



# HOW TO REDUCE THE DEPTH OF SINGLE ADULT POVERTY IN CANADA

Proposal for a Canada Working-Age Supplement

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# INTRODUCTION

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Canada's social safety net does not reflect the economic and social realities of today. In particular, governments have long neglected the needs of working-age single adults without children (or unattached working-age single adults).

Unattached working-age single adults currently face the highest rates and deepest levels of poverty in the country. This stems from a culture of purposefully creating inadequate income supports to incentivize work. As a result, Canada's income support system for working-age single adults does not prioritize dignity and adequacy, continuing to perpetuate the cycle of deep poverty.

While the depth of poverty that unattached working-age single adults face is significant, it can be addressed. **Specifically, we argue that a refundable tax credit for unattached working-age single adults could help reduce the depth of poverty they experience.**

Currently, income supports for unattached working-age single adults living in poverty can be divided into two streams: 1) provincial and territorial social assistance programs, which have long provided woefully inadequate benefits; and 2) income-tested tax credits provided by federal and provincial/territorial governments, which offer limited support and have restricted eligibility.

Taken together, both types of support mean that the total incomes of unattached working-age single adults remain well below the Official Poverty Line.<sup>1</sup>

The deeply inadequate rates of income support provided to unattached working-age adults conflict with the spirit of Canada's first official Poverty Reduction Strategy. Introduced by the federal government in 2018, *Opportunity for All – Canada's First Poverty Reduction Strategy* focused on three pillars: 1) dignity; 2) opportunity and inclusion; and 3) resilience and security.<sup>2</sup>

The Strategy outlined indicators to measure progress against the federal government's goals for a 20 per cent reduction in poverty by 2020 and a 50 per cent reduction in poverty by 2030. This would lead to the lowest rates of poverty in Canada's history (relative to 2015 levels).

While progress has been made against these targets, it has been primarily due to investments the federal government has made for families with children through the Canada Child Benefit (CCB). Another decades-long success is demonstrated through the Guaranteed Income Supplement (GIS) for seniors.

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<sup>1</sup> Market Basket Measure is the Official Poverty Line in Canada.

<sup>2</sup> Employment and Social Development Canada. (2018). *Opportunity for All — Canada's First Poverty Reduction Strategy*. Accessed at <https://www.canada.ca/en/employment-social-development/programs/poverty-reduction/reports/strategy.html>

Other investments — for example, through the Canada Workers Benefit (CWB) — have focused on reducing the rate of poverty for people who live just under the poverty measure. Such policy efforts often neglect those living deeply below the poverty line. To ensure the dignity, inclusion, and security of all people living in poverty, we also need to reduce the depth of poverty people experience.

Canada's experience through the CCB and GIS demonstrate that targeted income supports can help support people living in poverty. Such lessons should inform how we address the depth of poverty unattached working-age single adults experience. As such, it's time to provide a refundable tax credit to unattached working-age single adults living in poverty. Such a benefit would help to address the needs of the “missing middle” in income security policy as well as help to ensure that those in greatest need have more meaningful support from the federal government.

With this in mind, we recommend the development of the Canada Working-Age Supplement (CWAS).

## About the Canada Working-Age Supplement

The proposed Canada Working-Age Supplement (CWAS) would enhance and transform the existing Canada Workers Benefit (CWB) into an income support program that is available to people living in deep poverty, regardless of employment.

The key elements of the proposed benefit include:

- **Adding a floor benefit to the current CWB basic amount.** This means that unattached working-age single adults living in deep poverty who currently receive \$0 from CWB would receive foundational support from the federal government.
- **A higher maximum benefit than the CWB.** Recipients with employment earnings are eligible to receive a higher benefit (depending on their earnings) than they would through the current CWB.

As a refundable tax credit, the CWAS would ensure that the federal government plays a more active role in reducing the depth of poverty that unattached working-age single adults across Canada face today.

**The CWAS could have a significant impact on those living in deep poverty across Canada. It would enable unattached working-age single adults to better afford some of the necessities of life.**

Contrary to the prevailing narrative, a CWAS floor could lower the barrier to entry into the labour market. There are significant, often unrealized, costs to starting a new job (for example, access to a fixed address, a computer, a cell phone, or a bank account) and costs of maintaining a job (which could include transportation, appropriate clothing, and meals). The CWAS could help address such barriers.



