

Minimum wage and Welfare incomes in New Brunswick. How to survive?

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Because of the social disparity amongst individuals and families, our society has provided social programs or rules to help those grappling with difficult living conditions. In the last ten years, these programs, measures and rules have suffered enormous cuts, especially when it comes to minimum wage and social security benefits, thus making the disparity even bigger and increasing poverty in New Brunswick.

Based on the recent study of The National Council of Welfare¹ on the cost of poverty, the goal of this document is to give an account of the reality New Brunswick individuals and families face when they depend on minimum wage or social security benefits for their income. The data presented shows, in particular, the disparity between income from social security and income from minimum wage work as compared with the low-income line or the poverty line as defined by Statistics Canada.

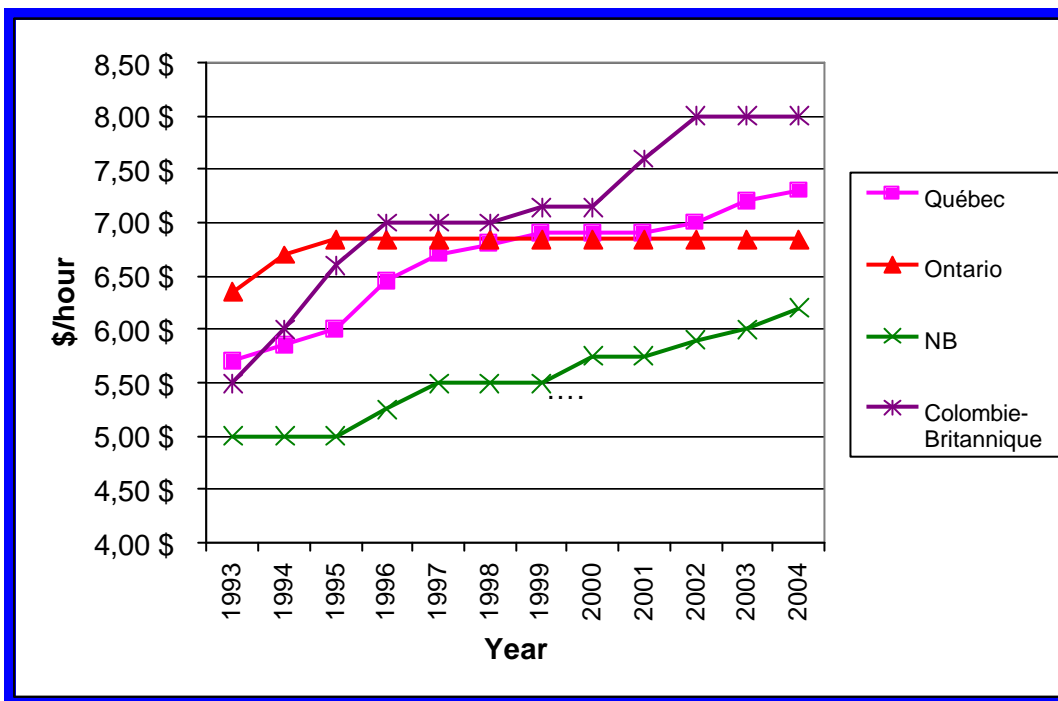
According to the last census of Statistics Canada in 2001, 111 365 persons live under the low-income cut-off line (LICO) in New Brunswick. This means 15.7 % of New Brunswickers live in poverty. If we're to believe the trends of the last few years, the future doesn't look very bright. Each year, more and more people live in poverty and numerous families will have to go without even more in the future. To live in poverty means doing without essential things like adequate housing, quality of food and sufficient quantity of it, clothing for all seasons, access to transport etc. This situation is caused mostly by social benefits and minimum wage being set too low, which doesn't help people and their families to get out from the poverty snare.

¹ NCW (2004b) *Income for living?* The National Council of Welfare, Ottawa.

1. Minimum wage...far from providing the minimum for living

Since January 1st, 2004 minimum wage in New Brunswick has been set at \$6.20². Despite the frequent raises of the last years, minimum wage in New Brunswick is far behind the minimum wage rates of most of the other Canadian provinces.

