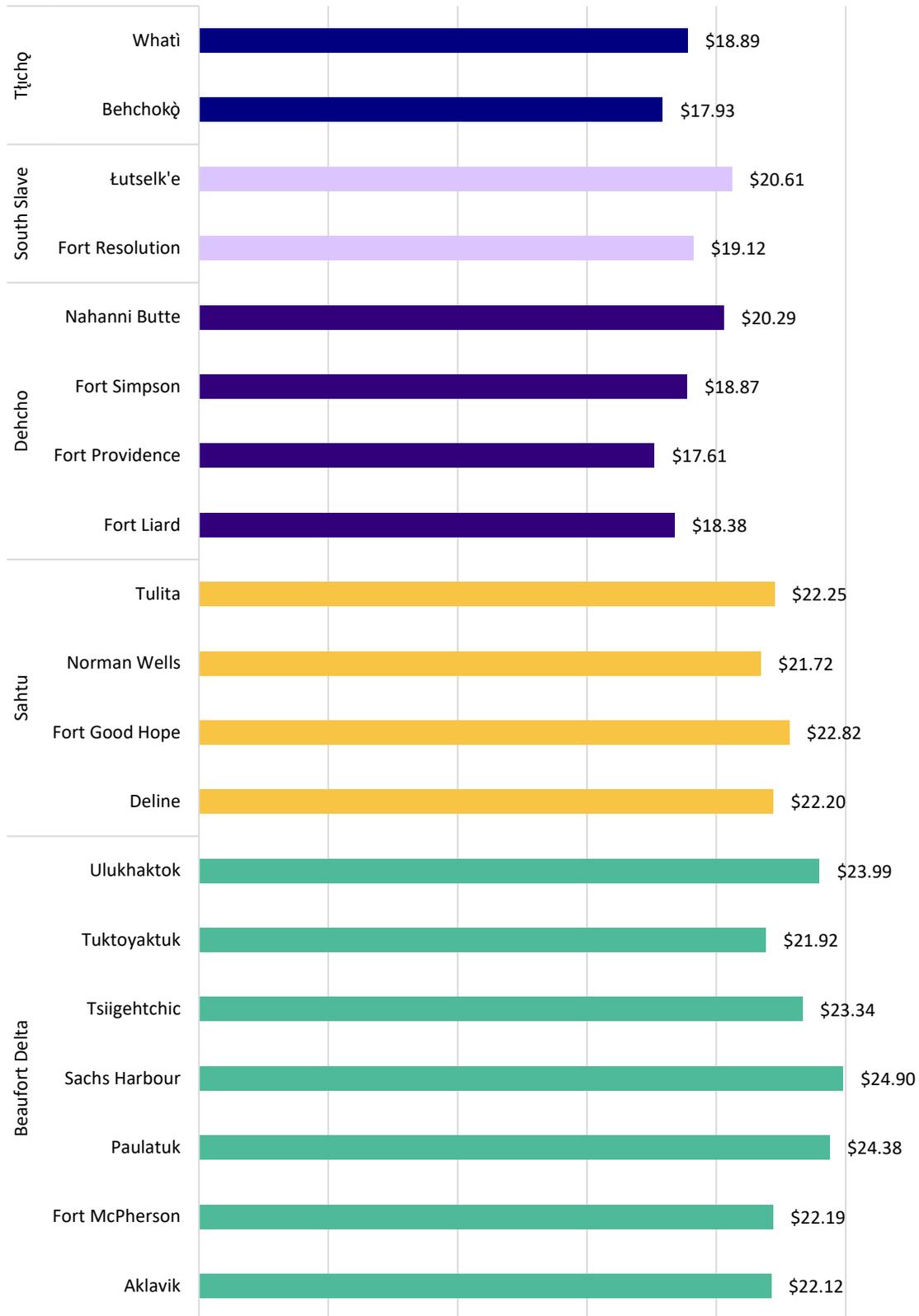
The Sahtu communities have the next highest rates ranging from \$21.72 for Norman Wells to \$22.82 in Fort Good Hope.

The Tłıchǫ, South Slave, and Dehcho communities all have wage estimates below \$21.

¹ See <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2021001-eng.htm>

² See <https://www.statsnwt.ca/prices-expenditures/community-price-index/>

³ See [NWT Bureau of Statistics | Prices & Expenditures - Living Cost Differentials \(statsnwt.ca\)](https://www.statsnwt.ca/prices-expenditures/living-cost-differentials/)



Discussion

Not surprisingly, the comparative pattern of wage estimates aligns closely with differences in community price indices for food and living cost differentials across communities. However, the wage estimates provide a more tangible and relatable comparative measure of affordability for working households.

The estimation methods used in the analysis rely on published MBM-N, Community Price Index (Food) and Living Cost Differentials; however, each of these measures have limitations. In particular, the determination of Living Cost Differentials does not include several important components of typical family expenses (e.g. furnishings, clothing); however, in the absence of a more appropriate index, the appropriate Living Cost Differential was used to scale other household costs including clothing and footwear expenses across communities.

The expense estimation methods used in the analysis rely on similar assumptions as used in the 2022 NWT Living Wage calculations, therefore are subject to the same caveats. These caveats include:

- Conservative spending assumptions that may diminish quality of life due to a restricted ability to participate in hobbies, sports programs, pet ownership, and social and cultural activities.
- Exclusion of some expenses that are common amongst households including debt payment, saving for retirement, special dietary needs, accommodations for disabilities, etc.