Importantly, the CWAS should not come at the expense of reducing other existing supports or limiting the development of additional supports. While the CWAS is not intended to be a panacea that addresses all of the challenges facing unattached working-age single people living in poverty, when stacked with other programs, it will work to meaningfully reduce the depth of poverty.

## What you'll find in this report

**This report combines an analysis of poverty in Canada today, a literature and jurisdictional review, and comprehensive modelling to bolster our arguments for the Canada Working-Age Supplement.**

We begin this report by providing a picture of the state of poverty in Canada today. Through the poverty analysis, we illustrate the depth and rate of poverty working-age single adults experience and outline the policy problem the CWAS ultimately addresses.

Based on the literature and recent historical narratives that have shaped the nature of working-age income supports currently available, we then reflect on how best to support unattached working-age single adults living in poverty today.

Following this, we provide a jurisdictional analysis that illustrates what two countries and a province within Canada are doing to support unattached working-age single adults living in poverty.

We then describe the mechanics of the existing CWB in order to establish a foundation upon which we can enhance and transform the CWB into the CWAS.

Based on this foundation, we propose four potential CWAS models. These options are presented, analyzed, costed, and compared. We analyze the impact of each of these various CWAS models by adjusting the floor benefit amount and employment boost, and assess the associated costs of each.

The results of our analysis demonstrate that between 2.5 and 3.1 million unattached working-age single adults across Canada could benefit from the CWAS — including the 1 million people living in deep poverty who are not currently eligible for the CWB.

Finally, we provide recommendations and a path forward for the federal government to consider.

Ultimately, our report shows:

1. There are viable options that will allow Canada's federal government to address deep poverty among unattached working-age single adults; and
2. The government can demonstrate greater leadership in the fight against poverty.

## The principles that guide us:

The following principles guide the spirit of the CWAS, as well as the analysis and recommendations included in this report:

### **HUMAN RIGHTS**

Everyone in Canada has the human right to an adequate standard of living. The realization of this human right is not determined by income alone but must also consider the system of public and community services available to help promote one's well-being and ensure dignity. In this report, we focus on the role that income can play.

### **EQUITY**

Policy efforts to reduce poverty in Canada should focus on those in greatest need. Often, policy options to reduce the rate of poverty focus on people who are living just below poverty measures. In this report, we focus on people living in deep poverty.

### **AGENCY**

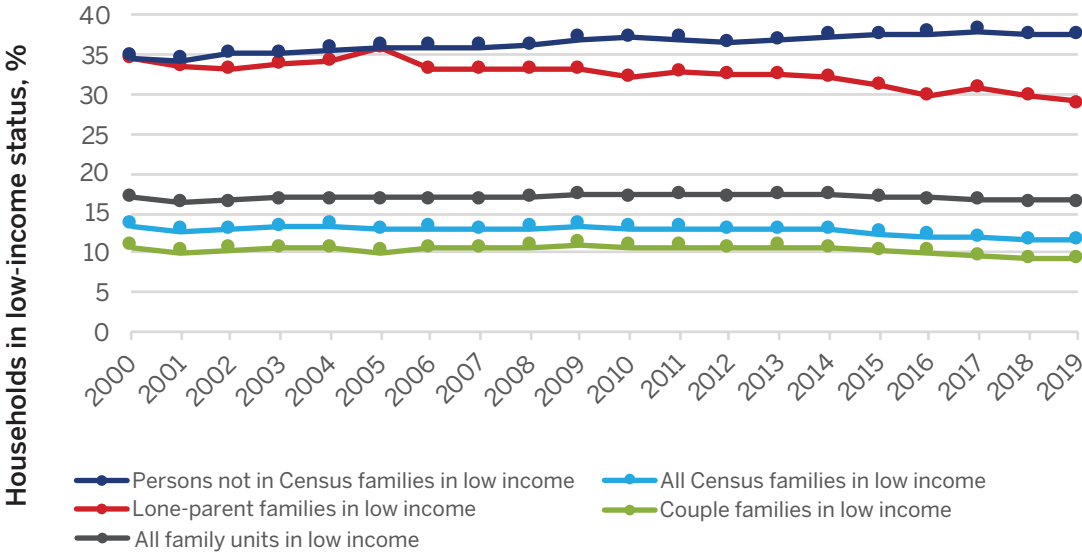
People across Canada should have the resources they need to live life as best as possible, without the punishing implications and reduced capacity that poverty entails. This means that people should have access to resources and opportunities that enable them to live with dignity. It is the duty of the state to provide adequate income supports in a way that is respectful, timely, and reflective of the diverse needs of people across Canada.