Table 1. Minimum wage evolution in Quebec, Ontario, British Columbia and New Brunswick between 1993 and 2004



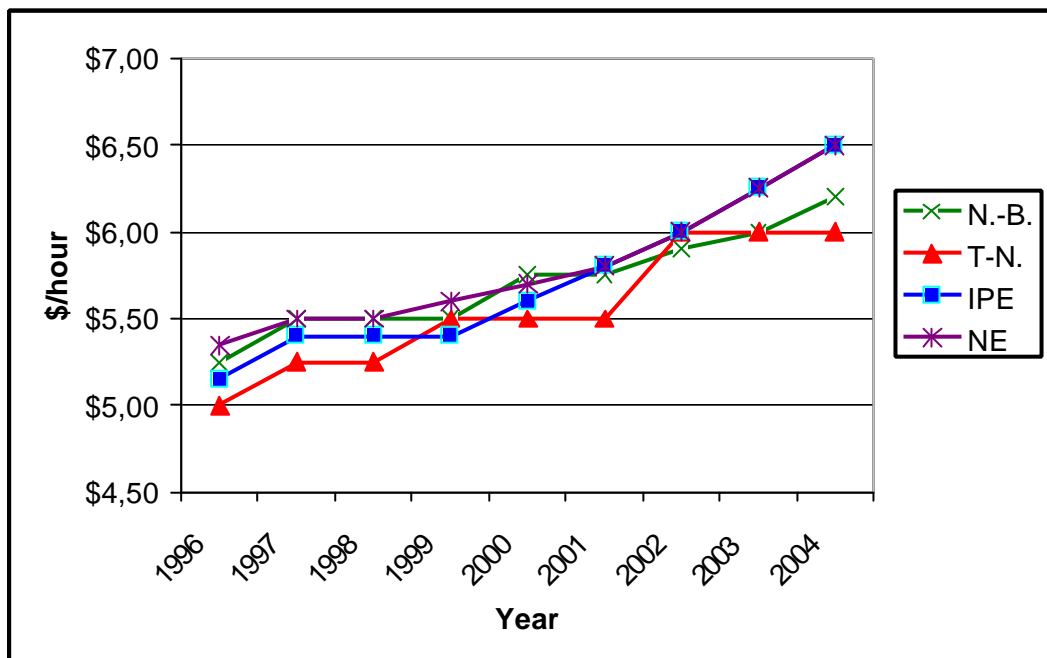
As one can see, reading the above table, minimum wage rates in New Brunswick have always been lower than those in Quebec, Ontario and British Columbia. In 2004, minimum wage was \$7.30/hour in Quebec, \$6.85/hour in Ontario, \$8.00/hour in British Columbia, whereas it was still \$6.20 in New Brunswick. Despite the more frequent raises in New Brunswick these last few years, it wasn't enough to catch up with the raise of the cost of living.

² Minimum wage will reach \$6.30 /hour on January 1st, 2005

By comparing this data with the other Atlantic Provinces, one can see that Newfoundland is the only Atlantic province whose minimum wage is inferior to the one in New Brunswick. The table below compares New Brunswick minimum wage with the other Atlantic Provinces for the years between 1996 and 2004.

It shows that among the Atlantic Provinces the minimum wage rate is similar. In 2004, minimum wage was \$6.00/hour in Newfoundland, \$6.50/hour in Prince Edward Island, \$6.50/hour in Nova Scotia and \$6.20 in New Brunswick. Minimum wage raises of the last few years are equally similar.

Table 2. Minimum wage evolution in the Atlantic Provinces between 1996 and 2004



- **Working ...and staying poor**

What does minimum wage work really means, when it comes to essential needs and the poverty line?

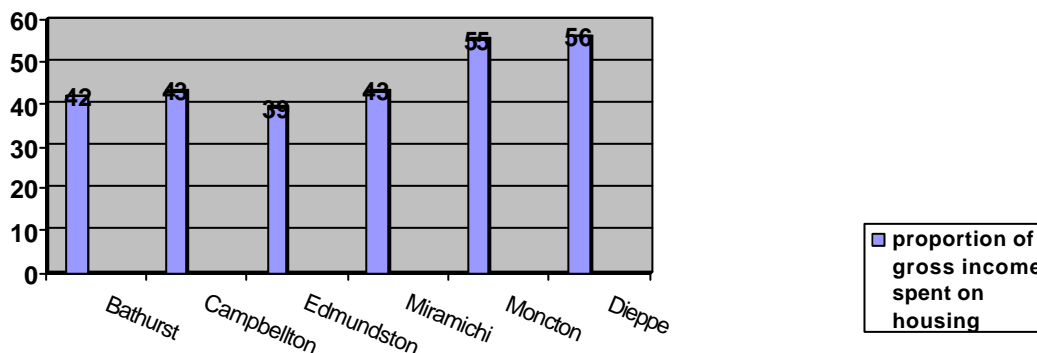
Table 3 : MINIMUM WAGE INCOME PERCENTAGE OF LOW-INCOME CUT-OFFS (POVERTY LINE), 2003			
	Income	LICO	% of LICO
Single employable people	12 896 \$	16 862 \$	76 %
Single parent, one child	12 896 \$	21 077 \$	61 %
Couple, two children	25 792 \$	31 731 \$	81 %

