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# **An Economic Reality: Living on Minimum Wage**

**New Brunswick Common Front  
for Social Justice**

**April 2018**

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## **Introduction**

Since its inception, The New Brunswick Common Front for Social Justice has fought to increase the minimum wage and to have better protection for vulnerable workers in the workplace.

In the province, the number of minimum wage workers has increased from 7,800 (2004) to 20,400 (2016)<sup>1</sup>.

For a number of these workers and their families, poverty is either a reality or a constant threat.

To better understand their reality, we have identified four categories of minimum wage workers: 1) single individual, 2) single parent with one child, 3) couple with one child, one income, and 4) couple with two children, two incomes.

## **Methodology**

For each of these different categories, the net employment income has been calculated based on a full-time job (40 hours per week for 52 weeks). Then, we added for each category, the GST/HST Credits, the NB Harmonized Sales Tax (HST) credit, the Canada child benefit, and the Advance payments for working income tax benefit. We then subtracted the social contributions. The total obtained is the net annual income.

We then applied an annual budget for each category, i.e., the result of our expense estimates, based on available information on the cost of housing, food, electricity, transportation, coverage for medical services, childcare, telecommunications, leisure activities, clothing and personal care. These expense categories and the related amounts are based on what a typical household living within its basic needs should have, which is a safe and decent standard of living within their community.

We chose to include an automobile in the estimate for transportation costs. We took into consideration the option for public transit, which is less expensive, for urban households; however, this is not a viable option for most households, and public transportation is only available in the three largest cities (Moncton, Fredericton and Saint-John).

As for leisure activities, clothing and accessories, medications and healthcare, personal care, reading and other printed materials, various expenses, and household furnishings and equipment, the estimate was based on the average annual costs for a household. We have assumed that with a minimum wage

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<sup>1</sup> New Brunswick Minimum Wage Factsheet on Minimum Wage, 2017, Postsecondary Education, Training and Labour, September 2017.

income, households (single person, single parent family or couple with one child) earning between \$20,000 and \$40,000 a year before taxes are classified in the second household income quartile. For a couple with two children and two incomes, we used the third quartile, which is between \$40,000 and \$60,000.

Data from Statistics Canada, Table 203-0022, was used for estimating expenses in all four categories of individuals and families.

## A) Annual Income

### 1. Annual Gross Salary

A worker earning minimum wage at \$11 an hour in our province (\$11.25 in April 2018), working 40 hours per week for a period of 52 weeks earns an annual gross salary of **\$23,270** in 2018. This same annual gross salary applies to a couple with one child. A couple with two children will have an annual gross salary of **\$46,540** (Table 1).

**Table 1. Annual Gross Salary. New Brunswick, 2018 (\$)**

	40 hours/ week	Months	Single 1 minimum wage	Single parent 1 child 1 minimum wage	Couple, 1 child 1 minimum wage	Couple, 2 children 2 minimum wage
January-April \$11.00/hour	440.00	13	5,720	5,720	5,720	11,440
April-December \$11.25/hour	450.00	39	17,550	17,550	17,550	35,100
Annual Gross Salary			<b>23,270</b>	<b>23,270</b>	<b>23,270</b>	<b>46,540</b>

### 2) Annual Net Income

It is important to know what is left in individuals' and families' pockets at the end of the year, and that is why we have calculated the annual net income.

The annual net income is the adding the annual gross annual salary, the GST/HST tax credit, the NB Harmonized Sales Tax (HST) credit, the Canadian Child Tax Benefit, the NB Child Tax Benefit, and the Working Income Tax Benefit, and then subtracting the income tax, the Canada Pension Plan, and the Employment Insurance premiums.

According to data from Table 2 (detailed in Appendix 1), an individual working at minimum wage earns an annual net income of \$20,610. A single-parent family will have an annual gross net income of \$29,924, while a couple with one child and one minimum wage will have an annual net income of \$28,647. A couple with two children and two minimum wages will have an annual net income of \$48,999. The noticeable difference between the gross annual salary and the annual net income is, with the exception of the single individual, the Canada child benefit, which is non-taxable.

**Table 2. Annual Net Income. New Brunswick, 2018 (\$)**

	<b>Single individual 1 minimum wage</b>	<b>Single parent, 1 child 1 minimum wage</b>	<b>Couple, 1 child 1 minimum wage</b>	<b>Couple, 2 children 2 minimum wage</b>
<b>Gross annual salary</b>	23, 270	23, 270	23, 270	46,540
<b>Net annual income</b>	<b>20,610</b>	<b>29,924</b>	<b>28,647</b>	<b>48,999</b>

Source : Annex 1

### 3) Annual Deficit

In all four scenarios, the net annual income is still not enough to avoid a deficit at the end of the year (Table 3).

