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An Economic Reality: Living on Minimum Wage

**New Brunswick Common Front for Social Justice
November 2015**

Introduction

Since its beginning, the New Brunswick Common Front for Social Justice has advocated for an increase of the minimum wage and better protection in the workplace for vulnerable workers.

In our province, the number of minimum wage workers has gone from a low of 7,800 (2004) of the workforce to a high of 30,100 (2012). The last figures (2014) of Statistic Canada's survey of the labour force estimated that 20,900 workers were earning minimum wage or less in New Brunswick¹.

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

In order to better understand their reality we examined seven categories of workers earning minimum wage: 1) single individual, 2) single parent with one child, 3) single parent with two children, 4) couple with one child, one income 5) couple with one child, two incomes, 6) couple with two children, one income and 7) couple with two children, two incomes.

Methodology

For each of these different categories we calculated the net employment income based on full-time employment (40 hours a week for 52 weeks). We then added the GST/HST credits and child benefits to the respective categories. The amount obtained constitutes the Net Annual Income.

We then applied to each category its applicable Annual Budget, i.e., the result of our estimates of the expenses is based on the available information on the cost of housing, food, electricity, transportation, health benefits, child care, telecommunications, leisure activities, clothing and personal care. These expense categories and amounts are based on what a typical household living within reasonable means would need in order to meet their basic needs to achieve a safe and decent standard of living in their community.

In our estimates for transportation costs, we chose to include an automobile as an expense. Consideration was given to the option of public transportation for urban households which is cheaper; however, this is not enough to reverse the trend as some of the households would still incur a deficit and public transportation is only available in the three major cities (Moncton, Fredericton and Saint John).

For the Leisure activities, Clothing and Accessories and Personal Care, we have taken the Average Household annual cost, divided by 12 months, then divided by 2.3, i.e. the average number of members in a New Brunswick households. This gives us the monthly average cost per individual. We consider that individuals and each family member at low income would spend 75% of that amount.

Results

In every category, the subtraction of the **Annual budget** from the **Net Annual Income** results in a negative and shows that the present minimum wage, despite the governmental subsidization and tax relief, is not a living wage and results in poverty.

Workers and Poverty

A worker earning minimum wage in our province at \$10.30 per hour, working 40 hours per week for 52 weeks brings home a gross salary of **\$21,424**. But the actual net amount of money left at the end of the year depends on the family composition.

Table 1 shows the Net Annual Income, Total Annual Expenses and the extent of the deficit for each of the workers' categories. Table 2 shows each type of expense in the annual budget which calculates the total annual expenses.

The calculations made to determine the amounts for net annual income and for the annual budget are explained further in this document under the headings A) Net Annual Income and B) Annual Budget.

Table 1: Net Annual Income, Total Annual Expenses and Deficits -2015 (\$)

Year 2015	Single Individual	Single Parent Family+ 1 child	Single Parent Family+ 2 children	Couple 1 child 1 income	Couple 1 child 2 incomes	Couple 2 children 1 income	Couple 2 children 2 incomes
Net Annual Income	18,978	27,284	31,825	26,094	39,579	31,630	43,127
Annual Expenses	23,489	32,570	41,124	37,981	41,080	44,291	53,210
Deficit	-4 511	-5 286	-9,299	-11,887	-1,501	-12,661	-10,083

Note: This table reflects the calculations in Table 2.

In all seven scenarios, there is not enough income to avoid a deficit at the end of the year. The deficit can be as low as \$1,501 for the couple with one child and two minimum wage salaries, to as high as \$12,661 for a couple with two children and only one income.