# POVERTY ANALYSIS

About 3.7 million people in Canada, or 10.1 per cent of the population, lived below the poverty line in 2019.<sup>3</sup> Critically, poverty rates for unattached working-age single adults have been consistently higher than other family types. As demonstrated in Figure 1.1, working-age single adults have persistently faced higher rates of poverty compared to other family types, and over 35 per cent who filed taxes were living in poverty.<sup>4</sup>

**Figure 1.1: Percentage of households in low-income status by household type, 2000 - 2019**



Source: Statistics Canada. Table 11-10-0018-01 After-tax low income status of tax filers and dependants based on Census Family Low Income Measure (CFLIM-AT), by family type and family type composition.

Of the over 1.8 million people living in deep poverty in Canada, 50 per cent are working-age single adults without children. A person is considered to be living in deep poverty when their income is below 75 per cent of the Market Basket Measure (MBM), Canada’s Official Poverty Line. According to a recent Institute for Research on Public Policy report, “Living in deep poverty means that individuals and families must use all of their income to meet

<sup>3</sup> Poverty in Canada is assessed using the Market Basket Measure (MBM), which creates a poverty threshold using the cost of a basket of goods and services. The MBM threshold varies by household size and geography.  
<sup>4</sup> While the majority of the analysis used in this report uses the MBM to assess the depth of poverty (it is Canada’s Official Poverty Line) and impact of proposed CWAS models, this chart uses the Low Income Measure to measure the relative rate of poverty due the availability of public data on poverty rates by household type and tax-filing.

basic necessities such as shelter and food, making it virtually impossible to address other needs or plan for their future.”<sup>5</sup> As such, additional income supports to help address basic needs are critically important.

The impact that income supports can have in decreasing poverty was recently demonstrated through emergency pandemic income supports, most notably the Canada Emergency Response Benefit (CERB). These supports, established at the outset of the COVID-19 pandemic, helped to reduce poverty by 3.9 percentage points (from 10.3 per cent in 2019 to 6.4 per cent in 2020).<sup>6</sup> While the poverty rate in 2021 will likely be different because emergency pandemic supports have wound down, it is important to remember that people living in deep poverty did not qualify for the CERB if they did not meet the eligibility requirements. As such, while pandemic supports have reduced the rate of poverty in Canada, they have done so temporarily, and they have not decreased the depth of poverty in Canada.<sup>7</sup>

Over the years, federal and provincial poverty reduction efforts have largely focused on families with children and seniors, overlooking unattached working-age adults, largely because of the assumption that they should support themselves. Despite making up the lion’s share of people living in both poverty and deep poverty in Canada, the supports available to unattached working-age single adults are woefully inadequate.

This discrepancy is most pronounced when considering the supports available for people receiving social assistance. Maximum welfare incomes for unattached single adults without earnings, who are considered employable, range from \$7,643 in New Brunswick to \$13,005 in Quebec.<sup>8</sup> In every province but Quebec, welfare incomes for unattached single adults considered employable are less than half those of single parents.<sup>9</sup> As shown in Figure 1.2 (A), total incomes for unattached single adults receiving social assistance across Canada lie well below the deep poverty line, falling as low as 34 per cent of the MBM and 46 per cent of the deep income poverty threshold (MBM-DIP) in Nova Scotia.<sup>10</sup>

While the MBM is not reflective of the additional costs faced by people with disabilities, their welfare incomes also fall below the mark across Canada. As shown in Figure 1.2 (B), unattached single adults with disabilities live below the deep poverty income threshold in eight of the ten provinces.