The annual deficit for a single worker is \$4,596; for a single-parent with one child, \$1,449; for a couple with one child and one income, \$8,181; and finally, for a couple with two children and two incomes, \$1,761.

**Table 3. Annual net income, total annual expenses and deficits.  
New Brunswick, 2018 (\$)**

	<b>Single individual 1 minimum wage</b>	<b>Single-parent 1 child 1 minimum wage</b>	<b>Couple 1 child, 1 minimum wage</b>	<b>Couple+ 2 children, 2 minimum wage</b>
<b>Net annual income</b>	20,610	29,924	28,647	48,999
<b>Total annual expenses</b>	25,206	31,373	36,828	50,760
<b>Annual deficit</b>	<b>-4,596</b>	<b>-1,449</b>	<b>-8,181</b>	<b>-1,761</b>

Source : Annex 1

## B) Annual Budget

In this section, for each of the four categories of minimum wage workers, we calculated the costs of the different items that are part of an Annual Budget.

### 1. Food

According to the data in Table 3 (details in Appendix 2), for a single person, the annual cost for food is \$3,624; for the single-parent family with one child, \$4,957; for the couple with one child, \$9,448; and for the couple with two children, \$11,769. The amounts have been calculated according to the cost of the Nutritious Food Basket (January 2018) as stated by the Montreal Diet Dispensary.

**Table 3. Monthly and annual cost of food. New Brunswick, January 2018 (\$)**

Categories	Weekly cost	Monthly cost	Annual cost
Single individual	71.90	301.98	3,623.76
Single parent, one child	98.35	413.07	4,956.84
Family of three	183.49	770.65	9,247.77
Couple, 2 children	233.52	980.78	11,769.41

Source: Nutritious Food Basket cost – January 2018. Montreal Diet Dispensary.

### 2. Housing

Data for calculating the average costs for various types of housing was obtained from the Canada Housing and Mortgage Corporation website. The rates are the average costs for different types of housing in the province as of October 2017.

We allocated a one-bedroom unit for a single individual, and two bedrooms for a single-parent family, a couple with one child, and a couple with two children.

**Table 4. Average monthly and annual cost for housing. New Brunswick, 2017 (\$)**

	1 bedroom	2 bedrooms
Monthly	639	778
Annually	7,668	9,336

Source: <https://www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/13/2/Nouveau-Brunswick>

According to data from Table 4.1, a single individual, a single-parent family, and a couple with one child must pay over 30% of their gross income in order to have adequate housing. Only a couple with two children and two incomes is able to afford such accommodations. **Take note that the cost of housing does not include electricity or heating.**

**Table 4.1: Annual Net Income, average annual cost for rent per household, and percentage amount spent on rent. New Brunswick, 2017 (\$)**

	Annual net income	Average annual rent	% paid in rent
<b>Single individual</b>	20 610	7,668	<b>37%</b>
<b>Single-parent family, 1 child</b>	29 924	9,336	<b>31%</b>
<b>Couple, 1 child</b>	28 647	9,336	<b>33%</b>
<b>Couple, 2 children</b>	48 999	9,336	<b>19%</b>

People having access to subsidized housing do not pay more than 30% of the household income for rent, before taxes. So a worker at minimum wage should also not pay more than 30% of his gross salary.

In August 2017, the list of people waiting for social housing in the province comprised of 5,050 people<sup>2</sup>. Consequently, it is not unrealistic to conclude that most poor workers must shop around for an apartment.

### **3. Electricity**

We took into consideration a 500 square-foot house and an 850 square-foot house. We used NB Power’s energy calculator for the annual cost of heating with electricity. We decided that the single individual and the single-parent family had a 500 square-foot house, while the couple with two children had an 850 square-foot house.

We tried to find out from NB Power how much it would cost in electricity for a one or two-bedroom apartment, but they did not have that information.

<sup>2</sup> Communication from the Department of Social Development.



**Table 5. Annual cost of electricity. New Brunswick, 2018 (\$)**

	<b>Single individual, 500 square-foot house</b>	<b>Single-parent family 1 child 500 square-foot house</b>	<b>Couple 1 child 500 square-foot house</b>	<b>Couple 2 children 850 square-foot house</b>
<b>Annual cost</b>	<b>1,980</b>	<b>1,980</b>	<b>1,980</b>	<b>2,880</b>

Source: NB Power, Billing Calculator, February 2018.