Table 2: Net Annual Income, Annual Budget and Annual Deficit for minimum wage workers, by household size, 2015

	Single individual	Single Parent family 1 child	Single Parent family 2 children	Couple + 1 child (1 income)	Couple + 1 child (2 incomes)	Couple +2 children (1 income)	Couple + 2 children (2 incomes)
Income							
Net Annual Income	18,978	27,284	31,825	26,094	39,579	31,630	43,127
Annual Budget							
Housing	7,212	8,952	10 188	8 952	8 952	10 188	10 188
Food	3,705	6,792	9,726	9,726	9,726	12,350	12,350
Electricity	1,836	1,836	2,712	2,712	2,712	2,712	2,712
Transportation	6,053	6,053	6,053	6,053	6,053	6,053	6,053
Health insurance	849	1,248	1,806	1,806	1,806	1,806	1,806
Daycare	0	1,413	1,907	0	3,099	0	8,919
Telecommunications	1,385	1,385	1,385	1,385	1,385	1,385	1,385
Leisure activities	1,105	2,211	3,316	3,316	3,316	4,422	4,422
Clothes	976	1,944	2,928	2,928	2,928	3,904	3,904
Personal care	368	736	1,103	1,103	1,103	1,471	1,471
Total Annual Expenses	23,489	32,570	41,124	37,981	41,080	44,291	53,210
Annual Deficit	-4 511	-5 286	-9,299	-11,887	-1,501	-12,661	-10,083

Note: The totals in this Table reflect the calculations in the other Tables in this document.

A - Net Annual Income

The Net Annual Income can include: the gross salary earned at minimum wage, the GST/HST tax credit, the Canadian Child Tax Benefit, the National Child Benefit, the NB Child Tax Benefit, the Universal Child Care Benefit and vacation pay. In order to arrive at the net annual income, the income tax deductions, the Canada Pension Plan, and the Employment Insurance premiums are applied to the gross salary.

1) Minimum Wage

A minimum wage worker in our province, therefore making \$10.30 per hour, working 40 hours per week for 52 weeks will bring home **\$21,424** as a gross salary. This is equal to \$824 bi-weekly or \$1648 per month.

2) GST/HST tax credit

Canada Revenue Agency describes the GST/HST credit on its web site as follows: *The goods and services tax/harmonized sales tax (GST/HST) credit is a non-taxable quarterly payment that helps individuals and families with low or modest incomes offset all or part of the GST or HST that they pay.* The amount of the credit is based on the net annual income and is calculated when workers complete their tax return.

Table 3: GST/HST tax credit, by household size, 2015

	Credit (\$)	Annual Total
Single individual	102.24	408.96
Single parent family, one child	169.26	677.04
Single parent family, two children	204.48	817.92
Couple with one child (1 income)	171.75	687
Couple with one child (2 incomes)	58.02	232.08
Couple with two children (1 income)	207.50	830
Couple with two children (2 incomes)	93.81	375.24

Source: http://www.cra-arc.gc.ca/bnfts/clcltr/gstc_clcltr-eng.html

3) Canada Child Tax Benefit (CCTB) & National Child Benefit Supplement (NCBS)

The CCTB is a non-taxable amount paid monthly to help eligible families with the cost of raising children under 18 years of age. This is a monthly benefit of \$122.58 per child for up to two children under 18 years of age, plus \$8.58 for each additional child.

In addition, the NCBS is a monthly benefit for low-income families with children based on the income indicated on the parent's tax return. The maximum monthly supplement is \$189.91/month for the first child, \$168.00 for the second child and \$159.83 for each additional child. When the household income exceeds \$26,021 the supplement decreases.

The following Table shows the monthly and annual benefits for minimum-wage workers, by household size.

Table 4: Canada Child Tax Benefit, benefits and National Child Benefit supplement, by household size, 2015

	CCTB Monthly benefits (\$)	NCBS Monthly supplement (\$)	Total (annual) (\$)
Single parent family one child	122.58	221.16	4,124.88
Single parent family two children	245.16	405.24	7,804.80
Couple, one child (1 income)	122.58	221.15	4,124.76
Couple, one child (2 incomes)	122.58	1.41	1,487.88
Couple, two children (1 income)	245.16	405.23	7,804.68
Couple, two children (2 incomes)	245.16	2.56	2,972.64

Source: http://www.cra-arc.gc.ca/bnfts/clcltr/cctb_clcltr-eng.html

4) Universal Child Care Benefit (UCCB)

The UCCB is a taxable benefit and as it is "universal", it is payable to all parents regardless of their income. As it is taxable, some workers at higher income levels may have to reimburse part of it.