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<sup>5</sup> Herd, D., Kim, Y., and Carrasso, C. (2020). *Canada’s Forgotten Poor? Putting Singles Living in Deep Poverty on the Policy Radar*. Institute for Research on Public Policy. Accessed at <https://irpp.org/research-studies/canadas-forgotten-poor-putting-singles-living-in-deep-poverty-on-the-policy-radar/>.

<sup>6</sup> Statistics Canada. (2021). *Canada Income Survey, 2020*. Accessed at <https://www150.statcan.gc.ca/n1/daily-quotidien/220323/dq220323a-eng.htm>

<sup>7</sup> Laidley, J., and Tabbara, M. (2021). *Welfare in Canada, 2020*. Maytree. Accessed at <https://maytree.com/welfare-in-canada/>.

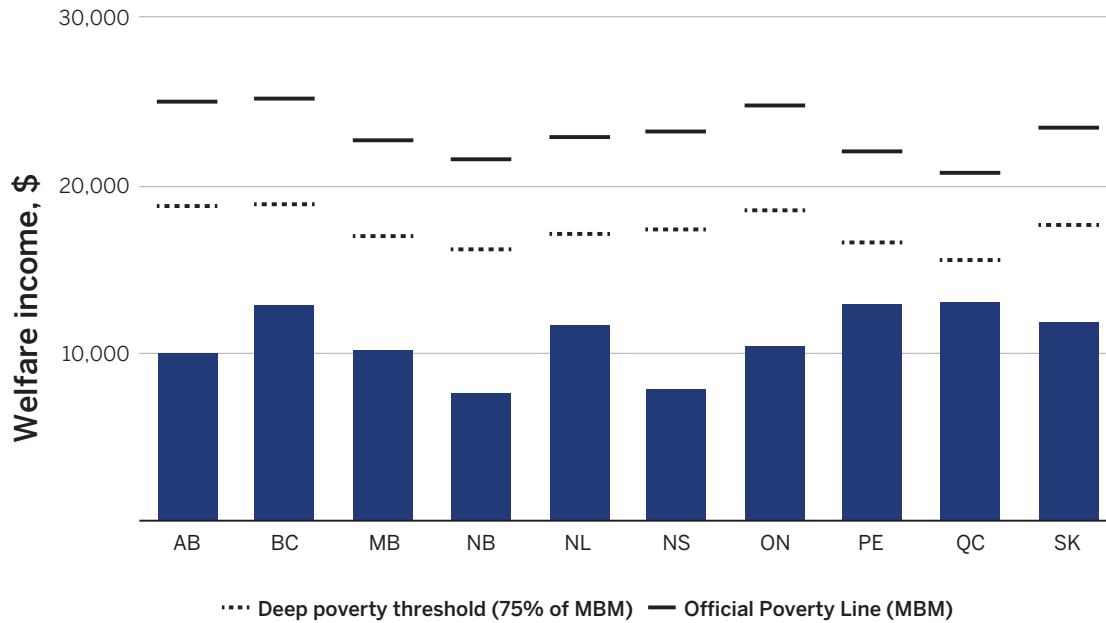
<sup>8</sup> “Welfare income” refers to the total income received from federal and provincial government transfers, including social assistance, refundable tax credits, and benefits. “Considered employable” is a relatively outdated phrase describing people receiving social assistance who do not have, or qualify for, disability support.

<sup>9</sup> Laidley, J., and Tabbara, M. (2021). *Welfare in Canada, 2020*. Maytree. Accessed at <https://maytree.com/welfare-in-canada/>.