The above table shows that a person living alone, and working 40 hours a week for a period of 52 weeks per year, earns a gross income of \$12 896, which is equivalent to 76% of the low-income cut-off line (or poverty line). The gross income of a single parent family, working at minimum wage is equivalent to 61% of the poverty line. The situation is not better for families with two children where both adults are working at minimum wage. The income of that family covers only 81% of the low-income cut-off line! People working at minimum wage do not earn enough to meet essential needs.

- **Cost of housing**

In several urban centers of the province, minimum wage working people must spend a major part of their income on housing. This situation is particularly difficult for single parents working at minimum wage. In several New Brunswick towns, these people spend a way too great proportion of their income on housing.

Table 4. Proportion of gross income spent on housing by single parent families who live in a two-bedroom apartment and work at minimum wage.



The above table shows that in New Brunswick, heads of single parent families working for minimum wage and living in a two-bedroom apartment spend between 42% and 56% of their gross income on lodging.

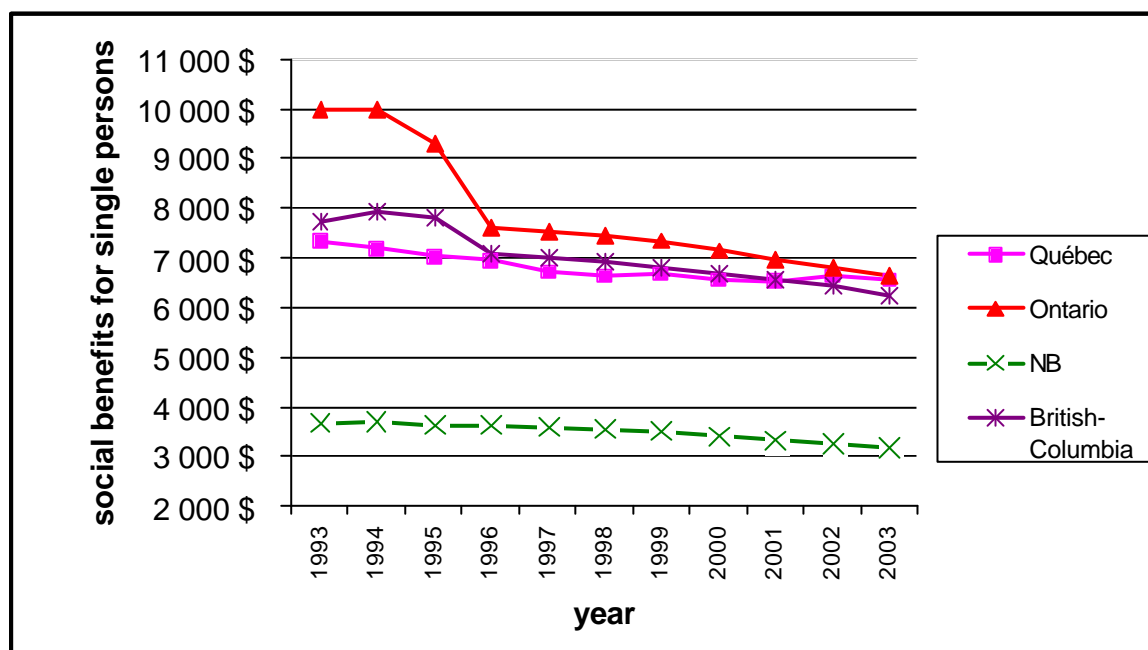
In short, people working in New Brunswick at minimum wage, far behind the minimum wage rates of other Canadian provinces, cannot make ends meet. For the different kinds of families (single persons, single parent families with one child, two-parent families with two children) the minimum wage is far behind the poverty line as defined by Statistics Canada.

