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BC Office



WORKING FOR A LIVING WAGE

2023 Technical Appendix

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This document is a technical appendix to the report *Working for a Living Wage: Making paid work meet basic family needs in Metro Vancouver – 2023 Update*, outlining the methodology for calculating the living wage in BC communities and the data sources used for the 2023 Metro Vancouver living wage calculation. 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/livingwage2023.

Introduction

In 2007, First Call Child and Youth Advocacy Society and the CCPA–BC initiated a research project to calculate the living wages in BC’s two largest urban centres, Metro Vancouver and Greater Victoria. That work was part of the Economic Security Project, a research alliance led by the CCPA–BC and Simon Fraser University, funded primarily by a grant from the Social Science and Humanities Research Council of Canada.

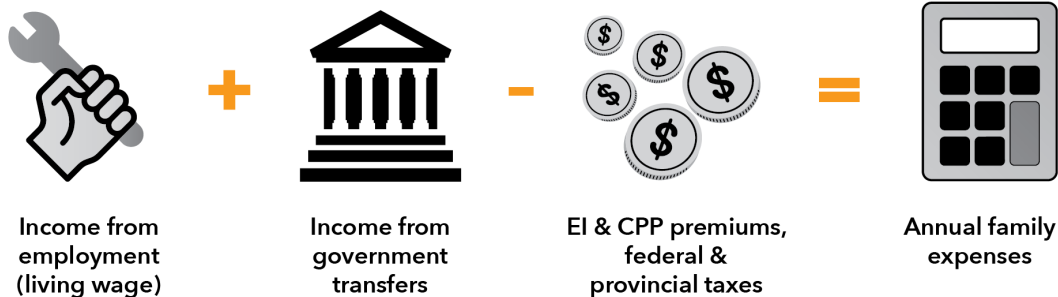
The BC living wage methodology was developed in 2008 in collaboration with academic and community partners, including social policy experts, unions and organizations that work with low-income families, and was informed by feedback from focus groups of low-income working parents and employers.¹ Since then, it has served as the model for living wage calculations across the country. More than 60 communities in Canada, including over 20 in BC, have used this approach to calculate their local living wage (see livingwage.ca).

The living wage is calculated as the hourly rate at which a family with two working parents and two young children can meet its basic needs once government transfers have been added to the family’s income (such as federal and provincial child benefits)

¹ For the full details of the original methodology and the collaborative process that generated it, see *Working for a Living Wage 2008: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria*, which can be found at [http://www.policyalternatives.ca/livingwage2008](https://www.policyalternatives.ca/livingwage2008).

and deductions have been subtracted (such as income taxes and Employment Insurance premiums).

LIVING WAGE FORMULA



The BC living wage is based on the following assumptions (summarized on pages 23 to 33 of the *Working for a Living Wage 2008* report):

- A family of two parents with two children aged four and seven. In BC, 77% of families with children are headed by couples, and 57% of them have two or more children.²
- Both parents working full time, 35 hours per week. According to data from the Labour Force Survey, in 2022 BC workers worked an average of 35.4 hours per week.³
- Estimated local family expenses in ten categories (see below).
- The cost of income taxes and other government deductions such as Employment Insurance (EI) premiums and Canada Pension Plan (CPP) contributions.
- The value of government transfers that the family would be eligible for, such as the Canada Child Benefit.
- Employers providing the statutory minimum paid vacation and paid sick time.⁴

² Based on the latest data. Source: Statistics Canada. 2023. Table 11-10-0011-01. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110001101>. Accessed October 23, 2023.

³ Average actual hours in all jobs (worked in reference week). Source: Statistics Canada. 2022. Table 14-10-0043-01. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410004301>. Accessed October 23, 2023.

⁴ While BC introduced a permanent right to five days of employer-paid leave for sickness or injury as of January 2022, the continuing COVID-19 pandemic means that this entire allotment would be needed to cover a single COVID-related absence, leaving families scrambling should any other illness or injury arise.

The value of the living wage will change with changes in family expenses and government transfers and taxes, which is why the living wage calculation must be revised annually to ensure its accuracy.