Table 5: Universal Child Care Benefit (UCCB) (\$) 2015

	Monthly benefit Less than 6 years old	Monthly benefit 6-17 years old	Annual Total
Single parent family 1 child	160.00	0	1,920.00
Single family parent 2 children	160.00	60.00	2,640.00
Couple, 2 children	160.00	60.00	2,640.00

Source : <http://www.cra-arc.gc.ca/bnfts/uccb-puge/tx-eng.html>

NET ANNUAL INCOME - SUMMARY

Table 6 illustrates the detailed calculation of the net annual income for each category.

Table 6: Net Annual Income per category of households - details

Number of Children	0	1	2	1	1	2	2
Annual Employment Income (Single)	\$21,424.00	\$21,424.00	\$21,424.00				
Annual Employment Income (Couple)				\$21,424.00	\$42,848.00	\$21,424.00	\$42,848.00
Subtotal	\$21,424.00	\$21,424.00	\$21,424.00	\$21,424.00	\$42,848.00	\$21,424.00	\$42,848.00
Monthly Benefits							
GST/HST Tax Credit	\$34.08	\$56.42	\$68.16	\$57.25	\$19.34	\$69.16	\$31.27
CCTB Basic Amount		\$122.58	\$245.16	\$122.58	\$122.58	\$245.16	\$245.16
National Child Benefit		\$189.91	\$357.91	\$189.91	\$1.41	\$357.91	\$2.56
New Brunswick Child Tax Benefit		\$31.25	\$47.33	\$31.24		\$47.32	
Universal Child Care Benefit Under Six		\$160.00	\$160.00			\$160.00	\$160.00
Universal Child Care Benefit Six-Seventeen			\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
Subtotal	\$34.08	\$560.16	\$938.56	\$460.98	\$203.33	\$939.55	\$498.99
Annual Benefit Total	\$408.96	\$6,721.92	\$11,262.72	\$5,531.76	\$2,439.96	\$11,274.60	\$5,987.88
Vacation Pay	\$856.92	\$856.92	\$856.92	\$856.92	\$1,713.84	\$856.92	\$1,713.84
ANNUAL TOTAL	\$22,689.88	\$29,002.84	\$33,543.64	\$27,812.68	\$47,001.80	\$33,555.52	\$50,549.72
Income Tax Deductions	\$ 2,362.36	\$ 369.72	\$ 369.72	\$ 369.72	\$ 4,724.72	\$ 576.68	\$ 4,724.72
Canada Pension Plan	\$ 929.66	\$ 929.66	\$ 929.66	\$ 929.66	\$ 1,859.32	\$ 929.66	\$ 1,859.32
Employment Insurance	\$ 419.00	\$ 419.00	\$ 419.00	\$ 419.00	\$ 838.00	\$ 419.00	\$ 838.00
Total Employment	\$ 3,711.02	\$ 1,718.38	\$ 1,718.38	\$ 1,718.38	\$ 7,422.04	\$ 1,925.34	\$ 7,422.04
Estimated Net Annual Income	\$ 18,978.86	\$ 27,284.46	\$ 31,825.26	\$ 26,094.30	\$ 39,579.76	\$ 31,630.18	\$ 43,127.68

Sources: <http://www.cra-arc.gc.ca/cctb/>; <http://www.cra-arc.gc.ca/bnfts/clcltr/menu-eng.html>; <http://www.cra-arc.gc.ca/bnfts/gsthst/menu-eng.html>; <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>

B - Annual Budget

In this section, we calculated the cost of living for each category of workers earning minimum wage based on the information publicly available. In order to establish the cost for housing, food, electricity, transportation, health, daycare, telecommunications, leisure activities, clothes and personal care, we have referenced the average provincial cost for such commodities.

1) Housing

Table 7 shows the average monthly and annual rent in the province by the number of bedrooms in the apartment.

