

## Research Topics by Rhythm Capital Corp.

Published: July 2023

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As part of Rhythm Capital Corp's ("RCC") ongoing endeavors to broaden knowledge availability for the general public, the firm asked for its 'Reading Week' readers to submit questions they may have. The ask was left undefined as to the range of topics for submission. The topics asked to date have related to economic activities within specific regions as well as differences in employment opportunities within Canada while other questions have delved into the social practices of suit wearing in city downtowns.

Questions submitted are reviewed by RCC, where the firm then develops researched responses along with incorporating some of its own opinions on the matter. The following is the first of an ongoing series of researched topic responses.

### Topic One

*Question from a reader:*

*My young adult grandson is thinking of moving east, are the opportunities better there?*

As part of the submission from the reader, it was shared that this grandson is specifically considering moving from Calgary to Montreal as the city of choice in Eastern Canada.

*Background of Individual:*

The young man's education level currently is an unfinished undergraduate degree that may or may not be completed by the time he's looking to move in 12 to 18 months from July 2023. His current financial situation would be a little more precarious in moving as he has limited savings to backstop any relocation but does benefit from no current financial obligations of student loans or vehicle expenses.

As he is considering moving to Quebec, language is a potential factor. His primary language spoken, read and written is English. For French, he would be considered to have a cursory knowledge.

### Comparison

For a recommendation, a comparison of his current city of residence, Calgary, is assessed against the prospective future city of Montreal.

*City of Montreal*

The population of the city proper Montreal is 1.76 Million while Metropolitan Montreal included 4.29 Million people in 2021<sup>1</sup>. Montreal, the largest city in Quebec and 2<sup>nd</sup> largest in Canada (behind Toronto), resides on an island where the Ottawa River and the Saint Lawrence River meet. Relative to Calgary, the city proper sizes are fairly similar – City of Calgary has 1.31 Million people with the Great Calgary Area home to 1.37 Million people in 2021 placing Calgary just behind Montreal in size.<sup>2</sup>

Typically, Calgary is thought to be a young city which is true however in comparison to Montreal the difference between them is not as great as one may have expected.

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<sup>1</sup> Source: <https://www.populationu.com/cities/montreal-population>

<sup>2</sup> Source: <https://regionaldashboard.alberta.ca/region/calgary/population/#/?from=2018&to=2022>

Table 1 - Age of Residents of Montreal vs Calgary – 2021 <sup>3</sup>

	City of Montreal	City of Calgary	Delta in Yrs	% Diff Mtl vs Cgy
Average Age	40.6	38.8	1.8	4.43%
Median Age	38.8	38.0	0.8	2.06%

As of 2021, the average age of Montreal residents was 1.8 years older than those in Calgary (4.43% older), the median age shows that there is only a 2% difference in ages with Montreal still older by 0.8 years. This speaks to Montreal in general being an older city but that there are many young people living there as well implying some youthful vibrancy in the city proper.

### Employment:

Current employment data shows that Montreal has a tight labour market with an Unemployment Rate of 4.4% which has decreased over the past year by 0.4%. In Calgary, unemployment was at 6.3% - an increase over the prior year of 0.5%.<sup>4</sup>

Besides the typical service industry jobs, the Montreal area offers five growing industries:<sup>5</sup>

- Cultural and creative sector;
- Life sciences and health technologies;
- Digital industry;
- Transportation and mobility; and
- Clean technologies.

### Earnings:

The wages for any individual will vary greatly depending on their particular job however, on a broad based basis, the average wages may be used as a benchmark.

Firstly, the Minimum Wage for the respective cities, as of July 2023, has Montrealers earning \$0.25 more per hour than those in Calgary. The Minimum wages are \$15.25 per hour in Montreal and \$15.00 per hour in Calgary. The difference has only flipped in May 2023 when Quebec increased the rate by \$1.00 per hour.<sup>6</sup>

For the average wages earned overall, those in Alberta earned an average hourly wage of \$33.60 or \$67,200 annually while the hourly average was \$30.96 leading to average annual earnings of \$61,920.<sup>7,8</sup> This equates to a difference of 8.53% less in average earnings for those residing in Montreal.

<sup>3</sup> Sources: City of Montreal <https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&GENDERlist=1&STATISTIClist=1&HEADERlist=0&DGUIDlist=2021A00052466023&SearchText=montreal> ; City of Calgary: <https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&GENDERlist=1,2,3&STATISTIClist=1,4&HEADERlist=0&DGUIDlist=2021A00054806016&SearchText=calgary>

<sup>4</sup> Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/230707/t007a-eng.htm>

<sup>5</sup> Source: <https://montreal.ca/en/articles/five-high-potential-economic-sectors-14352>

<sup>6</sup> Sources: Source: <https://www.cnesst.gouv.qc.ca/en/working-conditions/wage-and-pay/wages/minimum-wage> & <https://www.alberta.ca/minimum-wage.aspx>

<sup>7</sup> Using 2,000 hours as the typical number of workable hours.