2. Social Assistance just doesn't assist in getting out from the abyss of poverty

In New Brunswick, welfare income is below the rate of other Canadian provinces for employable persons and disabled persons. In 2003, the estimated annual welfare income is 3 383\$ for a single employable, 6 911\$ for a person with a disability, 13 232\$ for a single parent with one child and 16 852\$ for a couple with two children (NCW, 2004).

The National Council of Welfare, in its recent report titled *Welfare Incomes 2003*, worked out the evolution of the provincial and territorial social benefits between 1993 and 2003. After subtracting the HST federal credit, their study reveals that the amount of social benefits given to persons living alone and employable in New Brunswick were always by far much less than the amounts granted in Ontario, Quebec and in British Columbia (NCW, 2004).

Table 5: Evolution of social benefits for single persons in Quebec, Ontario, British Columbia and in New Brunswick between 1993 and 2004³

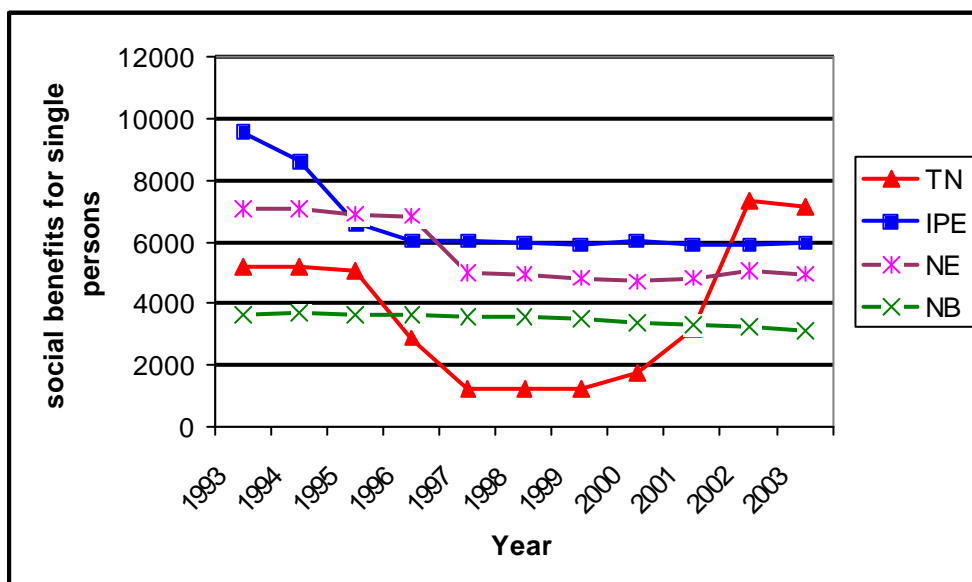


³ From: NCW (2004) *Welfare Incomes 2003*, The National Council of Welfare, Ottawa.

Indeed, if we compare incomes from social benefits, in 2003 Constant Dollars, paid to single persons between 1993 and 2003 in the four Canadian provinces of Quebec, Ontario, British Columbia and New Brunswick, we can see a huge difference between the incomes from social benefits of New Brunswick and those of other provinces. In 2003, in New Brunswick, a single employable person received \$3 168 per year. Who can possibly survive on an annual income of \$3 168? In fact, for this type of claimant, the income from social benefits paid in New Brunswick is equivalent to 47 % of the amount paid in Ontario (\$6 623), 51% of the amount paid in British Columbia (\$6 230) and 48% of the amount paid in Quebec (\$6 544). On average, social benefits in New Brunswick for single employable persons is equivalent to about half of the amounts paid by the other three provinces!

Now, if we compare provincial welfare benefits paid, in 2003 Constant Dollars to single persons between 1993 and 2003 in the four Atlantic Provinces, (see table 5), we can see that the benefits, at this time, are the lowest, in New Brunswick. Between 1996 and 2002, welfare benefits in Newfoundland were the lowest in the Atlantic Provinces. Since 2002 however, Newfoundland pays the highest benefits in the Atlantic Provinces. The income from social benefits in New Brunswick for a single person, in 2003 Constant Dollars, is \$ 3 168, or 64% of the amount paid in Nova Scotia (\$4 980), 53% of the amount paid in Prince Edward Island (\$5 940) and 44% of the amount paid in Newfoundland (\$7 180).

