

Working for a Living Wage

Making Paid Work Meet Basic Family Needs in Metro Vancouver

Calculation Guide

The 2018 Living Wage update and original 2008 full report are available at policyalternatives.ca/livingwage2018

A technical appendix to the report Working for a Living Wage, updated for 2018, for those seeking to calculate the living wage in their own communities.

Note: While this guide is most appropriate for BC, its methodology could be adapted fairly easily for other communities.

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Introduction

THE PURPOSE OF THIS GUIDE is to assist others to calculate a living wage for their own communities, using the method developed by the CCPA and First Call to calculate Metro Vancouver and Greater Victoria living wages in 2008, which now serves as the model for living wage calculations across the country. It will be most useful for the calculation of the living wage in communities in BC. The method can be applied in other provinces and territories, however, the government transfer and tax information would need to be adjusted accordingly.

This guide serves as an updated technical appendix to the report *Working for a Living Wage: Making Paid Work Meet Basic Family Needs in Metro Vancouver* updated for 2018. The report presents the concept of a living wage and the arguments in favour of its adoption by employers and can be downloaded at policyalternatives.ca/livingwage2018.

This detailed, step-by-step guide explains how you can calculate the amount of a living wage for your community using the Living Wage calculation spreadsheet accompanying it (which can be downloaded at policyalternatives.ca/livingwage2018).

Working for a Living Wage focuses on the living wage for a two-parent family with two children.

As a caution, the living wage amount is based on ever-changing information regarding family expenses and government transfers and taxes. Therefore, the information provided is accurate as of the date of this writing. Bear in mind that the living wage calculation must be revised annually to ensure its accuracy.

Finally, the living wage amount is an estimate based on the assumptions outlined below and summarized on pages 23 to 33 of *Working for a Living Wage 2008*. The precise expenses of any given family will obviously vary. The purpose of the family expenses calculation is to ensure that the family has the income to:

- Feed, clothe and provide shelter for their family.
- Promote healthy child development.
- Participate in activities that are an ordinary element of life in a community.
- Avoid the chronic stress of living in poverty.

To ensure that the calculation continues to reflect the realities of low income families in Metro Vancouver, we convened a roundtable of social policy experts and community advisors to review the methodology in the fall of 2014, followed by two focus groups with low wage parents. The review resulted in two changes in the calculation in 2015 and later years:

- Adding the costs of full-time care for the seven-year-old child during school breaks, since this care is not covered under the regular monthly fees for before- and after-school care unlike care during PD days (which typically is covered). These costs had previously not been included.

- Claiming the federal and provincial Children’s Fitness and Arts Tax Credits. We assume that the Metro Vancouver living wage family spends \$500 per child (\$1,000 total) on eligible sports and arts programs.¹ The funds come from the “Other Household and Social Participation Expenses” amount.

Additional refinements were made in 2017 to include the cost of high-speed Internet subscription and to replace the family landline with two basic talk-and-text cell phone plans with unlimited Canada-wide minutes. This was necessary because Canadian families are shifting away from landlines to cell phones and Internet access at home has become a requirement for participating in community life and to access government services and education, particularly in small towns where government offices have closed and in-person education opportunities are not easily available.²

If you or your organization uses our methodology to calculate a living wage for your community, we would very much appreciate hearing from you.

1 The maximum amounts that could be claimed in tax year 2015 (\$1,000 per child for fitness programs and \$500 for arts programs) were clearly outside the budget of the living wage family. Note that these maximum amounts were cut in half in 2016 and the credits were eliminated in tax year 2017 federally and in tax year 2018 provincially in BC.

2 According to the CRTC, more Canadian households had cell phones than landlines and 87 per cent of Canadians used Internet at home in 2015 (the latest year with data available). See CRTC, 2017, *Canada’s Communication System: An Overview for Canadians. Section 2.0*. <https://crtc.gc.ca/eng/publications/reports/policymonitoring/2017/cmr2.htm#s20>.

Calculating the Living Wage

OVERVIEW OF THE CALCULATION PROCESS

The calculation of the living wage can be quite complex in its details. As you work through the steps, keep in mind the following stages.

Stage 1: Calculating Family Expenses.

Stage 2: Calculating Government Transfers: the Canada Child Benefit (CCB), Goods and Services Tax (GST) credit, the BC low-income carbon action tax credit (BCLICATC), and others.

Stage 3: Calculating Government Deductions and Taxes.

Stage 4: Determining the Living Wage Amount.

Stage 5: Calculating the BC Child Care Subsidy.

Stage 6: Verifying the Calculations.

The living wage is calculated using the Excel calculation spreadsheet accompanying this guide (also available for download at policyalternatives.ca/livingwage2018). The spreadsheet has built-in formulas to calculate the appropriate government transfers and taxes for the living wage family in your community. You will need to estimate the family expenses in your community and this guide explains how to source this information.

The method of calculating the living wage remains constant. However, the following will change and require updating every year. These updates are built in the calculation spreadsheet.

- **FAMILY EXPENSES:** Require the most recent data sources and Consumer Price Index (CPI) data and Market Basket Measure (MBM) estimates for certain expenses.
- **GOVERNMENT TRANSFERS:** The CCB, the GST credit and the BCLICATC amounts usually remain constant from July of one year to June of the next. The formulas may change each July, however, they sometimes change in other times of the year as was the case with the BCLICATC, which increased as of April 2018.
- **GOVERNMENT TAXES:** The tax rules and formulas change for each tax (calendar) year.

If you are calculating the living wage in a BC community, you need to make adjustments only to family expenses to reflect the costs in your community (skipping Stages 2 and 3 as outlined in the next section). However, if you are calculating the living wage in a community in another province or territory, you will need to make changes to the government transfer and tax formulas as well.

The provincial child care subsidy (PCCS) program requires specific mention. The calculation spreadsheet contains the living wage calculation for the two-parent, two-child family based on expenses in Metro Vancouver. These expenses are sufficiently high that the income level of the family precludes the PCCS. However, if the family expenses in your community are significantly less, your family may be eligible for the PCCS. This will be the case

if there are positive values in Cells H41 or H42 of the calculation spreadsheet. If this is the case, after completing the following steps you will need to consult Appendix A on page 25 of this guide.

BACKGROUND INFORMATION

The primary determinants of the living wage are income from employment and family expenses. However, the calculation also factors in the income the family receives from government transfers and deductions from income for statutory contributions (EI and CPP) and taxes. Thus, the living wage is the hourly rate of pay at which a household can meet its expenses once government transfers have been added and government deductions have been subtracted.