<https://www.nbpower.com/Open/EqualizedBillingCalculator.aspx?lang=en>

Note that the hook-up cost for new customers is \$83.12 and an extra \$46.97 must be paid for service calls or reconnection. These amounts are added to the monthly costs. We limited ourselves to the monthly costs in the budget calculations and did not take these costs into account.

#### **4. Transportation**

We used the Canadian Automobile Association calculator. We chose a used Honda Civic EX 4 door Sedan (2013) with 50,000 kilometres. We assumed that the person will drive 20,000 km per year. The cost for fuel, insurance, registration and maintenance have also been taken into account. According to Table 6, the monthly payment would be \$274.00 for 5 years.

We chose not to base our estimates on public transit, which is cheaper, since it is not available outside the three main cities, and even in these cities, not many citizens use the system. Otherwise, we risked excluding all workers living in rural areas or on the outskirts of the cities. That is why we opted for automobile ownership, since this seemed to us more realistic and reasonable.

**Table 6. Annual cost for compact vehicle (ie: Honda Civic EX 4D Sedan, 50,000 km), estimated 20,000 km per year. New Brunswick, 2018 (\$)**

<b>Gas (20,000 km)</b>	<b>Insurance</b>	<b>Registration Inspection</b>	<b>Maintenance</b>	<b>Monthly Payment</b>	<b>Total</b>
1,300	671	107	812	274	<b>6,182</b>

Source: CAA Canada. <https://www.caa.ca/carcosts/>

#### **5. Childcare**

Benefits for childcare are based on the net monthly income per household. Table 7 summarizes the annual cost for childcare for families with children of various ages. For research purposes, we decided that a single-parent family had an infant between 0 and 24 months, that a couple with one child and one income

had a preschool child, and that the couple with two children and two incomes had school-aged children.

In order to determine the annual costs, we multiplied the average daily cost by the number of days (260). In New Brunswick, the average annual fees for childcare are \$8,811.40 for infants aged 0 to 24 months, \$7,515.60 for preschool children and \$4,212.20 for after-school programs.

**Table 7: Estimated average cost of Licensed Child Day Care Centres. New Brunswick, March 2016 (\$)**

	Average daily cost	Average annual cost
<b>Infant (0 à 24 months)</b>	33.89	<b>8,811.40</b>
<b>Preschool child</b>	28.91	<b>7,515.60</b>
<b>After school programs</b>	16.22	<b>4,217.20</b>

**Source:** Communications from the Department of Education and Early Childhood Development.

Minimum wage workers are eligible for the Provincial Day Care Assistance Program, which is available in licensed day care centres. A parent earning minimum wage is entitled to a benefit of \$28.50 for child-care for an infant (0 to 24 months), \$24.25 for a child aged 2 to 12 and \$12.75 for part-time care or after-school program.

Daycare benefits are based on the household's net monthly income. Table 7.1 summarizes the annual expenses for childcare incurred by families with children of various ages and with one or two minimum wage incomes. As shown in Table 7.1, a family with only one minimum wage income will only have to pay \$1,211 annually to place their child in daycare, while a family with 2 incomes will pay \$7 389. The provincial government benefits are based on family income and the number of children.

**Table 7.1: Estimated average cost for approved daycare services with benefits. New Brunswick, March 2016 (\$)**

	Average annual cost	Provincial benefits	Average annual cost with benefits
<b>Infant (0 to 24 months)</b>	8,811.40 (1 child 0 to 24 months)	7,410.00 (benefit of 28.50 x 260 days)	<b>1,401.40</b>
<b>Single-parent family, 1 Preschool-aged child</b>	7,515.60 (1 preschool-aged child)	6,305.00 (benefit of 24.251 x 260 days)	<b>1,210.60</b>
<b>After-school program Couple, 2 children</b>	4,217.20 x 2 = 8,434.40 (2 school-aged children)	522.60 x 2 = 1,045.20 (benefit of 2.01 x 260 days)	<b>7,389.20</b>

**Source:** Communications from the Department of Education and Early Childhood Development.

## 6. Telecommunications

We chose the Rogers “good” bundle, which includes telephone, cable and internet for \$118.00 and the “Better” package from Bell Aliant, which offers the same services. For our budget purposes, we averaged the amounts for both companies (Rogers and Bell Aliant) and arrived at an amount of \$1,488 annually.