Table 7: Average monthly and annual rent in the province (\$), Spring 2015

	1 bedroom	2 bedrooms	3 bedrooms	Average rent
Monthly	601	746	849	708
Annual	7,212	8,952	10,188	8,496

Source: http://www.cmhc-schl.gc.ca/odpub/esub/64495/64495_2015_B01.pdf?lang=en

In March 2015, there were 5,889 people on the waiting list for social housing in New Brunswick². Therefore, it is not unrealistic to conclude that the majority of the working poor must rent an apartment on the market.

People who have access to subsidized housing do not pay more than 30% of their gross household income for rent. This means that a worker earning minimum wage should not pay more than 30% of this gross income. Table 7.1 shows that in the cases of the single individual, single family and couples with one income, they must pay more than 30% of their gross income on housing.

Table 7.1 Percentage of gross annual household income allotted for rent vs. Average annual cost of rent per household (\$)

	Gross household income	30% of gross household income	Average annual rent
Single individual	22,690	6,807	7,212
Single parent family 1 child	28,326	8,498	8,952
Single parent family 2 children	32,726	9,818	10,188
Couple, 1 child 1 income	27,126	8,138	8,952
Couple, 1 child 2 incomes	46,770	14,031	8,952

Couple, 2 children, 1 income	32,726	9,818	10,188
Couple, 2 children, 2 salary	50,175	15,052	10,188

Source: http://www.cmhc-schl.gc.ca/odpub/esub/64495/64495_2015_B01.pdf?lang=en

2) Food

According to the Montreal Diet Dispensary: “the minimum adequate cost of a nutritious diet is \$8.30 per person per day for a family of four: a man (31-50 years), a woman (31-50 years), a boy (14-18 years) and a girl (9-13 years)”. Table 8 shows the cost of a nutritious diet according to household size.

Table 8: Monthly cost of a nutritious diet, by household size, January 2015

	Monthly cost (\$)	Annual cost (\$)
Single individual (\$8.30 per person per day + 20%)	308.76	3,705
Family of two (\$8.30 per person per day + 10%)	566.06	6,792
Family of three (\$8.30 per person per day + 5%)	810.50	9,726
Family of four (\$8.30 per person per day)	1,029.20	12,350

Source: http://www.dietdispensary.ca/files/15-09_Cout_PPN_ANG.pdf

3) Electricity

The cost of electricity is estimated at \$153 (equalized billing amount) per month for a single individual or a single-parent family with one child living in a small 500-square-foot apartment. That amount increases to \$226 (equalized billing amount) per month for an 850-square-foot apartment for a family of three or four. These estimates are calculated based on the "average" consumption of the "average" household. The probability that it be would be higher for minimum wage earners is significant as they often end up renting apartments which are less insulated, of a lesser quality and are more expensive to heat. It should be noted that the connection fee for new services is \$80.24 and a service call/reconnection fee is an additional \$45.40, beyond the monthly cost to which we have restricted our budget calculations

Table 9: Annual cost of Electricity (\$)

	Single individual	Single parent Family + 1 child	Single parent Family + 2 children	Couple + 1 child 1 income	Couple + 1 child 2 incomes	Couple + 2 children 1 income	Couple + 2 children 2 incomes
Annual cost	1,836	1,836	2,712	2,712	2,712	2,712	2,712

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

4) Transportation expenses

In New Brunswick, the annual cost for driving a compact car (e.g. Honda Civic) is estimated at \$6,053 or \$504 per month. That amount covers car payments, gas, insurance, car registration, inspection and minimal maintenance costs. The cost of owning a vehicle can vary based on age and driving history of the person, type and age of vehicle and how far they live from their place of work; however, the following numbers show approximate annual costs of owning a vehicle.

Table 10: Annual cost for compact vehicle (ie: Honda Civic) (\$)

Gas (20,000 km)	Insurance	Registration & Inspection	Oil change	Car payment	Repairs	Total
1,906	1,000	112	135	2,400	500	6,053

Source: Canadian Automobile Association Calculator - http://caa.ca/car_costs/

The costs are lower for a household living in the city where public transportation is available. As shown in Table 11 below, the average monthly cost for public transportation in Moncton, Saint John and Fredericton can be as low as \$73 for a single adult and \$258 for a family of four.