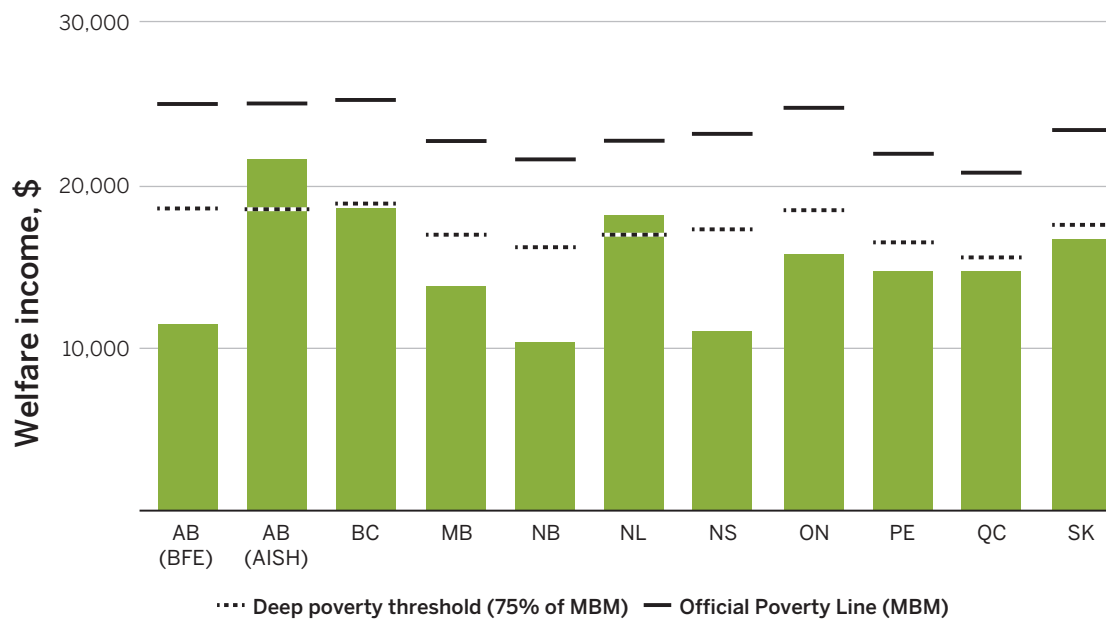
<sup>10</sup> Ibid.

Figure 1.2: Adequacy of welfare incomes for unattached single adults by province, 2020

**A. Unattached single adults considered employable**

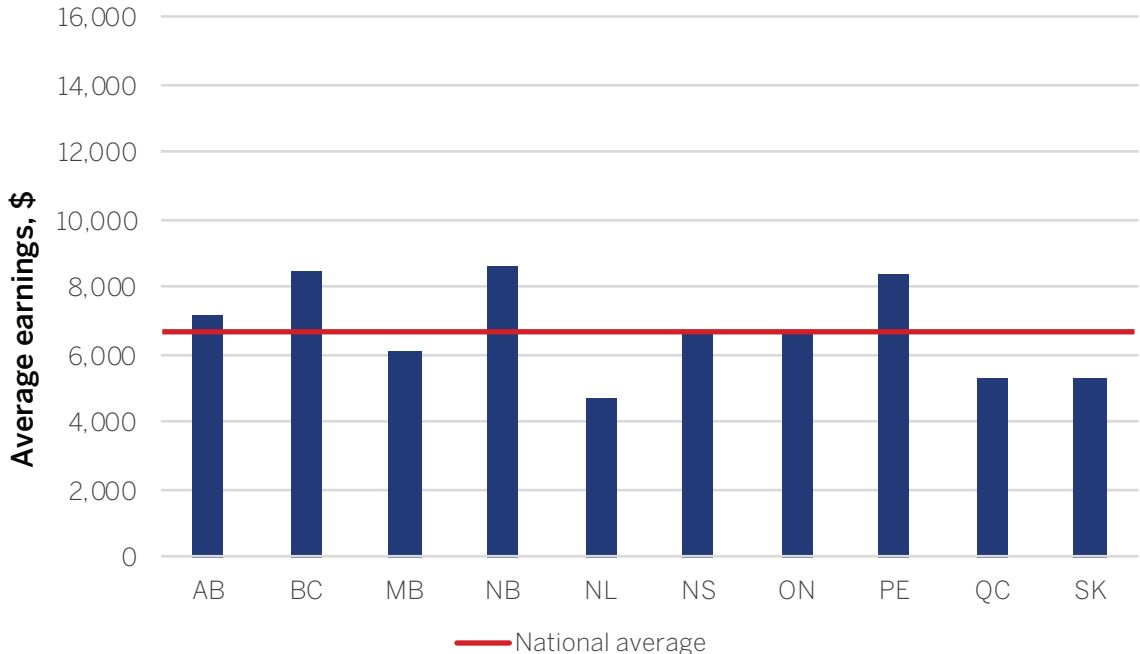


**B. Unattached single adults with disabilities**



The welfare incomes described above do not include any employment income, but many people receiving social assistance do earn some income from work. Data from the Canada Income Survey 2019 illustrate that while the average annual earnings from employment (including self-employment) for a working-age adult in Canada are \$43,600, they are drastically lower for an unattached working-age single person living in poverty, at \$6,700. As shown in Figure 1.3, this number varies significantly across the country, from \$4,700 in Newfoundland and Labrador to \$8,600 in New Brunswick.<sup>11</sup>