The living wage is calculated using the following formula.

$$\begin{array}{ccccccc} \text{Annual family} & = & \text{Income from} & + & \text{Income from} & - & \text{EI and CPP} \\ \text{expenses} & & \text{employment} & & \text{government} & & \text{premiums,} \\ & & \text{(living wage)} & & \text{transfers} & & \text{federal and} \\ & & & & & & \text{provincial taxes} \end{array}$$

The calculation spreadsheet integrates the information regarding family expenses with the calculations for government transfers and deductions from income, as indicated in this formula.

The Question of Timing

Because all the elements of the calculation of the living wage (family expenses, government transfers, and government deductions and taxes) are frequently changing, you need to make decisions regarding the point in time at which you fix expenses, transfers and taxes.

For the calculations for the 2018 living wage, we chose:

- Family expense amounts at December 2017, with the exception of MSP (where 2018 numbers are used) and child care expenses (where the new BC Child Care Fee Reduction is included).
- Government transfer amounts:
 - GST credit for July 2017 to June 2018.
 - CCB, BCLICATC and BC early childhood tax benefit for the calendar year 2018.
- Government deductions and taxes for the 2017 tax year.

THE MECHANICS OF THE CALCULATION SPREADSHEET

The spreadsheet has three tabs: “First time LW calculation”, “Using last year’s LW income” and “Family expenses”. Use the “Family expenses” tab to manually enter the correct amounts for expenses in your community in the shaded cells. Cells that are not shaded contain provincial-level data and do not need to be changed. Built-in formulas will use the numbers you enter to update the monthly or annual family expense for each of the ten expense categories (bolded in the tab) and automatically enter them in the correct cell of Table I in both of the first two tabs of the spreadsheet. Which of the first two tabs you use for the living wage calculation depends on whether this is the first time the living wage for your community has been calculated, as explained in the spreadsheet.

The first two tabs of the calculation spreadsheet are structured as follows:

Table I: Family Expenses

Table II: Non-Wage Income (Government Transfers)

Table III: Family Income Less Family Expenses

Table IV: The Living Wage and Government Deductions and Taxes

Table V: Family Income less Government Deductions and Taxes plus Government Transfers.

Table I, II and IV each calculate one element of the formula presented above. Table III compares family income with family expenses, and based upon this the wage in Table IV is adjusted to calculate the living wage. The details of this are as follows.

- Cell C20 in Table I is the amount of the family’s total annual expenses.
- Cell C34 in Table II is the total annual amount of government transfers received by the family.
- Cells B48 and C48 in Table IV are the hours per week of employment for each parent.
- Cells B49 and C49 in Table IV are the hourly wages for each parent. These are set to be equal.
- Cells B51 and C51 in Table IV are the annual incomes from employment for each parent.
- Cell D59 in Table IV is the total annual amount of income available for the family after government deductions and taxes have been subtracted.
- Cell C40 in Table III is the family’s total annual income: the sum of government transfers and employment income after government deductions and taxes.
- Cell C41 in Table III reproduces the family’s total annual expenses.
- Cell C42 in Table III indicates the gap between the family’s annual income and its annual expenses.
- Cells I41, I42 and I43 contain the amount of the adjustment for income tax purposes, including the provincial child care subsidy, if the family receives this subsidy. Appendix A explains when and how this affects the living wage calculation.

Table V summarizes the family’s overall finances, presenting its income from employment, total government taxes and total government transfers, and its annual net surplus.

Stage 1: Family Expenses

Calculating the living wage requires deciding upon the characteristics of the family listed in Table 1. The table presents the assumptions used in the living wage calculation for Metro Vancouver.

Table 1: Family Characteristics and Assumptions in the Living Wage 2018 Calculation	
Family Characteristics	Metro Vancouver Living Wage Assumptions
Parents	
Number	2
Gender	1 female, 1 male
Age	between 31 and 50
Number of parents in paid work	2
Hours of paid work for each parent	35 hours each
Hourly wage	equal for both
Children	
Number	2
Gender	1 male, 1 female
Age	boy aged 7, girl aged 4

THE CATEGORIES OF FAMILY EXPENSES

Family expenses are divided into ten categories:

1. Food
2. Clothing and Footwear
3. Shelter and Telecommunications
4. Transportation
5. Other Household Expenses
6. Child Care;
7. Medical Services Plan (MSP) Premiums
8. Non-MSP Health Expenses;
9. Parent Education
10. A Contingency Amount.

The first five categories are from Human Resources and Skills Development Canada's Market Basket Measure (MBM). The living wage calculation uses the MBM amounts for the following three expenses: Clothing and Footwear, Transportation and Other Household Expenses. For Food, Shelter, Child Care, Parent Education and Transportation, data providing local amounts was used.

For each family expense, the following sections explain the source of the data, provide links to the data sources when available, and present the calculation formula used. Some family expenses are calculated on a monthly basis, and the others are calculated on an annual basis.

The family expenses are based on conservative or lower than average family expense amounts. The reason is that the purpose of the living wage is to provide an adequate level of well-being based on what a family requires. This is accomplished in part by adopting the MBM amounts, as the MBM was developed to provide a perspective on low income in Canada. The MBM expenses of Food, Clothing and Footwear, and Shelter are based on median expenditures, and Transportation and Other Household Expenses are based on less than median expenditures. Median family expenditures are almost invariably less than average family expenditures. The reason for this is that average expenditures are pulled upward by elevated incomes and expenditures of higher income families. To be consistent with this approach, when possible use median expenses when incorporating expense amounts from other sources.

CALCULATING EACH OF THE FAMILY EXPENSES

The information in this section explains how each of the family expenses is calculated.

1. Food

INFORMATION NEEDED: 2017 food costing data provided by Population and Public Health, BC Centre for Disease Control, part of Provincial Health Services Authority. Their report is forthcoming and will be available at bccdc.ca/our-services/service-areas/population-public-health/food-security#Reports--&--resources.

The *Food Costing in BC* reports involve the biannual collection of food prices in stores across BC for a number of food items to calculate the average monthly cost of an adequately nutritious diet based on Health Canada's National Nutritious Food Basket. The reports provide monthly food costs for adults and children by gender and age categories at the provincial level. Average monthly food costs for a reference family of four are provided for each health authority and its respective Health Service Delivery Areas.