Further, reality is often more likely to depart from several key Living Wage Framework assumptions in the NWT's small communities. Two key departures from these assumptions relate to shelter and employment.

As noted in the introduction, some small NWT communities have little to no market housing and the majority of households live in subsidized public housing. However, this analysis assumes that the reference household is fully responsible for shelter costs.

The wage estimation approach used in the analysis assumes that both adults in the Couple Family reference household work fulltime (37.5 hours per week). However, in many small NWT communities, employment opportunities are limited. The proportion of actual couple households where both parents work fulltime may be minimal in some communities; therefore, the burden of earning sufficient income (and therefore a higher wage) in order to meet expenses may fall more heavily on one fully employed parent.

Appendix A: Measures

Northern Market Basket Measure (MBM-N)

The Market Basket Measure (MBM) is now considered Canada's Official Poverty Line. The MBM-N is intended to capture the spirit of the existing MBM (i.e., to represent a modest, basic standard of living) while accounting for adjustments needed to reflect life in Yukon and the Northwest Territories.

The 2021 report entitled *Construction of Northern Market Basket Measure of Poverty for Yukon and the Northwest Territories* provides initial MBM thresholds for the North and preliminary poverty estimates. Statistics Canada indicates within the report that feedback from interested parties and work with experts, stakeholders, indigenous organizations, federal, provincial and territorial officials will be welcomed as part of the process to validate the results.

It is important to note that discussions around the co-development of new indicators of poverty and well-being for Indigenous peoples are proceeding on a separate track from the MBM-N methodology proposal.

Community Price Index (Food)

The Community Price Index (Food) is derived from the Northwest Territories Community Price Survey. Information collected through the survey allows for a comparison of prices across communities in the form of an index showing average prices compared to Yellowknife. The most current NWT Food Price Index is for 2019.⁴

The accuracy and relevance of the index is related to whether the basket of goods included in the price survey reflects actual consumption. Utilization of the index to scale food expenditures across communities also does not account for differences in costs that result from food harvesting and consumption.

Living Cost Differentials⁵

According to Statistics Canada⁶:

A Living Cost Differential (LCD) Index is a spatial price index. It is, at a given point in time, the expression of the relationship between retail prices of a specific range of

⁴ Source: <https://www.statsnwt.ca/prices-expenditures/community-price-index/>

⁵ Source: https://www.statsnwt.ca/prices-expenditures/living_cost_differentials/

⁶ Source: <https://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2321>

products (goods and services) at a particular isolated post, compared to the price of the same range of products in one of seven Canadian "point of comparison" cities (Vancouver, Edmonton, Saskatoon, Winnipeg, Toronto, Montreal or St-John's) as established by the NJC.

The price level at the point of comparison is always expressed as 100; thus an isolated post's price index differential that falls between 130.0 and 134.9 indicates that for the range of products compared, price levels at the isolated post are estimated to be between 30 and 34.9 percent higher than those at the post's point of comparison city.

The range of products included in the comparison is limited to the categories set out by the National Joint Council Working Committee on Isolated Posts including:

- food consumed at home,
- food away from home (restaurants),
- household supplies and services (including communications),
- personal care supplies and services,
- non-prescription pharmaceutical products,
- public transportation,
- private vehicle operation and maintenance (including snowmobile and/or boat operation),
- tobacco and alcoholic beverages,
- audio/video supplies and reading material.

Prices are collected for some 250 products from these 9 major categories. Price comparisons for individual items are averaged to reflect their relative importance in the point of comparison.

Several important components of the typical family budget are not included in the LCD measurements. Shelter, fuel and utilities, and vacation trips are included in other measures. Home furnishings, education, clothing, savings and investments, and vehicle purchase costs are excluded. Even in the case of those groups which are included, it is sometimes necessary to introduce adjustments at locations where certain items may not be available.

Appendix B: Assumptions



FOOD

The community-specific price index (food) was applied to the food expense estimate for Yellowknife.



CLOTHING AND FOOTWEAR

The relative living cost differential for each community was applied to the clothing and footwear estimate for Yellowknife from the 2022 Living Wage Report.



SHELTER

The inflation adjusted MBM-N for the region within which the community is located is utilized.



TRANSPORTATION

The inflation adjusted MBM-N for the region within which the community is located is utilized.



OTHER HOUSEHOLD COSTS

The relative living cost differential for each community was applied to the clothing and footwear estimate for Yellowknife from the 2022 Living Wage Report.



CHILD CARE

The lowest community value (Inuvik) from the 2022 NWT Living Wage Report is used for each community.



HEALTH CARE

The living cost differential for each community is applied to the inflation adjusted out of pocket health care expense estimate from the 2022 NWT Living Wage Report.



SOCIAL INCLUSION

The cost components are derived from the 2022 NWT Living Wage Report in the following way:

- Cell Phone, Cable, Internet, Adult Education, and Gift expenses are equivalent across communities

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- Recreation and Entertainment is equivalent across communities and based on the average of this expense across the 4 communities in the 2022 NWT Living Wage Report
 - Vacation expense is set to the Inuvik value for Sahtu and Beaufort Delta communities, the Hay River/Fort Smith value for South Slave and Dehcho communities, and Yellowknife value for the Tlicho communities
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**CONTINGENCY**

The total annual amount is based on two weeks of employment income (before-tax). Resulting amounts are as reported in the annual expenses table.