Table 11: Cost for public transportation, by household size, NB average, 2015

	Monthly cost (\$)	Annual cost (\$)
Single individual	73	876
Single parent family 1 child (5+ years old)	124	1,488
Couple, one child	202	2,424
Couple, two children	258	3,096

Source : <http://www.codiactranspo.ca/FARES.htm> ,
<http://www.saintjohn.ca/en/home/cityhall/transportation/transit/fares/monthlypasses.aspx>,
<http://www.fredericton.ca/en/transportation/transitpricing.asp>

Rather than including the cost of public transportation in the annual budget which is not available outside of the three major cities, and risk excluding the workers living in rural areas or at the city limits, we have considered that the ownership of an automobile to be the most realistic and reasonable option.

5) Health insurance

The Blue Cross Element plan for a person 30 to 44 years of age is \$70.77 per month. The cost decreases for individuals under the age of 30 and increases for those over 44. The plan covers eye care, basic dental care and prescription drugs.

Table 12: Estimated monthly and annual cost for Blue Cross Element plan, 2015

	Monthly cost (\$)	Annual cost (\$)
Single individual	70.77	849
Single parent family, one child	104.06	1,248
Family of three and more	150.51	1,806

Source: <http://web-beta.medavie.bluecross.ca/en/individuals/health-benefits/estimate-your-rate>

6) Child Care

In New Brunswick, annual child care fees average between \$4,286.28 and \$9,002.12 for each child.

Table 13: Estimated average cost of Child Day Care Centres, March 2014

	Average daily cost (\$)	Average annual cost (\$)
Infant (0-24 month)	32.62	9003.12
Preschool-age child	27.63	7,625.88
After school hours	15.53	4,286.28

Source : <https://www.gnb.ca/0000/ECHDPE/pdf/ChildDayCareServicesStatsReport2013-2014.pdf>

Minimum-wage workers qualify for the maximum subsidy from the provincial Day Care Assistance Program available for licensed day-care centres. Therefore, the minimum-wage parent is entitled to a daily subsidy amount of \$27.50 for an infant (0 to 24 months); \$23.75 for a child aged 2 to 12; and \$12.50 for part-time care or care after school hours (Source: http://www2.gnb.ca/content/gnb/en/departments/social_development/policy_manual/benefits/content/day_care.html).

Table 13.1: Estimated average cost of child care with subsidy, March 2014

	Average annual cost (\$)	Average annual cost with subsidy (1 income)
Infant (0-24 month)	9003.12	1,413.12
Preschool-age child	7,625.88	1,070.88
After school hours	4,286.28	836.28

Source : <https://www.gnb.ca/0000/ECHDPE/pdf/ChildDayCareServicesStatsReport2013-2014.pdf>

Child care subsidies are based on the household's net monthly income. Table 13.2 summarizes the annual childcare expenses incurred by families with children of various ages and with one or two minimum wage incomes. We have chosen to not include couples with one income even though we are cognizant of the fact that in some instances the spouse is at home for health or other reasons making him or her incapable of performing childcare duties. Our assumption is more a reflection of the present social practice than a position on the benefits of child care outside the home.

Table-13.2: Estimated annual cost of subsidized child care (\$)

	Single Parent Family + 1 child (0-24 mths)	Single Parent Family + 1 child(2-5 yrs old) 1 child (6+ yrs old)	Couple + 1 child (6+ yrs old) (2 incomes)	Couple + 1 child (2-5 yrsold) + 1 child (6+ yrs old) (2 incomes)
Annual expense	1,413	1,907	3,099	8,919

Source: http://www2.gnb.ca/content/gnb/en/departments/social_development/policy_manual/benefits/content/day_care.html

7) Telecommunications

The table below indicates the basic costs of services in our province. When connecting these services, there is an additional connection fee of approximately \$14.95 to \$49.99 depending on the chosen service.