Here is how the 2017 food costing data is used to derive estimates for food expenses in the living wage:

- Step 1: We calculate the family's monthly expense based on the average monthly cost of the 2017 food basket in BC for different age and gender groups, using the living wage family composition of one male and one female parent, both between 31 and 50 years of age, a seven-year-old boy and a four-year-old girl. This number is included in cell B6 of the "Family expenses" tab.
- Step 2: We look up the average monthly food expense for the *Food Costing in BC* reference family of four, which has a different composition than the living wage family. This number is included in cell B7 of the "Family expenses" tab ("BC Average").
- Step 3: We look up the average monthly food expense for the Food Costing in BC reference family for the health service delivery area in which the community for which we are calculating a living wage is located. This is the only number you need to update in the Food section of the "Family expenses" tab of the calculation spreadsheet (Cell B8).

- Step 4: Calculate the monthly food expense with the formula:

$$\frac{\text{Amount from Step 1}}{\text{Amount from Step 2}} \times \text{Amount from Step 3}$$

This formula is already built in the spreadsheet.

Note: Metro Vancouver is unique in BC, as parts are located in two health authorities, Fraser Health and Vancouver Coastal Health, and span multiple health service delivery areas. To reflect this, in Step 3 we used a weighted average of the sample family's food expense amounts for the health service delivery areas of Fraser North (\$985), Fraser South (\$989), Richmond (\$978), Vancouver (\$1,093) and North Shore/Coast Garibaldi (\$1038) with each weighted by their respective populations. For North Shore/Garibaldi, we used the population of the local health areas of North Vancouver and West Vancouver—Bowen Island only, as the rest of the health service delivery area falls outside Metro Vancouver. Population estimates by health authority, health service delivery area and local health areas are available from BC Stats, bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx.

2. Clothing and Footwear

INFORMATION NEEDED: 1. Statistics Canada's MBM amount for "Clothing" for 2016 from CANSIM Table 206-0093 www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2060093&&pattern=&stByVal=1&p1=1&p2=-1&tabMode=dataTable&csid=. 2. CPI for "Clothing and Footwear" for 2016 and 2017 for BC from Statistics Canada, statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09k-eng.htm.

3. Shelter and Telecommunications

The Shelter and Telecommunications expense uses the following formula:

$$\text{Shelter} = \text{Rent} + \text{Utilities} + 2 \text{ Cell Phone Plans} + \text{Internet} + \text{Content Insurance on Possessions}$$

Rent

INFORMATION NEEDED: The latest Canada Mortgage and Housing Corporation (CMHC) data on the median rent for three-plus bedroom apartments in your community. The CMHC conducts a regular Rental Market Survey in April and October of each year, and reports both median and average rents for bachelor, one, two and three-plus bedroom apartments by selected municipalities (urban centres with a population over 10,000). The latest statistics can be found on CMHC's Housing Market Information Portal here: www03.cmhc-schl.gc.ca/hmportal/en/.

The calculation for Metro Vancouver is based on the median rent for a three-plus bedroom unit for the family of four.

If you are calculating the living wage for a smaller community which is not included in the CMHC rental market survey, you would need to survey local rental listings to determine the costs of rent for a family of four.

Utilities

INFORMATION NEEDED: 1. The Dietitians of Canada, BC Region, The Cost of Eating in BC 2007, dietitians.ca/bccostofeating. 2. CPI for "Water, fuel and electricity" 2007 and 2017 for BC from Statistics Canada, CANSIM Table 326-0021, statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3260021&paSer=&pattern=&stByVal=1&p1=1&p2=-1&tabMode=dataTable&csid=.

The utilities amount is from a Statistics Canada Custom Tabulation, based on the following (see p. 12 of *The Cost of Eating in BC 2007*):

- 2001 Census, 20% sample, for BC urban centre, 500,000 or more population (i.e. Metro Vancouver)
- CPI adjusted to June 2007
- Couple with two children, three-bedroom apartment, at 25th percentile.

We are not aware of more recent estimates of the utilities expenses of families with children in Metro Vancouver (or BC).

Cell Phone Plans and Internet

INFORMATION NEEDED: The least expensive talk and text cell phone plan that includes a phone, and the least expensive Internet provider in your community including modem rental and applicable taxes (GST and PST). For Metro Vancouver in 2018, these are the \$40 per month plus tax Canada-wide unlimited talk and text plan provided by Rogers and the \$32.95 per month high-speed Internet service provided by TekSavvy (Cable 25). TekSavvy also has a \$99.95 modem fee that works out to an additional \$8.32 per month for a year. Other upfront costs such as activation fees and SIM cards are not included. Also excluded are any short-term promotional discounts for new customers.

Contents Insurance

INFORMATION NEEDED: A contents insurance quote from an insurance agent.

We obtained quotes from several insurers providing contents insurance. The median quote was \$36.73 per month for Metro Vancouver, and this amount was used for the 2018 calculations.

4. Transportation

INFORMATION NEEDED: 1. Statistics Canada's MBM amount for Transportation for rural communities for 2016 from CANSIM Table 206-0093 www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2060093&pattern=&stByVal=1&p1=1&p2=-1&tabMode=dataTable&csid=. 2. CPI data for "Operation of passenger vehicles" for 2016 and 2017 for BC, from Statistics Canada, statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ160k-eng.htm. The formula for the transportation expense is as follows.

$$\text{Transportation} = \text{Vehicle} + \text{Public Transit}$$

Vehicle: This is the amount for transportation from the MBM for rural communities in BC (which represents the costs of owning and operating a second-hand car), adjusted by the CPI to 2017 prices.

Public Transit: The Metro Vancouver two-parent family also has the expense of one two-zone bus pass, available at translink.ca/en/Fares-and-Passes/Monthly-Pass.aspx. Note that the parent who takes a regular studies course of three or more credit hours at any Metro Vancouver public college qualifies for a discounted U-Pass for the duration of the course (typically, a four-month semester), which is about three times cheaper and reduces the family's public transit expenses considerably. The 2018 calculation is based on eight months of U-Pass eligibility and four months of two-zone monthly bus passes.

5. Other Household and Social Participation Expenses

INFORMATION NEEDED: Automatically calculated in the spreadsheet.