<sup>8</sup> Source: [Statistics Canada. Table 14-10-0064-01 Employee wages by industry, annual -](#)

**Taxes:**

**Sales Taxes –**

For those from Alberta and making retail purchases in Quebec, the rung in costs of retail purchases will shock as the Provincial Sales Tax (PST) is 9.75% in addition to the GST of 5% on goods and services. That is roughly a 200% increase of taxes on items purchased in Quebec.

**Personal Income Taxes -**

For Personal Income Taxes, Quebec has the highest of personal income tax rates across Canada. In comparison to Alberta, the Quebec rates are higher for all levels of personal taxes, even after the province introduced a reduction on taxes for lower income levels for the 2023 tax year. Of note though, the rates are not far apart for those earning less than \$50,000 per year. The difference is widest at the middle-income range with those in QC paying 18% more than those in Alberta when an individual begins earning over \$98,540 annually.<sup>9</sup>

As an example, here are three annual income scenarios and the net income after taxes when earning in Montreal or Calgary:

*Table 2 - Income Tax Payable Comparison: Montreal vs Calgary*

	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 3</i>
<b>Montreal</b>			
Annual Income	\$45,000.00	\$85,000.00	\$105,000.00
Taxes Payable	\$6,300.00	\$16,150.00	\$25,200.00
Net Income	\$38,700.00	\$68,850.00	\$79,800.00
<b>Calgary</b>			
Annual Income	\$45,000.00	\$85,000.00	\$105,000.00
Taxes Payable	\$4,500.00	\$8,500.00	\$10,500.00
Net Income	\$40,500.00	\$76,500.00	\$94,500.00
<b>Difference:</b>	<b>(\$1,800.00)</b>	<b>(\$7,650.00)</b>	<b>(\$14,700.00)</b>
	<b>-4.65%</b>	<b>-11.11%</b>	<b>-18.42%</b>
<b>Results: Less Net Income in Montreal</b>			

The tax paid difference between provinces becomes very significant as one earns more – for those earning in Montreal they go from having 4.65% less net income with a \$45K annual income which then decreases to 18.42% less when earning \$105K annually. Overall, being a resident of Montreal, QC, one will pay substantially higher personal taxes relative to a resident of Calgary, AB. Moreover, the remaining disposable income for Montreal residents is further reduced by Quebec’s Provincial Sales Tax whereas Alberta retains no PST.

<sup>9</sup> Source: <https://www.taxtips.ca/taxrates/qc.htm> & <https://www.taxtips.ca/taxrates/ab.htm> as at July 2023.

**Living Costs:**

The day-to-day costs incurred to live include some large percentages of one's earnings. The main two factors are food and shelter.

The rents for living in Montreal are on average 10% lower than those for renting in Calgary.<sup>10</sup> The average rents for living in Montreal's core are around \$1,550 per month and then decline to about \$1,180 per month as one lives further out. This compares to Calgary's city core rents of \$1,700/ mth and \$1,450/ mth outside the downtown.<sup>11</sup>

Of note, in a bit of a counter-intuitive reality, the price of buying an apartment is higher in Montreal than Calgary reflecting the greater inventory of rental units in Montreal and relative scarcity in Calgary.

*[See side bar "Moving Day in Quebec" for history of the typical lease start/ end day in Quebec.]*

For the costs of daily food and other non-rent items, Montreal again proves to be of lower cost relative to Calgary. The prices in Montreal are 10% lower than the costs incurred in Calgary including the cost of eating out in Calgary being slightly higher by a little over 1%.<sup>12</sup>

**Moving Day in Quebec – July 1<sup>st</sup>**

While not the only day of lease starts, the date of July 1<sup>st</sup> is still the prevalent rental start date. The results lead to large scale moving, in particular, within Montreal, as tenants find themselves having to move at the same time as many other renters.