The precise expenses of any given family vary. The purpose of the living wage family expenses calculation is to ensure that the family has the income to:

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

The BC living wage calculation methodology is reviewed regularly in consultation with social policy experts, community partners and other advisors, and refinements are made as needed to ensure that it continues to reflect the costs of a reasonable standard of living. The following methodological refinements have been made since the original calculation:

2015

- Added the cost of full-time child care for the seven-year-old child during professional development (PD) days and school breaks, unless those are specifically covered by the regular monthly fees charged by before- and after-school care programs.
- For calculations between 2015 and 2018, the federal and provincial Children's Fitness and Arts Tax Credits was claimed.⁵

2017

- Added the cost of a high-speed internet subscription and replaced the family landline with two basic talk-and-text cell phone plans with unlimited Canada-wide minutes. This was done to ensure that the living wage standard of living keeps up with the changing technology use patterns of Canadian families as per data collected by the Canadian Radio-television and Telecommunications Commission (CRTC).⁶ Plus, internet access at home had practically become a requirement for participating in community life and accessing government

⁵ It was assumed that the Metro Vancouver living wage family spends \$500 per child (\$1,000 total) on eligible sports and arts programs. 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. These maximum amounts were cut in half in 2016 and the credits were eliminated as of tax year 2017 federally and tax year 2018 provincially in BC.

⁶ CRTC, Communications Monitoring Report. Ottawa: Government of Canada, 2016. Section 2.0. https://publications.gc.ca/collections/collection_2016/crtc/BC9-9-2016-eng.pdf.

services and education, particularly in small towns where government offices have closed and in-person education opportunities are not easily available.

2021

- Replaced the talk-and-text cell phone plans with basic mobile data plans with a minimum of 3GB of data to reflect the mobile use patterns of Canadians. The CRTC's latest available data at that time showed that in 2019, 82% of Canadians had a mobile data plan and the average data usage was 2.9 GB per month.⁷
- Upgraded the family's residential internet connection to a higher speed (at least 50 Mbps download and 10 Mbps upload) and access to unlimited data to reflect the federal government's target minimum plan for all Canadians aimed at closing the digital divide.
- Claimed the new refundable Canada Training Credit for a portion of the tuition fees the living wage family paid. The maximum \$250 available is claimed since the family's tuition fees exceed that amount.

2022

- Addressed a longstanding underestimate of the actual cost of rent faced by families that have to move in our original methodology. This was done by applying a "moving penalty" to the median rent estimates in the primary rental market from the Canada Mortgage and Housing Corporation (CMHC) rental market surveys, which include both long-tenured and new tenants. For more details on this methodological change, see page 9.
- Upgraded the family's mobile data plans to the faster 4G LTE network to reflect current federal targets for national mobile availability and increased the minimum data to 4GB to reflect the increasing mobile data usage of Canadians.
- Introduced a second car for the living wage family in smaller communities where there is no public transit or where transit is very limited.
- Claimed the one-time ICBC rebate offered in 2022.

2023

- Claimed the new interim Canada Dental Benefit to help offset some the family's out-of-pocket health expenses.

⁷ According to the CRTC, between 2015 and 2019, wireless data plan subscriptions and internet residential subscriptions grew significantly faster than the Canadian population, while landline phone subscriptions have steadily decreased. In 2019, 92% of Canadians used Internet at home, 82% of Canadians had a mobile data plan and the average mobile data usage was 2.9 GB per month (the latest year with data available at the time of calculating the 2021 Metro Vancouver living wage). Source: CRTC. *Communications Monitoring Report*. Ottawa: Government of Canada, 2020. Section 1. <https://crtc.gc.ca/eng/publications/reports/policymonitoring/2020/cmr1.htm#a2>.

- Upgraded the family’s mobile data plan to a minimum of 6 GB of data to reflect Canadians’ increasing mobile data usage.⁸

Calculating the living wage

Calculating a BC community’s living wage involves the following four stages:

Stage 1: Calculating family expenses.

Stage 2: Calculating government transfers, deductions and taxes: e.g., the Canada Child Benefit (CCB), Goods and Services Tax (GST) credit, the BC Climate Action Tax Credit (BCCATC) and others.

Stage 3: Determining the living wage amount.

Stage 4: Verifying the calculations.

The calculation of the living wage can be quite complex in its details, which is why we provide this Technical Appendix as well as a calculation spreadsheet for use by BC communities.

This Technical Appendix explains how the various family expense amounts are estimated and how to source the necessary data. It also outlines the government transfers, deductions and taxes included in the calculation, all of which are built into the calculation spreadsheet.

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, one needs to make decisions regarding the point in time at which one would fix expenses, transfers and taxes. We have always tried to be as close as possible to the calendar year for which the living wage applies (i.e., taxes and expenses a family would face in the 2023 calendar year for this year’s living wage). Because of data availability, our estimates of family expenses are always showing up with a lag.

For the calculations of the 2023 living wage in Metro Vancouver and throughout BC, we used:

Family expenses:

⁸ CRTC. *Communications Market Reports*. “Current trends September 2023.” Version 9.0. Last updated November 2, 2023. <https://crtc.gc.ca/eng/publications/reports/PolicyMonitoring/mob.htm>. Accessed November 3, 2023.