The MBM calculates the Other expense at 75.4% of the combined expense for Food and Clothing and Footwear. This amount is intended to cover 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. We assume that \$1,000 per year out of this budget (\$500 per child) is spent on sports

and/or arts programs eligible for the Children's Fitness and Arts Tax Credits, for example on swimming lessons, dance classes, team sports or music lessons.

6. Child Care

INFORMATION NEEDED: Estimates of local child care expenses.

Our assumptions:

- The four year old is in full-time child care (licensed group child care) and the child care provider receives the new BC Child Care Fee Reduction grant starting in April.
- The seven year old is in before- and after-school care during the school year, with three weeks of full-time care during winter and spring breaks (assuming that one week of winter break is covered by statutory holidays and informal arrangements), and six weeks of full-time summer care.

Estimates for child care expenses are often available from regional child care referral centres, which conduct surveys of child care providers in the areas they serve. Fee information for licensed group child care and out-of-school child care in Vancouver was obtained from the Westcoast Child Care Resource Centre (wstcoast.org/parents/fees.html). The 2017 "city-wide" median value for child care fees was used.

As the Westcoast Child Care Resource Centre does not provide information for summer care fees we surveyed local child care centres and calculated the approximate fees based on the median fees of the child care providers we surveyed (\$695 per month for the minority of programs charging monthly fees and \$200 per week for the programs charging weekly fees). Note that many summer care providers only charge weekly without a discount for monthly care so using the discounted monthly fee likely underestimates the costs many families face.

For the 2018 living wage calculation, we assume the family's child care provider is receiving the new BC Child Care Fee Reduction grant, an opt-in grant available to all licensed child care providers that receive provincial operating funding. Providers who opt in and meet basic criteria will receive additional grants to reduce parent fees by predefined amounts depending on the age of the children they serve and the type of care provided (family or group care). In addition to the fee reduction grant, participating providers receive a 10-per-cent increase to their base operating grant.

Child care providers were invited to opt in when they renew their 2018/19 operating funding contracts with the Province in March or April 2018. It is also possible to opt in at any time during the year, and the grant will begin the following month. It is too early to know what share of licensed child care providers will opt in but initial government data suggest a strong take-up with 86 per cent of providers who had returned their contracts before March 29 opting into the program. This is why the Metro Vancouver living wage calculation assumes the family's child care provider is receiving the grant and builds in a fee reduction of \$100 per month (the amount available for preschool aged children in group care) for nine months of the year. Check with child care providers in your community to find out if the majority have opted into the program.

In Metro Vancouver, monthly fees for before- and after-school care typically include full-day care on days when schools are closed for professional development (PD). This may not be the same in your community, in which case you will need to include costs for full-time care on PD days during the school year. Check with your regional child care referral centre or inquire with your local child care providers (make sure you call a number of providers to get a sense of the range of policies and fees charged in your community, and use the median child care fees for calculating your community's living wage).

7. MSP Premiums

MSP premiums are mandatory contributions (a tax/fee) to the provincial health program. BC is the only province that charges health care premiums at a flat rate based on the number of adults in the family regardless of income for all but the lowest-income families who qualify for premium assistance.

As of January 2018, MSP premiums were cut by 50 per cent. MSP premium assistance is based on “net adjusted income,” which is the family’s net income for income tax purposes, less \$3,000 for the spouse and an amount for each dependant child equal to \$3,000 minus half of the family’s child care expenses claimed on their income tax forms. Premium assistance provides at least partial subsidy to families with net adjusted income lower than \$42,000.

The calculation spreadsheet contains the formula for calculating the correct MSP amount based on family income in Cell B17 of the first two tabs so you will not need to modify this cell. At the living wage income in Metro Vancouver, the family pays the maximum \$75/month.

8. Non-MSP Health Care Expenses

INFORMATION NEEDED: The estimate for non-MSP covered health care expenses assumes that the family’s health care expenses are equivalent to the cost of purchasing private health insurance. The amount for this has been obtained from the expense of purchasing Pacific Blue Cross insurance (pac.bluecross.ca/pdf-bin/370/34-70-210_rates.pdf), under the following terms and circumstances:

- Plan:
 - Blue Choice, Family
 - Age group of oldest person: 35 to 44
- Coverage:
 - Extended Health Care Plan: Yes
 - Prescription Drug Option: Yes
 - Dental Option: Yes

This amount is \$148/month for the Metro Vancouver family of four in 2018.

Note that if the family used this amount to purchase Blue Cross Insurance, it would still face the costs for the non-insured portions of medical expenses.

9. Parent Education

INFORMATION NEEDED: The expense from a local college for the following costs for two regular studies courses of three units each, including:

- Tuition
- Textbooks
- Student fees

For Metro Vancouver this amount was estimated at \$1,132.20/year, based on the information in Table 2. This information was obtained online for Douglas College, which charges the median fees of all public colleges in Metro Vancouver. See douglascollege.ca/study-at-douglas/fees-and-related-information/tuition-fee-charts.

Table 2: Estimates for the Elements of the Parent Education Expense	
Expenses	Douglas College
Course tuition	\$111.75/credit ¹
Incidental fees	\$105.85/term
Books and other materials	\$125/course
Note: ¹ Average between tuition fees for lower division courses and upper division courses, assumes one of each is taken during the year.	

10. Contingency Amount

The Contingency Amount provides some cushion for unexpected events like the serious illness of a family member, transition time between jobs, etc. It is provided as an expense for each parent and is calculated at:

The living wage amount x hours worked per week x 2 weeks.

Stage 2: Government Transfers

This information is calculated in Table II of the calculation spreadsheet.

Government transfers reduce the amount of the living wage by providing a source of income for family expenses.

The possible transfers for 2018 are:

- Canada Child Benefit (CCB)
- BC Early Childhood Tax Benefit
- GST Credit
- BC Low Income Climate Action Tax Credit (BCLICATC)
- BC Rental Assistance Program (RAP)
- BC Child Care Subsidy.

The CCB, BCLICATC and the GST credit are based on formulas set in July of each year and the amount usually remains the same until the following June. Rarely, the formulas change in other times of the year, as was the case with the BCLICATC, which was increased as of April 2018.

The amounts of government transfers that a family receives each year are calculated based on the family's income from the previous tax year. If the living wage for your community has been calculated previously, we suggest that you use last year's living wage family income to determine the government transfers that the family would be eligible for. The calculation spreadsheet includes a tab titled "Using last year's LW income" that contains all the formulas you will need—just enter last year's living wage family income, government deduction and taxes in Table IIa. This will automatically calculate the correct amount of government transfers in Table II. This method was used to calculate the Metro Vancouver 2018 living wage.