**Figure 1.3: Average earnings for working-age single adults without children living in poverty by province**

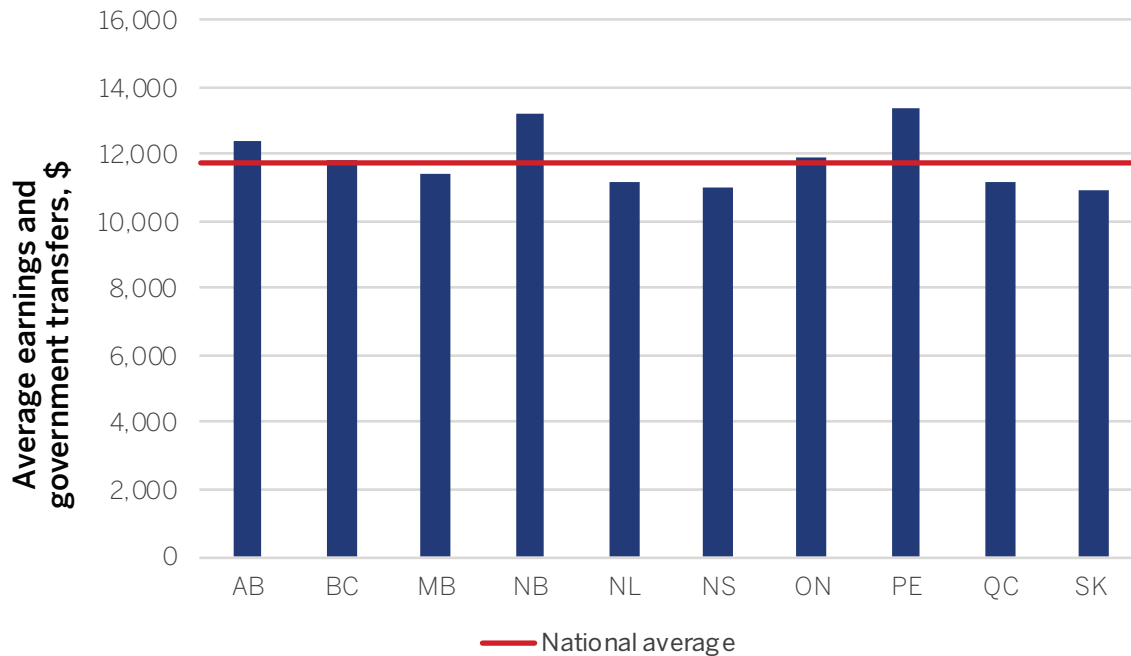


Government transfers do moderately bolster incomes for unattached working-age single adults living in poverty, but this group still lives well below the poverty line in every jurisdiction in Canada. Analysis from data collected under the Canada Income Survey 2019 illustrate that the average earnings and government transfers (which include benefits from social assistance) of unattached working-age single adults living in poverty are \$11,700. As shown in Figure 1.4, this number ranges from \$10,900 in Saskatchewan to \$13,400 in Prince Edward Island. However, nowhere in Canada do they come near the MBM threshold, which, for a single person, is \$23,327 in Saskatoon and \$22,014 in Charlottetown.<sup>12</sup> In some provinces, this group is living on incomes that fall below 50 per cent of the MBM.

<sup>11</sup> These figures only include individuals with employment earnings of more than \$0.

<sup>12</sup> Statistics Canada. (2021). *Market Basket Measure (MBM) Thresholds for the Reference Family by Market Basket Measure Region, Component, and Base Year*. Accessed at <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110006601>.