- Amounts as of summer 2023 (i.e., adjusted for inflation using Statistics Canada’s Consumer Price Index (CPI) average for the first six months of 2023).⁹ The main exception is rent. Rent costs are based on the CMHC rental survey data from October 2022 with a “moving penalty” applied to reflect the higher costs of new rentals.

Government transfers, deductions and taxes:

- CCB amounts for the July 2022–June 2023 benefit year.
- GST credit, BCCATC, and BC Family Benefit amounts for the calendar 2023 to capture both the one-off enhancements in these programs available in early 2023 and the permanent increases in the BCCATC and the BC Family Benefit that came into effect in July 2023 (i.e., six months for the July 2022–June 2023 benefit year and six months for the July 2023–June 2024 benefit year).
- BC Affordable Child Care Benefit and Rental Assistance Program amounts for the 2023 calendar year.
- Government deductions and taxes for the 2022 tax year.

For the Metro Vancouver living wage and all other BC communities that calculated their living wage in 2022, the value of government transfers is based on the living wage family’s income from the 2022 living wage calculation. For communities who are new to the calculation this year, the value of government transfers is based on the family’s income in the 2023 living wage calculation.¹⁰

The mechanics of the calculation spreadsheet

The calculation 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 take 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.

⁹ Prior to the 2021 living wage calculation, family expenses as of December of the previous calendar year were used. However, because inflation jumped substantially in the last two years, this additional inflation adjustment was introduced.

¹⁰ This results in slightly lower benefit amounts and thus a slightly higher living wage than would be the case if a 2022 living wage calculation was available.

The calculation spreadsheet includes government benefits, taxes and transfers applicable in BC and will need to be adapted for use in other provinces or territories. For additional plain-language resources, detailed instructions on using the calculation spreadsheet and tailored support for calculating the living wage in your community, please contact Living Wage for Families BC (www.livingwageforfamilies.ca/contact).

Stage 1: Family expenses

The living wage family expenses are divided into the following ten categories:

1. Food
2. Clothing and footwear
3. Shelter
4. Phone and internet
5. Transportation
6. Other household and social participation expenses
7. Child care
8. Non-MSP health expenses
9. Parent education
10. A contingency amount

An additional family expense category for Medical Service Plan (MSP) premiums was included in previous living wage calculations until the BC government eliminated these premiums as of January 2020.

Some of the family expenses used in the living wage calculation are based on statistics available province wide and are also built into the calculation spreadsheet, while local data for other family expenses will need to be sourced by community partners preparing their living wage calculation. This section explains how each of the family expenses is calculated and provides links to the data sources used, when available.

The living wage is designed to afford a decent if still very modest standard of living. To accomplish this, family expenses used for the calculation are generally based on conservative or lower-than-average family expense amounts, as outlined below. This is accomplished in part by adopting amounts from Statistics Canada's Market Basket Measure (MBM) for some expense categories, as the MBM was developed to provide a perspective on low-income households in Canada, and therefore the MBM thresholds are based on less-than-median expenditures. When incorporating local family expense

estimates from other sources we use median expenditures where available, which are almost invariably less than average expenditures. The reason for this is that average expenditures are pulled upward by elevated incomes and expenditures of higher-income families.

1. Food

Food expenses are calculated based on the data from the latest available BC Nutritious Food Basket Food Costing Survey undertaken by the BC Centre for Disease Control's Population and Public Health Program. For the 2023 living wage, data from the 2022 food costing survey¹¹ is used. The data are adjusted for inflation using the CPI for food in BC.

The food costing survey involves the periodic collection of food prices in grocery 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 sex 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 (HSDAs).

The exact food costs for a person depend on their sex and age, which requires that some assumptions be made about the living wage family's composition. For the purposes of the calculation, we assume that the living wage family includes a male and a female parent, each between 31 and 50 years of age, a four-year-old girl and a seven-year-old boy.¹²

The living wage family's composition does not match the composition of the reference family used in the food costing survey reports, so we need to adjust the average regional food costs provided in the report. This is accomplished by calculating the ratio of the food costs for the living wage family (based on the costs for the ages and sexes of its members) to the food costs for the food costing survey's reference family in BC. This ratio is then multiplied by the food expenses for the food costing survey's reference family for the health service delivery area of the community for which we are calculating the living wage.

Metro Vancouver is unique in BC as parts are located in two health authorities, Fraser Health and Vancouver Coastal Health, and span several HSDAs. To reflect this, the Metro Vancouver living wage calculation uses a weighted average of the reference family's food expenses for the HSDAs of Fraser North, Fraser South, Richmond, Vancouver and North Shore/Coast Garibaldi with each weighted by their respective

¹¹ *Food Costing in BC 2022: Assessing the affordability of healthy eating*, available at http://www.bccdc.ca/Documents/Food_Costing_in_BC_2022_Report_FINAL.pdf.