**Table 8. Monthly and annual cost of telecommunication services. New Brunswick, 2018 (\$)**

	Bundle	Annual Cost (bundle)
Rogers	118	1,416
Bell Aliant	130	1,560
Average	124	1,488

Rogers: <https://residential.rogers.com/atlantic/bundles>

Bell Aliant: <https://aliant.bell.ca/Forfaits-Bell>

## 7. Household expenses

For the following household expenses, we used data from Statistics Canada, Table 203-0022, Survey of household spending (SHS), household spending, Canada, regions and provinces, by household income quintile. (Appendix 3)

To be more specific, we decided that a single individual, a single-parent family with one child, one income, and a couple with one child, one income would be classified in the second quintile. This quintile includes households (single individual, single-parent family and couple with one child) with a gross annual income, before taxes, of between \$20,000 and \$40,000. As for a couple with two children and two incomes, they would be classified in the third quintile, which is between \$40,000 and \$60,000.

The expenses for the four following expenses (Prescription Drugs and Healthcare, Personal Care, Leisure activities and Miscellaneous expenses) were for the year 2016. We adjusted the expenses, taking into account the inflation rate for 2018, using the Bank of Canada’s inflation calculator. Details for the annual expenses are found in Appendix 3.

### **Please note that under:**

Prescription Drugs and Healthcare, you will find that direct healthcare is paid by the individual or the family, medical items sold without a prescription, health insurance, dental care, and healthcare premiums.

Personal Care, you will find skin care, deodorant, hairdressing and hair care, etc.

Leisure activities, we have included vacations, children's camps, the cinema, eating out, sports equipment and toys for children.

Miscellaneous expenses, includes bank charges, contributions and premiums paid to social clubs and other organizations, government services and other general expenses.

## C) Annual Deficit

According to our research, in all four scenarios, be it for a single individual, a single-parent family with one child and one income, a couple with one child and one income, or a couple with two children and two incomes at minimum wage, they all face an annual deficit.

The smallest deficit is that of a single-parent family with one child (-\$1,449), followed by a couple with two incomes (-\$1,761). A single individual will have an annual deficit of (-\$4,596), while the deficit for a couple with one child will be higher (-\$8,181).

It is evident that in each scenario, the slightest increase in costs will render the financial situation more difficult.

An annual deficit means that minimum wage workers must cut back on goods and services to survive on a low salary.

**Table 16. Annual net income, total annual expenses and deficit. New Brunswick, 2018 (\$)**

	<b>Single individual 1 minimum wage</b>	<b>Single-parent family 1 child 1 minimum wage</b>	<b>Couple 1 child 1 minimum wage</b>	<b>Couple 2 children 2 minimum wages</b>
<b>Annual net income</b>	20,610	29,924	28,647	48,999
<b>Total annual expenses</b>	25,206	31,373	36,828	50,760
<b>Deficit</b>	<b>-4,596</b>	<b>-1,449</b>	<b>-8,181</b>	<b>-1,761</b>

Source: Appendix 1.

## **Conclusion**

The New Brunswick Common Front for Social Justice wants to provide an overall picture of minimum wage workers in the province.

We have analyzed the make-up of the workforce earning minimum wage in New Brunswick, as well as these workers' income and expenses to find out what was their economic situation.

We have noticed that the number of minimum wage workers has steadily increased since 2004. Their salary has increased in the last few years but it has never been sufficient for most of them to live above the poverty line. If they work full-time during the entire year, their current gross annual salary is \$23,270, but their net annual income depends on the composition of their family.

We have examined four categories: 1) single individual; 2) single-parent family with one child; 3) couple with one child, one income; and 4) couple with two children, two incomes. Our analysis of their annual budget clearly indicates that at the end of the year, they are all in a deficit situation.

The results indicated convincingly that these workers need a salary increase so that they may be able to adequately feed, clothe and house themselves and their families. If it wasn't for the different government tax credits, their economic situation would be much worse, especially for those who have children.

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**Appendix 1: Minimum Wage Workers. Annual net income by household size. New Brunswick, 2018 (\$)**