*"The tradition was first set in place as a humanitarian measure of the French colonial government of New France, who forbade landlords from evicting their tenant farmers before the winter snow melted. While originally the French law in the 18th century set the "Moving Day" to be on May 1, that later got changed. On May 1st children were still in schools, and moving was a huge inconvenience for the parents. That was why in 1973, the Quebec government decided that it would be a better fit to switch dates and make July 1 the official Moving Day."*  
<https://www.qvota.ca/en/blog/moving-day-in-quebec/>

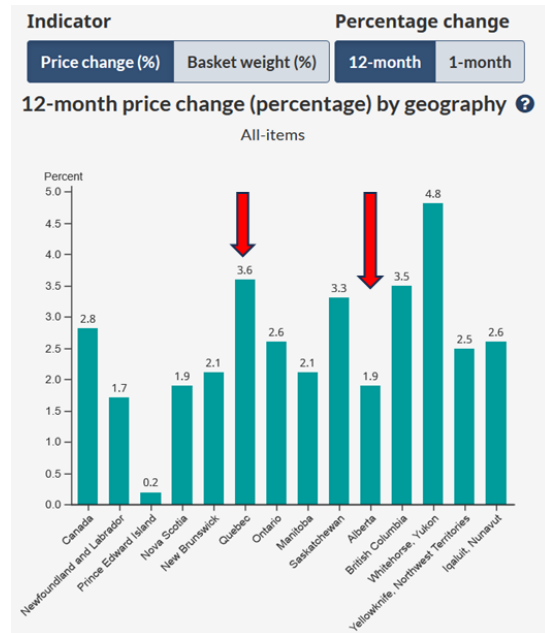
If one faces difficulty with the lease process, the provincial housing tribunal (TAL), holds exclusive jurisdiction on all matters pertaining to leases in Quebec. For those in Montreal and Laval, the number is 514 873-BAIL (2245). Source: CBC.ca - <https://www.cbc.ca/news/canada/montreal/moving-day-montreal-resources-1.6893079>

<sup>10</sup> Source: [https://www.numbeo.com/cost-of-living/compare\\_cities.jsp?country1=Canada&country2=Canada&city1=Calgary&city2=Montreal](https://www.numbeo.com/cost-of-living/compare_cities.jsp?country1=Canada&country2=Canada&city1=Calgary&city2=Montreal) – as at Jul 2023.

<sup>11</sup> Based on rental for a one bedroom apartment.

<sup>12</sup> Source: [https://www.numbeo.com/cost-of-living/compare\\_cities.jsp?country1=Canada&country2=Canada&city1=Calgary&city2=Montreal](https://www.numbeo.com/cost-of-living/compare_cities.jsp?country1=Canada&country2=Canada&city1=Calgary&city2=Montreal)

Figure 1 - June 2023 CPI Snapshot



Lately, the Consumer Price Index for Quebec has shown an increase of 3.6% with Alberta’s rate lower at 1.9% over the past 12 months. Should this trend continue, Montreal’s cost benefit will be reduced.

### Analysis of Cities

To properly compare the two cities, I have put together three earnings scenarios while leaving the expenses the same for each city’s scenario. That means, accommodations remain as a single bedroom rented apartment in the downtown core with the non-rent expenses the same for the respective city.

Scenario 1 uses the minimum wage as a basis for the total earnings while Scenario 2 takes the average hourly wage earned. Extrapolating the hourly wages into annual earnings based on 2000 hours in a typical work year provides a gross income potential for each city. Reducing the earnings by the applicable tax rate and then respective rents and non-rent costs leaves a net disposable income.

For Scenario 3, the hourly wages are set at the break-even point for sufficient earnings to cover the typical expenses in each city.

The findings show that neither city would allow one to live off just minimum wage and live on their own. There would need to be reductions in costs to ensure one is able to afford to live in either city. In Montreal, one would need to reduce costs or increase income by \$650/ month to survive. For Calgary, that increase of income or reduction of expenses almost doubles to \$1,200/ month being needed.

In the case of average wages earned, Scenario 2 shows that a person earning average wages in Calgary would be ahead by approximately \$250/ month. This advantage for Calgary is driven by the significant income tax rate difference with Montreal residents paying 19% on their earning while those in Calgary would pay only 10%. That rate difference results in \$420 more paid per month for those earning average wages in Montreal.

The last scenario works backwards, using the costs as the earnings, the minimum amount earned is calculated to cover all costs for each of the respective cities, including accounting for income tax rate differences. The results show, for one residing in Montreal, one needs to earn approximately \$39,600 per year. In Calgary, \$46,000 in annual earnings is necessary for break-even living.

Those scenarios reflect the averages and mandated wage minimums but the unknown factor that is implied is that one is able to find employment. The current economy in Montreal is showing a very strong employment rate which is also pushing CPI up at a quicker rate than Calgary. A continuation of that higher inflation rate will reduce the benefits for those in the low tax brackets as more of one's earnings will be consumed on living expenses.

Appendix 1 shows the full comparison for each scenario.

## **CONCLUSION**

There is a distinctive finding in comparing living in Montreal versus Calgary. While the costs are lower in Montreal so too is the typical earnings other than the current minimum wages difference of 25 cents/hour in favour of Montreal. Taking unemployment rates for Montreal and Calgary of 4.4% and 6.3% respectively, they can be equated for the purposes of this review. That said, the biggest differentiator is the income tax rate difference between the provinces.