¹² While this certainly does not describe all families, the assumptions are intended to produce an estimate of food costs that is sufficient for the vast majority of two-parent families with two children.

populations in 2023 (using population projections from BC Stats <https://bcstats.shinyapps.io/popApp/>). For North Shore/Coast Garibaldi, we used the population projections of the local health areas of North Vancouver and West Vancouver/Bowen Island only, as the rest of the HSDA falls outside of Metro Vancouver.

2. Clothing and footwear

We use the amount for “Clothing” from Statistics Canada’s MBM for 2022 (latest available), adjusted for inflation using the average CPI for “Clothing and footwear” for BC for the first half of 2023.

3. Shelter

The living wage family’s shelter cost includes rent, utilities and tenant insurance.

RENT

We use data from the CMHC annual Rental Market Survey of the primary rental market and apply a “moving penalty” estimated based on 2021 census data.

CMHC surveys rents in the primary rental market (i.e., purpose-built rental buildings) every October. The data for October 2022 median monthly rent for units with three or more bedrooms in are used for all communities for which data are available (those with a population of at least 10,000). This number understates the financial pressures faced by families that have to move because it aggregates the rents paid by long-term tenants who have benefitted from BC’s rent control measures with those who have recently moved and typically pay much higher rents.

To develop a more realistic estimate of the rent cost faced by families, in 2022 we introduced the concept of the “moving penalty.” The moving penalty captures the gap between the median rent paid by households who have moved in the last year compared to the overall median rent (i.e., including long-term and newer tenancies).

In this year’s living wage calculation, the moving penalty is based on 2021 census data for renter households living in units with three or more bedrooms.¹³

The census data reveal that households that moved in the last year paid considerably higher median rents—21% higher in 2021 compared to the overall median. This gap

¹³ We obtained a custom tabulation from Statistics Canada’s 2021 census with data for BC’s census metropolitan areas and census agglomerations, which represent one or more adjacent municipalities centered on a population core of at least 10,000 people. Integration with the core is measured by commuting flows data from the previous census. For the 2022 living wage calculation, data from the 2016 census was used to calculate the moving penalty because it was the latest available at the time of writing.

has increased substantially since 2016. The data also show that the moving penalty varies considerably across communities and is highest in Metro Vancouver at 24% (Table 1).

TABLE 1: Moving penalty for BC (for rental housing with three or more bedrooms)

Moving penalty (% of monthly rent)	
Metro Vancouver (Vancouver CMA)	24%
Greater Victoria (Victoria CMA)	18%
Kelowna (CMA)	18%
Abbotsford–Mission (CMA)	14%
Nanaimo (CMA)	15%
Kamloops (CMA)	18%
Chilliwack (CMA)	11%
Other communities in BC	18%
BC overall	21%

Source: Authors' calculations based on data from a custom tabulation from Statistics Canada's 2021 census. CMAs (census metropolitan areas) as defined by Statistics Canada are large, densely populated centres made up of adjacent municipalities that are economically and socially integrated.

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 use data from your local Housing Needs Report or the Canadian Rental Housing Index (based on rent data from the 2021 Census), adjusted for inflation using the CPI for "Rent" to find the cost of rent for a family of four.

UTILITIES

For the 2023 living wage calculation we use 2021 census data on the median amounts spent on electricity and fuel by BC couples with two children renting housing with three or more bedrooms who reported that these costs were not included in their rent. The data were obtained from a Statistics Canada custom tabulation and are adjusted for inflation using the CPI for "water, fuel and electricity."

TENANT INSURANCE

We obtained quotes from several insurers providing tenant insurance in Metro Vancouver for coverage of \$30,000 in contents. The median quote was \$42.90 monthly and this amount was used for the 2023 Metro Vancouver living wage. You will need to update this amount for your community by obtaining quotes from insurance providers locally.

4. Phone and internet

PHONE

We recommend using the least expensive cell phone plan available locally that is on a 4G LTE network with at least 6 GB of data, along with the cost of a basic smartphone and SIM card fees (if applicable) plus sales taxes (GST and PST). For Metro Vancouver in 2023, this is the Virgin Mobile 10 GB-per-month bring-your-own-phone plan available for \$39 per month plus tax for new subscribers, with a budget smart phone purchased separately.

INTERNET

We recommend using the least expensive residential internet plan in your community that provides minimum speeds of at least 50 Mbps download and 10 Mbps upload, including the costs of modem rental and applicable sales taxes (GST and PST). For Metro Vancouver in 2023, this is the high-speed internet service provided by Oxio (100 Mbit/s) available for \$57 per month plus tax.