If this is the first time the living wage is being calculated for your community, use this year's family income to determine the government transfers amounts for the family. The tab titled "First time LW calculation" in the calculation spreadsheet uses this method.

If you are calculating the living wage for a BC community, the calculation spreadsheet includes formulas to automatically calculate the correct government transfers and taxes so you can skip Stages 2 and 3 (though you may still want to read through them to see what is included). You will still need to consult Appendix A on page 25 to determine whether the family is eligible for the provincial child care subsidy and, if so, how to incorporate this into the living wage calculation.

If you are calculating the living wage for a community in another province or territory, you will need to make changes to the government transfer and tax formulas.

A. THE CANADA CHILD BENEFIT (CCB)

This is a new non-taxable government transfer to families with children, which replaced the old Canada Child Tax Benefit (CCTB) and the Universal Child Care Benefit (UCCB) as of July 1st, 2016.

INFORMATION SOURCES: 1. The Canada Revenue Agency guide “Canada Child Benefits,” for the period from July 2017 to June 2018, cra-arc.gc.ca/benefits/#CCB.

The CCB is an income-tested benefit received for children under 18 years of age. The amount is affected by three factors:

Number of children under six

Number of children six and older

Family's net income.

Table 3 presents the CCB formula—the numbers in bold and underlined vary with the number of children. The maximum benefit amounts and the income thresholds at which benefits are reduced were fixed for the last two years but will be adjusted for inflation in July starting July 2018. The numbers in Table 3 reflect the maximum benefit amounts and income thresholds for January through June 2018 as well as the slightly higher, inflation-adjusted benefits and income thresholds for July through December (in brackets). The 2018 calculation spreadsheet builds in the increases for the second half the year.

Table 3: Canada Child Benefit Formula for 2018 (July to December numbers in brackets)

CCB by family net income	=	Basic benefit	Benefit reduction
If net income is less than \$30,000 (\$30,450)	=	# of children under 6 x \$6,400 (\$6,496) + # of children over 6 x \$5,400 (\$5,481)	n/a
If net income is between \$30,000 and \$65,000 (between \$30,450 and \$65,975)	=	# of children under 6 x \$6,400 (\$6,496) + # of children over 6 x \$5,400 (\$5,481)	(net income – UCCB – \$30,000) x <u>0.135</u> or, starting July 2018 (net income – \$30,450) x <u>0.135</u>
If net income is over \$65,000 (\$65,975)	=	# of children under 6 x \$6,400 (\$6,496) + # of children over 6 x \$5,400 (\$5,481)	(\$65,000 – \$30,000) x <u>0.135</u> – (net income – \$65,000) x <u>0.057</u> or, starting July 2018 (\$65,975 – \$30,450) x <u>0.135</u> – (net income – \$65,975) x <u>0.057</u>

B. BC EARLY CHILDHOOD TAX BENEFIT

This is a tax-free monthly benefit of up to \$55 per month per child under the age of six. BC families with net income under \$100,000 receive the full benefit, which means that families at the living wage are eligible for the full benefit. The benefit is administered by the CRA and the payment is combined with the CCB.

INFORMATION SOURCE: BC Government, Family & Social Supports, Caring for Young Children, BC Early Childhood Tax Benefit, www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/bc-early-childhood-tax-benefit

C. GST CREDIT

INFORMATION SOURCES: Canada Revenue Agency GST Credit – Calculation sheet for the July 2017 to June 2018 payments, cra-arc.gc.ca/bnfts/gsthst/gstclcl16-eng.html.

The GST credit is an income-tested benefit and is affected by three factors:

Whether the parent has a spouse

Number of children

Family's net income.

Table 4 presents the GST/HST credit formula. All of the numbers, and the formula itself, can change each July.

Table 4: GST Credit Formula						
GST/HST Credit	=	Basic Credit	+	Additional Credits	–	Credit Reduction
GST Credit	=	\$280	+	spouse credit = \$280; children credits = \$147 for each child	–	(net income – \$36,429) x 0.05
2 parents and 2 children	=	\$280	+	\$280 + \$147 + \$147	–	(net income – \$36,429) x 0.05

For a two-parent, two-child family, the GST credit ceases at a family net income of \$53,269.

D. BC LOW INCOME CLIMATE ACTION TAX CREDIT

This tax credit is a payment similar to the GST credit in that it is paid by the government to individuals below a certain income level. The amount depends upon the size and composition of the family and its income level. The payment is combined with the GST credit.

As of April 2018, the maximum credit amounts were increased to offset the increase in the BC carbon tax. Table 5 shows the credit amounts and income thresholds for January through March as well as the increased amounts for April through December (in brackets). The increase is included in the 2018 calculation spreadsheet starting in April (i.e., for nine months of the year).

INFORMATION SOURCE: BC Government, Residents, Taxes & Rebates, Income Taxes, Low Income Climate Action Tax Credit, gov.bc.ca/gov/topic.page?id=E9258ADE1AE3423080A1B2674F4EAABD.

Table 5: BCLICATC Formula for 2018 (April to December numbers in brackets)						
BCLICATC	=	Basic Credit	+	Additional Credits	–	Credit Reduction
BCLICATC	=	\$115.50 (\$135)	+	spouse credit = \$115.50 (\$135); children credits = \$34.50 (\$40) for each child	–	(net income – \$38,880) x 0.02 or, after April 2018 (net income – \$39,658) x 0.02
2 parents and 2 children	=	\$115.50 (\$135)	+	\$115.50 + \$34.50 + \$34.50 or, after April 2018 \$135 + \$40 + \$40	–	(net income – \$38,880) x 0.02 or, after April 2018 (net income – \$39,658) x 0.02

For a two-parent, two-child family, the BCLICATC ceases at a family net income of \$53,880 for January to March, and \$57,158 for April to December.

E. BC RENTAL ASSISTANCE PROGRAM

The provincial rental assistance program provides a monthly payment to families who qualify based on their rent and their income. It reimburses a portion of the difference between 30 per cent of the family's total income and its adjusted rent amount. Families are eligible if their gross household income (employment income plus the UCCB) is less than \$35,000. The eligibility threshold will be increased to \$40,000 effective September 2018. The spreadsheet does not contain the formula because the family's level of income precludes eligibility. Even at the minimum wage, a family of two parents working full-year at 35 hours per week will exceed the total income threshold for the BC rental assistance program.