Table 6: Evolution of provincial welfare benefits for single persons in Nova Scotia, Prince Edward Island, Newfoundland and New Brunswick between 1993 and 2003⁴

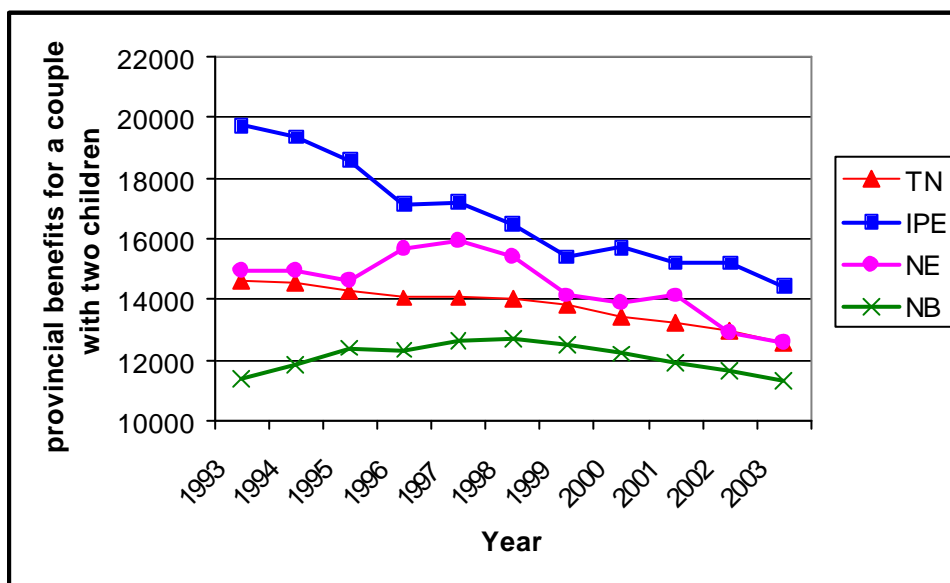


⁴ From: NCW (2004) *Welfare incomes 2003*, National Council of Welfare, Ottawa.

The situation isn't much better for families who depend on social assistance to survive. After subtracting from the total social benefits income, the Provincial Child Benefit, the tax credit for HST and the National Child Benefit (NCB), the National Council of Welfare reports that in 2003, the benefits paid by the province of New Brunswick to families made up of two adults and two children are as little as...\$11 238 per year (NCW, 2004b). The Market Basket Measure, worked out by Statistics Canada establishes that in 2000, in New Brunswick, a family of that size needed on average \$23 728 to meet their essential needs. In fact the amounts paid by the province, cover only 67% of the income from social benefits when credits for HST and the National Child Benefit amounts to 33% of the income of families on social assistance. The benefits paid, in 2003 Constant Dollars, by the province of New Brunswick, to families on social assistance, are even less in 2003 than they were in 1993 (CNW, 2004).

The following table compares the social benefits, in the Atlantic Provinces for families made up of two adults and two children. We note, once again, that in New Brunswick the social benefits are the lowest. In New Brunswick, the benefits, in 2003 Constant Dollars, are \$11 328. In Nova Scotia and Newfoundland, the benefits are about \$12 600. Finally, at \$14 468, Prince Edward Island has the highest benefits in the Atlantic Provinces.

Table 7: Evolution of provincial benefits for a couple with two children in Nova Scotia, Prince Edward Island, Newfoundland and New Brunswick between 1993 and 2003⁵



⁵ From: NCW (2004) *Welfare Incomes 2003*, National Council of Welfare, Ottawa.

The table 8 shows that the different types of claimants have an income from social assistance well below the low-income line.

Table 8: WELFARE INCOME AS PERCENTAGE OF POST INCOME TAX LOW-INCOME CUT-OFFS AND AVERAGE INCOME, 2003 ⁶					
Type of household	Income	LICO-IAT ⁷	% of LICO-IAT	Average income	% of average income
Single employable	3 383 \$	13 558 \$	25 %	23 208\$	15%
Single person with a disability	6 911 \$	13 558 \$	51 %	23 208\$	30%
Single parent, one child	13 232 \$	16 544 \$	80 %	29 688\$	45%
Couple, two children	16 852 \$	26 061 \$	65 %	68 349\$	25%

Single employable persons and single disabled persons are the ones whose income is the furthest from the low-income cut-off. For these kinds of claimants the income covers respectively only 25% and 51% of the established line. The income of families (two-parents and single parent) is equivalent to 65% and 80% of the poverty line. When we compare the income from social assistance with the average income, the disparity is even greater. Employable persons are paid benefits, which are equivalent to 15% of the average income. The income of disabled single persons is about 30% of the average income. Single parent families are paid benefits that cover 45% of the average income whereas two-parent families with two children are paid benefits equivalent to 25% of the average income.