Note that short-term promotional discounts for new or existing customers are not included in the living wage calculation.

5. Transportation

The living wage assumes that one parent commutes to work using a car while the other commutes by public transit in Metro Vancouver and other urban communities where transit is reasonably available. In communities where there is no public transit (or very limited transit), the family is assumed to have two cars.

The cost of owning and operating a car is based on Statistics Canada's 2022 MBM amount for "Transportation" for rural communities in BC, which reflects the annual costs of owning and operating a second-hand car. The amount is adjusted for inflation using the CPI for "Operation of passenger vehicles."

For the Metro Vancouver two-parent family, the transit expenses are based on the cost of purchasing a two-zone monthly bus pass for four months of the year and the cost of

purchasing a U-Pass for eight months of the year. This is because 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).

6. Other household and social participation expenses

The methodology for estimating the costs of other household expenses that are required for a decent standard of living does not rely on pricing of individual items as other parts of the living wage family budget do. That is because doing so would be prohibitively difficult given the large number of items that would potentially need to be priced, such as toiletries and personal care, furniture, household supplies, laundry, school supplies and fees, bank fees, some reading materials, minimal recreation and entertainment, family outings (e.g., museums and cultural events), birthday presents, modest family vacation and some activities for the children (e.g., swimming lessons, dance classes or team sports).

We rely on the analysis developed by Statistics Canada for the MBM to estimate the value of other necessary expenses. The “Other” component of the MBM “is meant to approximate average expenditures on a wide range of other goods and services, using data sources from Statistics Canada’s Survey of Household Spending.”¹⁴ In the 2008-base MBM, the other necessities component was calculated as a fixed percentage (75.4%) of the total cost of the food and clothing components of each MBM region. The percentage was determined “based on historical spending patterns on a set of selected items deemed necessary for a modest, basic standard of living.”¹⁵ We apply this set percentage to each community’s food and clothing costs in the living wage calculation to arrive at the value of the Other expenses locally.

Note that in the 2018 revision of the MBM, Statistics Canada changed the way they estimate the amount for the other necessities component. They continue using the existing set percentage of 75.4% of the costs of food and clothing but only compute this for the year 2018 and in subsequent years adjust the value using all-items CPI. In addition, they add provincial expenditures on cell phone services from the Survey of Household Spending for families in the second decile of income to the other component in 2018. This amount is also adjusted annually using all-items CPI instead of being recalculated.

For the purpose of the living wage, we continue using the old MBM approach to estimating Other expenses for three reasons. First, we do not need to include the cost of

¹⁴ Djidel, Samir, Burton Gustajtis, Andrew Heisz Keith Lam, Isabelle Marchand and Sarah McDermott. *Report on the second comprehensive review of the Market Basket Measure.*, Income Statistics Research Paper Series. Ottawa: Statistics Canada, 2020. Catalogue no. 75F0002M2020002, p. 20.

¹⁵ Samir et al, *Report on the second comprehensive review of the Market Basket Measure.* p. 20.

cell phone services in this component because these are already included in the living wage calculation separately. Second, Statistics Canada's approach to adjusting 2018 expenses using all-items CPI would not allow us to capture changes in Canadian families' mobile data usage, which increased considerably during the COVID-19 pandemic and thus would underestimate the expense needed for cell phone services today. Third, the cost of food has been rising much faster than all-items CPI since 2018, and therefore we are not convinced that a general inflation adjustment is sufficient to maintain the living wage family's standard of living.

This expense category is automatically calculated in the spreadsheet based on each community's food and clothing expenses.

7. Child care

The living wage calculation assumes that the four-year-old child is in full-time child care in a licensed group child care setting, while the seven-year-old child is in before- and after-school care during the school year, with full-time care when schools are closed for PD days, three weeks during winter and spring breaks (assuming that one week of winter break is covered by statutory holidays and informal arrangements) and six weeks of summer care.

In the last year, BC has seen an increase in the number of licensed child care spaces charging only \$10 per day, although these still account for a small minority of available spaces (approximately 15% of all licensed spaces in Metro Vancouver).¹⁶ These providers are not included in our estimates of child care fees in order to ensure that the living wage is sufficient for families to be able to afford child care in a licensed provider that does not participate in the limited \$10 a Day program.

Estimates of child care fees are sometimes available from regional child care referral centres that conduct surveys of child care providers in the areas they serve. In communities where the child care referral centres are not able to provide local fee data, we recommend surveying local child care providers and using the median fees for the living wage calculation.