The formula is:

$$\text{RAP} = (\text{Adjusted Rent Amount} - 30\% \text{ of Gross Income}) \times$$

$$(0.35 + 0.01 \times (\$35,000 - \text{Gross Income}) / \$25,000 / 55)$$

The Adjusted Rent Amount is the lesser of the actual rent (including utilities) or the amount in the following table.

Table 6: Rental Assistance Program Maximum Rent Levels		
	Metro Vancouver	Other areas of BC
Family of 3 or less	\$1,055	\$970
Family of 4 or more	\$1,190	\$1,015

F. BC CHILD CARE SUBSIDY

Consult Stage 5 on page 23 and Appendix A on page 25 to determine whether the family is eligible for the provincial child care subsidy and, if so, how to incorporate this into the living wage calculation.

Stage 3: Government Deductions and Taxes

This information is calculated in Table IV of the first two tabs of the calculation spreadsheet.

The government deduction and tax formulas can change each year. For current information consult the following:

- The main Canada Revenue Agency webpage: cra-arc.gc.ca/menu-eng.html
- General Income Tax and Benefit Guide 2017: canada.ca/content/dam/cra-arc/formspubs/pub/5000-g/5000g-17e.pdf
- Income Tax Forms (2017):
 - T1 General Income Tax and Benefit Return: canada.ca/content/dam/cra-arc/formspubs/pbg/5010-r/5010-r-17e.pdf
 - Federal Worksheet: canada.ca/content/dam/cra-arc/formspubs/pbg/5000-d1/5000-d1-17e.pdf
 - Provincial Worksheet: canada.ca/content/dam/cra-arc/formspubs/pbg/5010-d/5010-d-17e.pdf
 - Schedule 11 (Tuition, Education and Textbook Amounts): canada.ca/content/dam/cra-arc/formspubs/pbg/5000-s11/5000-s11-17e.pdf
 - T778 (Child Care Expenses Deduction): canada.ca/content/dam/cra-arc/formspubs/pbg/t778/t778-17e.pdf
 - British Columbia Tax (Form BC428): canada.ca/content/dam/cra-arc/formspubs/pbg/5010-c/5010-c-17e.pdf

Table IV in the first two tabs of the calculation spreadsheet includes the following information:

- EI Premiums: the EI premium rate and formula
- CPP Premiums: the CPP premium rate and formula
- Federal taxes:
 - Basic personal amount
 - Tax rates
 - Tax brackets and corresponding tax rates
 - Tax credits
 - EI Premiums
 - CPP Premiums
 - Employment Tax Credit
 - Public Transit Credit (if applicable)
 - Tuition amount
 - Medical expenses
- Provincial taxes:
 - Basic personal amount
 - Tax rates
 - Tax brackets and corresponding tax rates
 - Tax credits
 - EI Premiums
 - CPP Premiums
 - Children's Fitness and Arts Tax Credits
 - Tuition and education amount
 - Medical expenses
 - BC Tax Reduction

The calculation spreadsheet allocates federal and provincial tax credits between the parents in the way that is most advantageous to the family. There is a table in each of the first two tabs of the calculation spreadsheet that indicates how these credits have been assigned for the living wage calculation.

Table 7 explains the lines in Table IV of the calculation spreadsheet.

Table 7: Tax Calculations	
Line	Explanation
Hours / Week	This is determined by your assumptions (the calculation for Metro Vancouver and Greater Victoria is 35 hours per week)
Wage	This amount is determined after all the tables have been completed
Employment Income	This is total earnings = hourly wage x hours per week x weeks per year
Adjustments	Subtract child care expenses claimed up to the maximum allowed Child care expenses must be claimed by the spouse with the lower income
Net Income	= Employment Income plus Adjustments
EI Premiums	= Employment Income x premium rate (2017: premium rate = 0.0163)
CPP Premiums	= (Employment Income – \$3,500) x premium rate (2017: premium rate = 0.0495)
Federal Income Tax	See below
Federal Refundable Tax Credits	See below
Provincial Income Tax	See below
After Tax Income	= Employment Income – EI Premiums – CPP Premiums – Federal Income Tax + Federal Refundable Tax Credits (if eligible) – Provincial Income Tax
Monthly After Tax Income	= After Tax Income / 12

To calculate the living wage, you need to determine both employment income and net (or taxable) income.

CALCULATING TAXABLE INCOME FROM EMPLOYMENT INCOME

The following adjustment is made in calculating Taxable Income from Total or Employment Income:

Child care expenses (up to the maximum allowed) are deducted from Employment Income.

Therefore:

Net (taxable) Income = Employment Income – Child care Expenses.

Regarding this calculation, there are two relevant tax rules (2017):

- The spouse with the lower income must claim the child care expenses.
- The amount of child care expenses that can be claimed is limited as follows:
 - For children born in 2011 or later, \$8,000.
 - For children born between 2001 and 2010, \$5,000.

Note that the calculation spreadsheet includes a formula to determine the correct amount of the child care expense to be claimed, based on the actual family expense and the amount of child care subsidy received.

FEDERAL INCOME TAX

The structure of the federal income tax calculation is as follows:

$$\text{Tax} = (\text{Taxable Income} \times \text{tax rate}) - (\text{Non-refundable Tax Credits} \times \text{tax credit rate}) - (\text{Refundable Tax Credits} \times \text{Tax credit rate})$$

Table 8: Federal Non-refundable Tax Credits (2017 tax year)		
Tax Credits	Comments	Claimed by Parent
Basic Personal Amount	= \$11,635 in 2017	Both
EI Premiums	= B54 or C54 in the calculation spreadsheet	Both
CPP Premiums	= B55 or C55 in the calculation spreadsheet	Both
Canada Employment Amount	= \$1,178 in 2017	Both
Public Transit Credit	= I51 (Half the annual amount of monthly bus passes and/or U-Pass costs because the Public Transit Credit is eliminated as of July 2017)	"2"
Tuition amount	= I52 (\$111.75 average/credit x 3 credits/course x 2 courses) Note that the federal education and textbook amounts were eliminated federally as of the 2017 tax year.	"2"
Medical expenses	= Family medical expenses: C16 in the calculation spreadsheet – Net income (B53 in the calculation spreadsheet) x 0.03 Note: To be eligible to claim medical expenses, the family's annual medical expenses must be greater than 3% of the net income of the person claiming the expenses.	"1"

Non-refundable tax credits reduce the amount of tax an individual has to pay, but only up to the amount of tax owed. If the amount of non-refundable tax credits exceeds the amount of tax owed, the person does not benefit from these extra tax credits (they either lose the credits or, in some rare cases as with the tuition amount, these can be carried over for future years or transferred to a spouse). Refundable tax credits, as the name suggests, can be refunded by the government if the amount of credits the person is eligible for exceeds the amount of tax owed. The spreadsheets include a separate line in Table IV for refundable tax credits to ensure that non-refundable tax credits do not result in negative tax owing.