⁶From: NCW (2004) *Welfare Incomes 2003*, The National Council of Welfare, Ottawa.

⁷ Contrary to table 3 who showed the pre-income tax low-income cut-off, the amounts indicated here are the post-income tax low-income cut-off (LICO-IAT), so that we may compare them with social benefits incomes that are net incomes.

- **Cost of housing**

Regardless of where they live in the province, social assistance families must spend more than 30% of their income on housing.

	Average mensual rents 3 bedroom	Average annual rents 3 bedroom	% of income spent on housing
Bathurst	473\$	5 676\$	34%
Campbellton	503\$	6 036\$	36%
Edmundston	445\$	5 340\$	32%
Miramichi	539\$	6 468\$	39%
Moncton	616\$	7 392\$	44%
Dieppe ⁸	*	*	*

So, a family living in Edmundston must spend on average between 32% and 44 % of its net income for a three-bedroom lodging. The situation for single parent families is worse still. In some towns they have to spend *more than half of their income* on housing.

	Average mensual rents 2 bedroom	Average annual rents 2 bedroom	% of income spent on housing
Bathurst	447 \$	5 364 \$	41 %
Campbellton	466 \$	5 592 \$	42 %
Edmundston	419 \$	5 028 \$	38 %
Miramichi	463 \$	5 556 \$	42 %
Moncton	587 \$	7 044 \$	53 %
Dieppe	598 \$	7 176 \$	54%

⁸ Data not available

So, in New Brunswick single parent families with one child must spend between 38% and 54% for a two-bedroom apartment.

What's more, the proportion of income single employable persons and single disabled persons must spend on housing challenges all the basic mathematical rules. Whether for a one-bedroom apartment or a studio apartment, it's practically impossible to afford housing.

Table 11 : PROPORTION OF WELFARE INCOMES SPENT ON HOUSING FOR A SINGLE PERSON (bachelor)				
	Average mensual rent	Average annual rent	% of income spent on housing for a single employable person	% of income spent on housing for a disabled person
Bathurst	316 \$	3 792 \$	112 %	55 %
Campbellton	312 \$	3 744 \$	111 %	54 %
Edmundston	305 \$	3 660 \$	108 %	53 %
Miramichi	300\$	3 600 \$	106 %	52 %
Moncton	370\$	4 440 \$	131 %	64 %
Dieppe ⁹	*	*	*	*

For example, the data in table 11 shows that a disabled person living alone must spend between 52% (Miramichi) and 64% (Moncton) of his or her income on housing. Worse still, according to the data of the same table, single employable persons just cannot afford any kind of housing anywhere in New Brunswick! Who can possibly spend 106, 111 or 131 % of his or her income on housing? It's impossible!

Comparing social benefits income for these two kinds of claimants is even more dramatic when considering a one-bedroom apartment.

⁹ Data not available

	Average mensual rent	Average annual rent	% of income spent on housing for a single employable person	% of income spent on housing for a disabled person
Bathurst	364 \$	4 368 \$	129 %	63 %
Campbellton	369 \$	4 428 \$	131 %	64 %
Edmundston	382 \$	4 584 \$	136 %	66%
Miramichi	400 \$	4 800 \$	142 %	69 %
Moncton	483 \$	5 796 \$	171 %	84 %
Dieppe	528 \$	6 336 \$	187 %	92 %

However unrealistic, employable persons on social assistance have to spend between...129 and 187 % of their income on housing!

CONCLUSION

In short, the data presented in this document describes a very dark picture of the situation individuals and families find themselves in when they depend on minimum wage and social assistance in order to survive. What's more there is an important disparity between the Canadian provinces: compared to other provinces, New Brunswick is the province where the rates, whether for minimum wage or social benefits, are the lowest. In the Atlantic Provinces specifically, it is in New Brunswick where single persons and two-parent families with two children receive the lowest social benefits. By working 40 hours a week for 52 weeks at minimum wage, people can't get above the poverty line. The situation is worse for single persons who depend solely on social assistance. Improvement of the critical situation of low-income persons in New Brunswick depends largely on this government. It is the only agent that can change things, by raising substantially the social benefits and the minimum wage rate in New Brunswick. The survival of tens of thousands of women, men and children in New Brunswick depends on it.

Sources

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