For the four-year old, we used the Westcoast Child Care Resource Centre's December 2022 fee survey for data on median fees for licensed group child care in Vancouver from the Westcoast Child Care Resource Centre's December 2022 fee survey. The amount takes into account the new, larger fee reductions in effect as of December 2022 (a total reduction of \$545 per month for this age group).

¹⁶ According to data provided by the BC Ministry of Education and Child Care, accessed on October 12, 2023. <https://studentsuccess.gov.bc.ca/childcare>.

The Westcoast Child Care Resource Centre does not provide information for summer care costs for a school-aged child and their latest out-of-school care survey was conducted in September 2020. We therefore used other sources to estimate the cost of these items. For out-of-school care, we used data provided by the BC Ministry of Education and Child Care on median child care fees for licensed group before- and after-school care in Metro Vancouver as of December 2022 (\$500 per month). We additionally incorporated the new child care fee reduction of \$115 per month which was implemented as of September 2023 for four of the ten months of care included in the living wage calculation.

For Metro Vancouver in 2023, we surveyed a number of school-age child care providers and calculated the median fees of full-time care during school breaks and in the summer, which was \$260 per week. In Metro Vancouver, monthly fees for before- and after-school care often include full-day care on PD days, so we did not include an additional amount for this type of care. This is not the case in every community.

As mentioned earlier, we assume the living wage family is able to access a licensed, group child care provider participating in the provincial fee reduction initiative—an opt-in grant for licensed child care providers that receive provincial operating funding. The BC government estimates that 96% of eligible providers were participating in the program as of August 2023.¹⁷

Unfortunately, not all families with young children are benefitting from these substantial fee reductions because demand for licensed child care spaces far outstrips supply in Metro Vancouver and across the province. Many Metro Vancouver families are forced to choose between reducing the hours that they work or using unlicensed child care providers who are not eligible for the provincial fee reductions and charge considerably higher fees. Unlicensed child care arrangements are eligible for much smaller dollar amounts under the BC Affordable Child Care Benefit, which further increases the gap in out-of-pocket costs between families that are able to access licensed child care and those that cannot. As a result, some families may pay higher out-of-pocket child care fees than those assumed in the living wage calculation.

8. Non-MSP health expenses

The living wage calculation includes an amount for health care expenses not covered by Canada's public health care system. The costs are estimated as the equivalent of purchasing private health insurance for the family. The amount used provincially is the cost of purchasing a basic extended health and dental plan with Pacific Blue Cross

¹⁷ BC Office of the Premier. "Child care savings make returning to school more affordable for more B.C. families," News release. August 31, 2023. <https://news.gov.bc.ca/releases/2023PREM0056-001386>.

insurance assuming the oldest person in the family falls in the 45–54 age group—\$279 per month. Note that if the living wage family used this amount to purchase insurance, they would face additional out-of-pocket costs for the non-insured portions of medical expenses. We assume the family does not purchase private extended health insurance and is eligible for the new interim Canada Dental Benefit (see the section on government benefits below).

9. Parent education

The living wage includes an education budget that allows for two college courses per year so one parent can work on upgrading their training as a way out of low-wage work. The parent education component of the family budget was included at the suggestion of participants in our focus groups with low-wage workers when the calculation was first developed. Access to training has become even more important since then because automation and technological advances are rapidly changing the way work is done.

The calculation includes the costs of tuition for two regular studies courses at a local college (three credits each), including student fees and an amount for textbooks. For Metro Vancouver, we surveyed the tuition and fees charged by public post-secondary colleges and used the fees from Douglas College, which were in the middle of the pack. In many smaller communities only one college is available. Textbook expenses vary by course but we budget for \$150 per course, which is a modest estimate according to many college websites.

10. A contingency amount

The contingency amount provides some cushion for unexpected events like the serious illness of a family member or transition time between jobs. It is calculated as two weeks' pay at the living wage for each parent.

Stage 2: Government transfers, deductions and taxes

The government transfers, deductions and taxes for the living wage family are calculated using formulas built into the spreadsheet.

Government transfers are listed in Table II of the calculation spreadsheet. They provide a source of income that can be used to meet family expenses and thus reduce the living wage. The transfers available to BC families with children in 2023 are:

- A. Canada Child Benefit (CCB)

- B. BC Family Benefit
- C. GST Credit
- D. BC Climate Action Tax Credit (BCCATC)
- E. BC Rental Assistance Program (RAP)
- F. BC Affordable Child Care Benefit
- G. Canada Dental Benefit

The CCB, the BC Family Benefit, the BCCATC 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 at other times of the year, as was the case in 2023 with the one-off “grocery rebate” (GST Credit top-up) and the temporary enhanced payments of the BCCATC and the BC Family Benefit.