Note that only families in communities with a very low cost of living will qualify for the federal non-refundable tax credits.

Federal Refundable Tax Credits

Table 9: Federal Refundable Tax Credits (2017 tax year)		
Tax Credits	Comments	Claimed by Parent
Working Income Tax Benefit	$= \$1,903 - (\text{Family Net income} - \$17,475) \times 0.157$ Note: To be eligible for the Working Income Tax Benefit, the family's net income must be less than \$29,597.	"2"
Refundable Medical Expense Supplement	$= 0.25 \times [\text{Family medical expenses (C16 in the calculation spreadsheet)} - \text{Net income (B53 in the calculation spreadsheet)} \times 0.03] - 0.05 \times [\text{Family Net Income} - \$26,644]$ Note: To be eligible to claim the Refundable Medical Expense Supplement, the person must be eligible for the non-refundable medical expenses tax credit, and their family net income must be lower than \$50,704.	"1"

Federal Tax Brackets

For 2017, the tax rate on taxable income less than \$45,916 is 15 per cent. For taxable income between \$45,916.01 and \$91,831 it is 20.5 per cent. Therefore, if the taxable income of either parent increases above \$45,916, the formula for "Taxable Income x tax rate" becomes:

$$\text{Taxable Income} \times \text{tax rate} = (\$45,916 \times 0.15) + ((\text{Taxable income} - \$45,916) \times 0.205)$$

Provincial Income Tax

The structure of the provincial income tax calculation is as follows:

$$\text{Tax} = (\text{Taxable Income} \times \text{tax rate}) - (\text{Tax Credits} \times \text{tax credit rate}) + \text{BC Tax Reduction (If available)}$$

Table 10: BC Provincial Tax Credits (2017 tax year)

Tax Credits		Comments	Claimed by Parent
Basic Personal Amount	= \$10,208 in 2017		Both
EI Premiums	= B54 or C54 in the calculation spreadsheet		Both
CPP Premiums	= B55 or C55 in the calculation spreadsheet		Both
Children's Fitness and Arts Tax Credits	= I50 (We assume the family spends \$500 per child on eligible sports or arts programs during the year)		"2"
Tuition and Education Amounts	= I52 (\$111.75 average/credit x 3 credits/course x 2 courses) + 60 x 8 (= \$60/month x 8 months in school)		"2"
Medical Expenses	= Family medical expenses: C16 in the calculation spreadsheet – Net Income (B53 in the calculation spreadsheet) x 0.03 Note: To be eligible to claim medical expenses, the family's annual medical expenses must be greater than 3% of the net income of the person claiming the expenses.		"1"

Note that currently there are no refundable BC tax credits that the model living wage family would qualify for.

The BC Tax Reduction

The BC Tax Reduction is a non-refundable tax credit which reduces the provincial income tax bill for people with net income less than \$32,221. Unlike other tax credits that can only be claimed by one person in the family, the BC Tax Reduction can be claimed by both parents as long as their individual net income is below the threshold.

It is calculated according to the formula (2017):

$$\text{BC Tax Reduction} = \$444 - (\text{Taxable Income} - \$19,749) \times 0.0356$$

In the Metro Vancouver calculation, only Parent "1" is eligible for the BC Tax Reduction. However, if the living wage in your community is below \$17.71 Parent "2" will also be eligible. The calculation spreadsheet will automatically adjust provincial taxes for Parent "2" if that is the case.

Provincial Tax Brackets

For 2017, the tax rate on taxable income less than \$38,898 is 5.06 per cent. For taxable income between \$38,898.01 and \$77,797 it is 7.7 per cent. Therefore, if the taxable income of either parent increases above \$38,898, the formula for "Taxable Income x tax rate" becomes:

$$\text{Taxable Income} \times \text{tax rate} = (\$38,898 \times 0.0506) + ((\text{Taxable income} - \$38,898) \times 0.077)$$

Stage 4: Determining the Living Wage Amount

This step is the easiest. Examine Table III in the calculation spreadsheet. Cell C42 is the gap between Available Annual Income and Annual Family Expenses. The living wage amount is the wage at which the gap is as small as possible while still being greater than \$0.

Therefore, if the gap line is negative, increase the living wage amount in Cell B49. If the gap line is positive, reduce the living wage amount in Cell B49 until the gap is negative, and then increase it until the gap line has the lowest possible positive amount.

Stage 5: Calculating the BC Child Care Subsidy

If the values in Cells H41 or H42 are positive, the family is eligible for the provincial child care subsidy. If this is the case, consult Appendix A. The Metro Vancouver living wage income is too high for the family to receive a child care subsidy.

The BC government has introduced a new affordable child care benefit, which will help reduce child care fees for families with incomes up to \$111,000. The benefit will be available in September 2018 for parents of infants and toddlers. Parents of children aged 3 to 5 will see a benefit in 2019/20. The 2018 calculation spreadsheet does not include this benefit because the living wage family's youngest child is assumed to be four years old and thus the family is not eligible for this benefit in 2018.

Stage 6: Verifying the Calculations

You can verify some of the calculations that are part of the living wage calculation through online calculators.

- CCB, BC early childhood tax benefit, GST credit and BCLICATC: The Canada Revenue Agency provides a child and family benefits calculator online at: cra-arc.gc.ca/bnfts/clcltr/cfbc-eng.html.
- RAP: The BC government provides a Rental Assistance Program benefits calculator online at: bchousing.org/housing-assistance/rental-assistance-financial-aid-for-home-modifications/rap-safer-calculator.

You are finished.

Sources

The following resources were referenced in the calculation of the living wage for Metro Vancouver.

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Population and Public Health, BC Centre for Disease Control, part of Provincial Health Services Authority, forthcoming, 2017 Food Costing in BC, bccdc.ca/our-services/service-areas/population-public-health/food-security#Reports--&--resources

Statistics Canada, 2018, Consumer Price Index (CPI). Cansim Table 326-0021.