The reviewed figures show that one could live in Montreal on less income than required in Calgary. However, wages are typically higher in Calgary thereby offsetting some of the city's higher costs. The factor that comes into play as one begins to earn higher than average wages is Quebec's materially higher income tax rates. As one begins to earn over \$50,000/ year, the income tax payable in Montreal eliminates any cost savings and leads to significantly less disposable income.

Both cities offer a younger population which is something that may be of interest to those just starting their work force entry however language may be a barrier. The Province of Quebec is very focused on retaining its language heritage whereby limitations may be encountered as one looks to progress beyond entry level positions if French is not spoken and written.

In the end, if you make a little, Montreal is a good city to live for its lower costs; if you are making average wages or looking to make more than average and/or you don't possess spoken or written French, you would keep more of your earnings and/ or potentially earn more by living in Calgary.

### APPENDIX 1 - Net Living Cost Comparison: Montreal vs Calgary <sup>13</sup>

<b>Scenario 1</b>		<b>Montreal</b>	<b>Calgary</b>	<b>Diff</b>
Minimum Wage		\$ 15.25	\$ 15.00	\$ 0.25
Total Earnings - Hrs/ yr:	2000	\$ 30,500.00	\$ 30,000.00	\$ 500.00
Monthly Earnings		\$ 2,541.67	\$ 2,500.00	\$ 41.67
Tax Rate		14.0%	10.0%	4.00%
Taxes Payable		\$ 355.83	\$ 250.00	\$ 105.83
Monthly Net Income		\$ 2,185.83	\$ 2,250.00	-\$ 64.17
Rent:	per mth	\$ 1,550.00	\$ 1,700.00	-\$ 150.00
<i>(1 Bedroom City Centre)</i>				
Non-Rent Expenses	per mth	\$ 1,284.30	\$ 1,744.00	-\$ 459.70
Total Expenses		\$ 2,834.30	\$ 3,444.00	-\$ 609.70
<b>Net Funds per Mth</b>		<b>-\$ 648.47</b>	<b>-\$ 1,194.00</b>	<b>\$ 545.53</b>

<b>Scenario 2</b>		<b>Montreal</b>	<b>Calgary</b>	<b>Diff</b>
Avg Hourly Wage		\$ 30.96	\$ 33.60	-\$ 2.64
Total Earnings - Hrs/ yr:	2000	\$ 61,920.00	\$ 67,200.00	-\$ 5,280.00
Monthly Earnings		\$ 5,160.00	\$ 5,600.00	-\$ 440.00
Tax Rate		19.0%	10.0%	9.00%
Taxes Payable		\$ 980.40	\$ 560.00	\$ 420.40
Monthly Net Income		\$ 4,179.60	\$ 5,040.00	-\$ 860.40
Rent:	per mth	\$ 1,550.00	\$ 1,700.00	-\$ 150.00
<i>(1 Bedroom City Centre)</i>				
Non-Rent Expenses	per mth	\$ 1,284.30	\$ 1,744.00	-\$ 459.70
Total Expenses		\$ 2,834.30	\$ 3,444.00	-\$ 609.70
<b>Net Funds per Mth</b>		<b>\$ 1,345.30</b>	<b>\$ 1,596.00</b>	<b>-\$ 250.70</b>

<b>Scenario 3</b>		<b>Montreal</b>	<b>Calgary</b>	<b>Diff</b>
Break Even Wages		\$ 19.80	\$ 23.00	-\$ 3.20
Total Earnings - Hrs/ yr:	2000	\$ 39,600.00	\$ 46,000.00	-\$ 6,400.00
Monthly Earnings		\$ 3,300.00	\$ 3,833.33	-\$ 533.33
Tax Rate		14.0%	10.0%	4.00%
Taxes Payable		\$ 462.00	\$ 383.33	\$ 78.67
Monthly Net Income		\$ 2,838.00	\$ 3,450.00	-\$ 612.00
Rent:	per mth	\$ 1,550.00	\$ 1,700.00	-\$ 150.00
<i>(1 Bedroom City Centre)</i>				
Non-Rent Expenses	per mth	\$ 1,284.30	\$ 1,744.00	-\$ 459.70
Total Expenses		\$ 2,834.30	\$ 3,444.00	-\$ 609.70
<b>Net Funds per Mth</b>		<b>\$ 3.70</b>	<b>\$ 6.00</b>	<b>-\$ 2.30</b>

<sup>13</sup> Source: Calgary cost of living non-rent - <https://www.expatisan.com/cost-of-living/calgary> (June 2023); Montreal cost of living non-rent - [https://www.numbeo.com/cost-of-living/rankings\\_current.jsp](https://www.numbeo.com/cost-of-living/rankings_current.jsp) (June 2023)