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 2023 Metro Vancouver 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 transfer 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 to Stage 3 (though you may still want to read through the rest of this section to see what is included). 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. Canada Child Benefit

This is a non-taxable federal government transfer to families with children under 18, with slightly higher benefits for children under six. The maximum CCB amounts are indexed to inflation and are available for families with net incomes under \$32,797. Partial benefits are available for those with higher incomes up to a maximum that

depends on the age and number of children in the family. The amounts for the benefit year from July 2022 to June 2023 are used in the calculation.

B. BC Family Benefit

This is a tax-free provincial benefit for families with children, which replaced the BC Early Childhood Tax Benefit as of October 2020. The benefit is administered by the Canada Revenue Agency (CRA) and the payment is combined with the CCB. It is an income-tested benefit. The maximum BC Family Benefit amounts were unchanged between October 2020 and June 2023, with the exception of one-off enhancements. As of July 2023, the maximum benefit amounts were increased as were the income thresholds used to determine eligibility. A new supplement for lower-income single-parent families was also introduced. As of June 2023, the BC Family Benefit provides up to \$1,750 for a family's first child, \$1,100 for a second child and \$900 for additional children under the age of 18. BC families with net incomes under \$27,354 receive the full benefit, and partial benefits are available for those with higher incomes up to a maximum that depends on the number of children in the family. The amounts for the calendar year 2023 are used in the calculation to capture both the one-time quarterly enhancement in January 2023 and the permanent benefit increase in July 2023.

C. GST Credit

The GST Credit is a federal income-tested benefit that is calculated based on the size and composition of the family. We use the amount for the 2023 calendar year, which includes the one-time top-up of the GST Credit for the January to June 2023 benefit period (aka the "grocery rebate"). For a two-parent, two-child family, the GST Credit ceases at a family net income of \$58,506 for the July 2022 to June 2023 benefit year, and \$62,175 for the July 2023 to June 2024 benefit year, so the Metro Vancouver living wage family does not qualify.

D. BC 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 received depends on the size and composition of the family and its income level. The payment is combined with the GST credit. The BC government provided temporary top-ups to this benefit with both the January and April 2023 payments and permanently raised the income thresholds and the maximum benefit amounts as of July 2023.

For the 2023 living wage calculation the payment amounts for the 2023 calendar year are used. For a two-parent, two-child family, the BCCATC now ceases at a family net income of \$94,845, reaching many more families than used to be the case prior to the July 2023 increase.

E. BC Rental Assistance Program (RAP)

The RAP provides a monthly payment to low-income families with children who earn at least some employment income and who are not receiving social assistance. Families are only eligible if their gross household income is less than \$40,000 regardless of family size. The spreadsheet does not contain the formula because the living wage income level precludes eligibility anywhere in the province. Even at the minimum wage, a family of two parents working the full year at 35 hours per week will exceed the total income threshold for the RAP. Canada's official poverty line, as measured by the MBM, for a four-person family anywhere in BC also exceeds the income threshold for the RAP.

The few BC families who qualify for the RAP have seen the real value of their benefit erode over time because the maximum rent levels considered for reimbursement through this program have not changed since September 2018 despite rapidly increasing rents.

F. BC Affordable Child Care Benefit

The BC Affordable Child Care Benefit is an income-tested benefit designed to reduce the out-of-pocket child care costs for families with children, and as such it is paid to the child care provider rather than directly to the family. The benefit amount depends on the age of children, the type of child care services used, the actual fees paid and the family's net income.

For the living wage family, we assume full-time licensed group child care for the four-year-old, 10 months of licensed before- and after-school care for the seven-year-old, six PD days, three weeks of full-time licensed care during winter and spring breaks, and six weeks of licensed full-time summer care. The maximum benefit amounts for these types of care are:

- \$550 per month for full-time, licensed group care for children aged three to five.
- \$210 per month for licensed before- and after-school care for school-age children.
- \$415 per month (or \$103.75 per week) for school-age children attending full-time, licensed programs (e.g., full-time care during school closures and during the summer).

Families with an adjusted income below \$45,000 qualify for the maximum benefit while those with incomes between \$45,000 and \$111,000 receive partial benefits. The formulas for calculating the appropriate amounts of the BC Affordable Child Care Benefit are built into the calculation spreadsheet and do not require any additional adjustments if you are using the same types of care as the Metro Vancouver living wage

family. However, if you are using different types of child care services in your community living wage calculation, you will need to adapt the formulas built into the calculation spreadsheet. Please contact us for assistance.

G. Canada Dental Benefit

The new interim Canada Dental Benefit is an income-tested benefit intended to help uninsured families with low and modest incomes cover the costs of dental care for their young children (under age 12). The benefit is in place for two benefit periods between October 1, 2022 and June 30, 2024 when the federal government expects to have launched a public dental care plan for uninsured Canadians earning less than \$90,000 per year. The benefit has a fixed dollar value based on income (up to \$650 per child per benefit period) and does not represent reimbursement of actual child dental expenses. It requires a separate application to Canada Revenue Agency.