Translink website, Fares and Passes, translink.ca/en/Fares-and-Passes/Monthly-Pass.aspx

Westcoast Child Care Resource Centre, Westcoast Family Information & Referral Fee Surveys as of September, 2017. wstcoast.org/parents/fees.html

BC Child Care Subsidy

An additional factor that may affect your living wage is the provincial child care subsidy (PCCS). This is an income-tested benefit. If the family is eligible for it, the effect is that it increases transfers from the government and thereby reduces the living wage. However, this reduction is lessened because the subsidy generally increases taxable income.

QUESTION 1: DO YOU NEED TO INCORPORATE PCCS INTO YOUR LIVING WAGE?

If there are positive values for either subsidy in Cells H41 or H42 of the calculation spreadsheet, the family is eligible for the PCCS and it will affect the living wage. The total monthly subsidy would be the sum of any positive values in these cells.

QUESTION 2: HOW DO YOU FACTOR THE PCCS INTO THE LIVING WAGE CALCULATION?

If the living wage for your community has been calculated previously, use last year's living wage family income to determine the amount of child care subsidy (and other government transfers) that the family would be eligible for. The calculation spreadsheet includes a tab titled "Using last year's LW income" that contains all the formulas you will need—just enter last year's living wage family income, government deduction and taxes in Table IIa. This will automatically calculate the correct amount of child care subsidy for each child in Cell H41 and Cell H42. If one of Cell H41 or Cell H42 has positive values, enter the positive value in Cell B33 (do not subtract the negative value). If both Cell H41 and Cell H42 have positive values, enter the sum of these positive values in Cell B33. If both cells have a negative value, the family does not qualify for the childcare subsidy, so Cell B33 should be set to 0.

If this is the first time that the living wage is being calculated for your community, the subsidy cannot be incorporated directly into the calculation spreadsheet because it creates a circular formula that the spreadsheet cannot calculate. Therefore, the following process should be followed.

The process is based on the family having child care expenses equal to or greater than the maximum child care subsidy. If the actual expenses are less than the maximum, then substitute the actual amounts for the amounts in the "Max. Subs." column under Table III in the spreadsheet.

Step 1: If either or both Cell H41 or Cell H42 have positive values, enter the sum of those with positive values in Cell B33.

Step 2: The formula in Cell B52 will automatically calculate the Adjustments that need to be applied to taxable income based on the child care subsidy received.

Step 3:

- 3.A Adjust the living wage amount in Cell B49 to equate Annual Family Income and Expenses (Cell C42).
- 3.B Changing the living wage amount will change the family net income and may change the amount of child care subsidy the family is eligible for. Check Cell H41 and H42. If either or both of these cells have positive values, the sum of those positive values should be equal to the amount in Cell B33. Adjust Cell B33 accordingly.
- 3.C Repeat 3.A and 3.B until both:
 - The gap between annual income and expenses in Cell C42 is the lowest possible positive value, and
 - The amount of child care subsidy in the PCCS Table (the sum of positive values in Cell H41 and Cell H42) and Cell B33 are the same.

PCCS SUBSIDY FORMULA

The *Child Care Subsidy Regulation* in section 8 provides the following formula for child care subsidies. The subsidy amount for each child in the family is calculated separately.

$$\text{PCCS} = A - B$$

A = the lesser of:

- the maximum child care subsidy for the child, or
- the actual amount of the child care expense.

$$B = \frac{\text{Amount of A}}{\text{Amount of A for all children}} \times .5 \times (\text{family net income} - \text{that child's threshold})$$

In the PCCS Table in the calculation spreadsheet:

- The subsidy amount is set to the maximum because in Metro Vancouver actual average monthly child care expenses are greater than the maximum subsidy.
- The four year old is in licensed group child care and therefore has a maximum subsidy amount of \$550 per month (the maximum subsidy varies by age of the child and type of child care used).
- The seven year old is in "Surrounding School Day" care, and the amount is for "More than 4 Hours Daily or both before- and after-school care provided," which is \$210.00 per month. The amount for "4 Hours or Less Daily" is \$175.00 per month.

The maximum child care subsidies are found in Schedule A of the *Child Care Subsidy Regulation*. Family Net Income is income from employment less federal and provincial taxes and EI and CPP contributions. The child's threshold is calculated based on information in section 10 of the *Child Care Subsidy Regulation*.

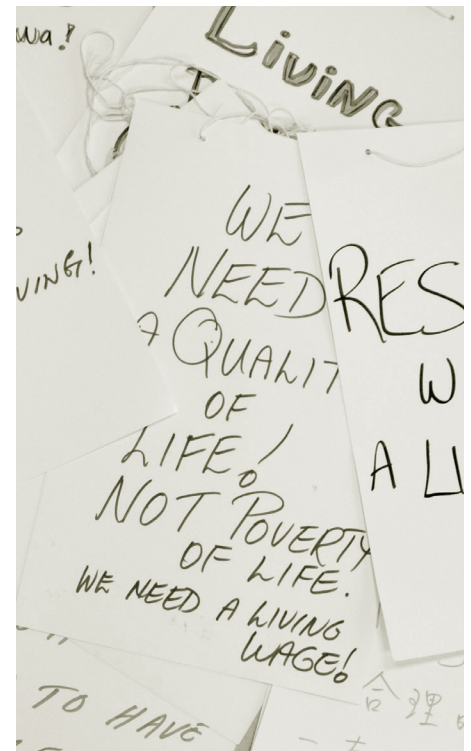


living wage for families campaign

The Living Wage for Families Campaign was formally launched in the fall of 2008 with the publication of *Working for a Living Wage* and is guided by an advisory committee made up of representatives from unions, businesses, parents, and immigrant and community groups. Since its inception the campaign has hosted a number of events and engaged in extensive outreach with community, labour, immigrant and faith partners. It has developed a Living Wage Employer recognition process to recognize employers across BC that pay a living wage. It has worked with local partners to encourage local municipalities to pass living wage bylaws.

Contact us at 604.975.3347 or info@livingwageforfamilies.ca.

livingwageforfamilies.ca



First Call: BC Child and Youth Advocacy Coalition is a non-partisan coalition of over 100 provincial and regional organizations who have united their voices to put children and youth first in BC through public education, community mobilization, and public policy advocacy.

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