We have taken the lower estimated annual cost (Rogers) for all categories to be \$1385.00, but if a household chose Bell Aliant, it would increase the cost.

Table 14: Monthly and annual cost of telecommunication services in New Brunswick

	Home Phone	Cable	Internet	Bundle	Annual Cost (bundle)
Rogers	19.99	40.48	24.99	\$115.46	1,385.52
Bell Aliant	31.19	44.95	69.45	\$156.40	1,876.80

Source: <http://www.rogers.com/consumer/home> , <http://www.bellaliant.ca/>

Note: prices do not include taxes

8) Leisure activities

Recreational, cultural and leisure activities are at the heart of a person's physical and mental health, and are essential to a person's development. In 2013, the average New Brunswick household expenditure in leisure activities amounted to \$3,390. This expense comes to \$282.5 per month and the individual average would be \$122.80 (monthly cost divided by 2.3). In order to come up with a basic budget, we awarded 75% of that amount per month per person (\$92.12) for recreational, sports and leisure activities.

Table 15: Leisure activities - \$92.12 a month per person (\$)

	Single individual	Single Parent Family + 1 child	Single Parent Family + 2 children	Couple + 1 child 1 income	Couple + 1 child 2 incomes	Couple + 2 children 1 income	Couple + 2 children 2 incomes
Annual expense	1,105	2,211	3,316	3,316	3,316	4,422	4,422

Source: <http://www.statcan.gc.ca/tables-tableaux/sum-som/I01/cst01/famil130f-eng.htm>

9) Clothing & Accessories

Average spending for clothes and accessories per household in the province represents \$2,993 per year (\$249 monthly), while the individual average would be \$108.44 per person (monthly cost divided by 2.3). In order to come up with a basic budget, we awarded 75% of that amount per month per person (\$81.33) for clothes and accessories.

Table 16: Clothing & Accessories - \$81.33 a month per person (\$)

	Single individual	Single Parent Family + 1 child	Single Parent Family + 2 children	Couple + 1 child 1 income	Couple + 1 child 2 incomes	Couple + 2 children 1 income	Couple + 2 children 2 incomes
Annual expense	976	1,944	2,928	2,928	2,928	3,904	3,904

Source: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil130f-eng.htm>

10) Personal care

Average spending for Personal Care per household in the province represents \$1,128 per year (\$94 per month), while the individual average would be \$40.87 per person (monthly cost divided by 2.3). In order to come up with a basic budget, we awarded 75% of that amount per month per person (30.65) for personal care.

Table 17: Personal Care - \$30.65 a month per person (\$)

	Single individual	Single parent Family + 1 child	Single Parent Family + 2 children	Couple + 1 child 1 income	Couple + 1 child 2 incomes	Couple + 2 children 1 income	Couple 2 children 2 incomes
Annual expense	368	736	1,103	1,103	1,103	1,471	1,471

Source: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil130f-eng.htm>

Conclusion

The NB Common Front for Social Justice wanted clearer picture of the economic reality of workers at minimum wage in our province.

We have analysed the composition of the New Brunswick workforce at minimum wage, as well as their revenue and expenses, to find out what was their economic situation.

The number of minimum wage workers has steadily increased since 2004. Their salary has increased in the last few years but it was never enough for most of them to live well above the poverty line. If they are working full-time, their present gross annual income is \$21,424 but their actual net annual income depends on their family situation.

Our analysis of their annual budget clearly shows that in the seven categories we have studied: 1) single individual, 2) single parent with one child, 3) single parent with two children, 4) couple with one child, one income 5) couple with one child, two incomes, 6) couple with two children, one income and 7) couple with two children, two incomes; all of them are in a deficit situation at the end of the year.

Our findings convincingly indicate that these workers need an increase in their salary, so as to be able to adequately feed, clothe and house themselves and their family. If it wasn't for the different government tax credits, especially for those who have children, their economic situation would be much more dire.

¹ Statistics Canada, Labour Force Survey, custom tabulation. Labour force estimates for employees earning adult minimum wage or less

² Correspondance from Department of Social Develoment, GNB on November 12, 2015