For the 2023 Metro Vancouver calculation, the amounts for one benefit period are used. The Metro Vancouver living wage family is eligible for a partial benefit of \$390 for each of its two children.

H. Provincial and Federal Income Taxes and Deductions

The formulas for calculating the provincial and federal income taxes, as well as the mandatory deductions for EI and CPP premiums for the 2022 tax year are built into the calculation spreadsheet. 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 purposes of the living wage calculation.

The living wage family is eligible for the child care expenses deduction. The amount received depends on the actual child care expenses over and above any BC Affordable Child Care Benefit received up to the maximum of \$8,000 for the four-year-old child and \$5,000 for the seven-year-old child. Child care expenses must be claimed by the spouse with the lower income. However, the living wage assumes that both parents earn equal incomes so it does not matter which parent claims it. In the calculation spreadsheet it is allocated to Parent 1.

Each parent is also eligible for the deduction for CPP enhanced contributions on employment income.

In BC communities located in a prescribed northern or intermediate zone based on the CRA's list, the living wage family is also eligible for the northern residents' deductions. In the two communities calculating their 2023 living wage where these deductions apply, Daajing Giids (Haida Gwaii) and Dawson Creek, we assumed only the northern residency deduction (for living expenses) is claimed but not the travel deduction. That

is because in both cases the living wage calculation does not explicitly budget for the types of trips that would be eligible for the travel deduction. A different calculation spreadsheet was used for these northern communities and is available by request from the CCPA–BC or Living Wage for Families BC.

The living wage family's tax calculation includes the tax credits the family would be eligible for. There are two types of tax credits available: non-refundable and refundable.

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.

The following federal non-refundable tax credits are included (2022 tax year):

- Basic personal amount—claimed by both parents
- EI and CPP premiums—claimed by both parents
- Canada employment amount—claimed by both parents
- Tuition amount (actual tuition fees paid minus the \$250 claimed for the Canada Training Credit)—allocated to Parent 2
- Medical expenses credit—allocated to Parent 1 as it is advantageous for the parent with the lower net income to claim

The following federal refundable tax credits are included in the calculation spreadsheet (2022 tax year):

- Canada Training Credit (the living wage calculations includes \$250 or the actual tuition fees paid, whichever is lower)—allocated to Parent 2
- Canada Workers Benefit—allocated to Parent 2
- Refundable Medical Expenses Supplement—allocated to Parent 1

Note that the Metro Vancouver living wage family income is too high to qualify for the Canada Workers Benefit or the Refundable Medical Expenses Supplement.

The following BC non-refundable tax credits are included (2022 tax year):

- Basic personal amount—claimed by both parents
- EI and CPP premiums—claimed by both parents
- Tuition amount (actual tuition fees paid minus the \$250 claimed for the Canada Training Credit)—allocated to Parent 2
- Medical expenses credit—allocated to Parent 1 as it is advantageous for the parent with the lower net income to claim
- BC Tax Reduction Credit—claimed by both parents

The BC Tax Reduction Credit is a non-refundable income-tested tax credit that reduces the provincial income tax bill for people with individual net income less than \$35,659. In the Metro Vancouver 2023 calculation, neither of the parents are eligible for the BC Tax Reduction Credit. However, in communities with lower living wages one or both parents might be eligible. The calculation spreadsheet will automatically adjust provincial taxes if that is the case.

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

For more information of taxes and tax credits, consult the CRA website:

www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years/general-income-tax-benefit-package/british-columbia.html.

Stage 3: Determining the living wage amount

This step is the easiest. Examine Table III in the calculation spreadsheet. Cell C47 is the gap between the available annual income and the 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 B54. If the gap line is positive, reduce the living wage amount in Cell B54 until the gap is negative, and then increase it until the gap line has the lowest possible positive amount.

Stage 4: Verifying the calculations

Once you complete your community's living wage calculation, please contact Living Wage for Families BC so we can verify your calculation.

You can verify the amounts of government transfers through federal and provincial online benefit calculators, including:

- The CRA child and family benefits calculator:
<https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-family-benefits-calculator.html>.
- The BC Affordable Child Care Benefit estimator:
<https://myfamilyservices.gov.bc.ca/s/estimator>.
- The BC Rental Assistance Program calculator:
<https://www.bchousing.org/housing-assistance/rental-assistance-programs/rap-safer-calculator>.

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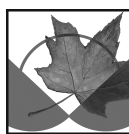
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