	<b>Single individual 1 minimum wage</b>	<b>Single-parent family 1 child 1 minimum wage</b>	<b>Couple 1 child 1 minimum wage</b>	<b>Couple 2 children 2 minimum wages</b>
<b>Income</b>	<b>23,270</b>	<b>23,270</b>	<b>23,270</b>	<b>46,540</b>
<b>Annual benefits</b>				
GST/HST tax credit	432.96	717.00	717.00	387.80
HST credit (New Brunswick)	300	600	700	569.20
Canadian Child Tax Benefit	0.00	5,481.00	5,481.00	8,789.85
Working Income Tax Benefit	0.00	920.04	920.04	0.00
Total Benefits	733.00	8,018.00	8,118.80	9,746.85
<b>Annual total</b>	<b>24,003.00</b>	<b>31,288.80</b>	<b>31,388.80</b>	<b>56,286.85</b>
Income Tax	2,028.00	N/A	1,377.00	4,558.00
Employment Insurance	979.00	979.00	979.00	1,988.00
Canada Pension Plan	386.00	386.00	386.00	772.00
Deductions total	3,393.00	1,365.00	2,742.00	7,288.00
<b>Annual net income</b>	<b>20,610.00</b>	<b>29,923.80</b>	<b>28,646.80</b>	<b>48,988.85</b>

Source: LeBlanc + Maillet, chartered professional accountants

Monthly benefit estimates and pay deductions are calculated over the base year of 2018, using Taxprep (income tax software).

Estimates of deductions from pay are based on the minimum wage rates of 2018, which is \$11.00 (until April 1<sup>st</sup>, 2018) and \$11.25 (from April to December, 2018) for individuals working 40 hours per week.

The EI rate for 2018 is 1.66%.

These calculations are only estimates and are subject to change if the income tax rates from the guide for benefits are modified after February 20<sup>th</sup>, 2018, publication date of the present document.

In scenario 2 (single-parent with one child), we assume that there is one eligible dependant (primary caregiver). This will give an additional tax credit of \$11,809, which means income tax savings of \$2,028.

Vacation pay has not been calculated since we assume that individuals working full-time take their vacation in time instead of receiving an additional 4%.

Scenarios with children do not include child care costs.

The child benefits shown are for the period of July 2018 to June 2019, based on the 2018 income tax returns.

**Appendix 2. Monthly and annual cost of food. New Brunswick, January 2018 (\$)**

Categories	Weekly cost	Monthly cost	Annual cost
Single individual (\$8.34 per day + 20%) for a 35-year-old man.	71.90	301.98	<b>3,623.76</b>
Single parent, one child (\$8.34 per day + 10%), a 24-year-old woman and one one-year-old infant girl	98.35	413.07	<b>4,956.84</b>
Family of three (\$8.34 per day + 5%), a 29-year-old woman, a 27-year-old man, a 9-year-old boy	183.49	770.65	<b>9,247.77</b>
Couple, 2 children	233.52 (8.34 x 4 x 7)	980.78 (233.52 x 4.2)	<b>11,769.41</b> <b>(980.78 x 12)</b>

Source: Nutritious Food Basket cost – January 2018. Montreal Diet Dispensary.



**Appendix 3: Net Annual Income, Annual Budget and Annual Deficit for  
minimum wage workers, by household size. New Brunswick, 2018 (\$)**

	<b>Single individual</b>	<b>Single Parent 1 child</b>	<b>Couple 1 child</b>	<b>Couple 2 children</b>
<b>Annual net income<sup>3</sup></b>	<b>20,610</b>	<b>29,924</b>	<b>28,647</b>	<b>48,999</b>
<b>Annual budget</b>				
<b>Food</b>	3,624	4,957	9,248	11,769
<b>Housing</b>	7,668	9,336	9,336	9,336
<b>Electricity</b>	1,980	1,980	1,980	2,800
<b>Transportation</b>	6,182	6,182	6,182	6,182
<b>Childcare</b>	N/A	1,401	1,211	7,389
<b>Telecommunications</b>	1,488	1,488	1,488	1,488
<b>Clothing and accessories</b>	793	1,121	1,373	2,429
<b>Household furnishings and equipment</b>	556	786	963	1,723
<b>Medications and healthcare</b>	1,238	1,750	2,143	2,713
<b>Personal care</b>	415	587	719	902
<b>Leisure activities</b>	801	1,132	1,387	2,839
<b>Reading and other printed materials</b>	40	57	69	142
<b>Various expenses</b>	421	596	729	1,048
<b>Total annual expenses</b>	<b>25,206</b>	<b>31,373</b>	<b>36,828</b>	<b>50,760</b>
<b>Annual deficit</b>	<b>- 4,596</b>	<b>-1,448</b>	<b>- 8,181</b>	<b>- 1,761</b>

Note: Rates in this table reflect calculations in other tables in this document.

Note: The following expenses have been adjusted to the 2018 rate of inflation: clothing and accessories, household furnishings and equipment, medications and healthcare, personal care, leisure activities, reading and other printed materials, and various expenses,.

<sup>3</sup> The Net annual income has been calculated according to the annual minimum wage of 2018