**Figure 1.4: Average earnings and government transfers for unattached working-age single adults living in poverty by province**



## Affordability issues facing unattached single adults

In addition to receiving fewer and less generous government supports, unattached single adults also face affordability issues, having to shoulder the costs of a household on one income. For example, 41 per cent of unattached single adults live in unaffordable housing (meaning they spend more than 30 per cent of their income on housing), compared with 17 per cent of people who live in households of two or more.<sup>13</sup>

This situation is untenable for people receiving social assistance. In Toronto, for example, unattached single adults receiving social assistance have to spend all of their income on housing alone. To afford rent on a bachelor apartment, a Torontonian receiving social assistance needs 132 per cent of their monthly income.<sup>14</sup>

The cost of food is also higher for people living alone. An unattached single person in Toronto who is receiving Ontario Works (social assistance for people considered employable) has to pay a higher percentage of their income (37 per cent) to afford a nutritious diet compared to any other household.<sup>15</sup> Furthermore, as single adults grapple to meet even basic needs such as food and shelter, the initial costs to secure employment—

<sup>13</sup> Tang, J., Galbraith, N., and Truong, J. (2019). *Insights on Canadian Society: Living Alone in Canada*. Statistics Canada. Accessed at <https://www150.statcan.gc.ca/n1/pub/75-006-x/2019001/article/00003-eng.htm>

<sup>14</sup> Toronto Public Health. (2019). *HL10.3 Appendix C – Nutritious Food Basket Scenarios (Estimates) – Toronto Public Health, 2019*. Accessed at <https://www.toronto.ca/legdocs/mmis/2019/hl/bgrd/backgroundfile-138986.pdf>.

<sup>15</sup> Ibid.

for example, transportation costs to and from a workplace, and initial expenses such as a uniform or driver's license upgrades.

The level and rate of poverty experienced among unattached working-age single adults demonstrates how Canada's income support system has failed to address the ongoing needs of this group. Instead, governments across Canada continue to pursue policy ideas that prioritize labour market attachment without due consideration of the evolving nature of the labour market as well as the inherent human right to live a life with dignity whether someone is employed or not.

The following section provides a reflection from the literature of how income supports for working-age adults clearly establishes the need for a new and innovative approach to addressing income supports for unattached working-age single adults.

# REFLECTIONS IN THE LITERATURE

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For decades, the type and amount of income support provided to individuals have been determined by working-age adults' relationship to the labour market. For instance:

- Unemployment insurance for workers who recently lost their jobs (for example, Employment Insurance [EI] for workers in Canada with recent employment history);
- Work activation programs (for example, providing supports for employment and training skills development through the EI system); and
- Needs-tested income supports for people living with low income who are not eligible for EI (for example, social assistance programs).<sup>16, 17</sup>

In theory, these benefits should complement each other, providing working-age adults with benefits and services depending on their needs. However, narrowing eligibility criteria and reductions in benefit levels across many Organization for Economic Cooperation and Development (OECD) countries have meant that income security programs for working-age adults exclude many people in need and do not provide the level of income adequacy required to live a life with dignity.

As an example, benefits and services for working-age adults have decreased gradually since the mid-1980s and -90s, reflecting economic policy thinking that lower levels of income support encourage greater labour market attachment. Consequently, governments reformed minimum income-protection programs to lower eligibility, hasten exits, and emphasize the idea that receipt of income support benefits is dependent on the contractual obligations of contributing back to society.<sup>18</sup>

These gradual changes had the most pronounced impact on people living in poverty. As Causa and Hermansen found, households with the lowest incomes lost the most

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<sup>16</sup> Immervoll, H. (2009). *Minimum-Income Benefits in OECD Countries: Policy Design, Effectiveness and Challenges*. Organisation for Economic Cooperation and Development. Accessed at <https://docs.iza.org/dp4627.pdf>

<sup>17</sup> Pfeifer, M. (2012). Comparing Unemployment Protection and Social Assistance in 14 European Countries. *Four Worlds of Protection for People of Working-Age*. *International Journal on Social Welfare*, (21): 13–25. Accessed at <https://doi.org/10.1111/j.1468-2397.2010.00765.x>

<sup>18</sup> Gilbert, N. (2017). Protection to Activation: The Apotheosis of Work. *Welfare to Work in Practice: Social Security and Participation in Economic and Social Life*, 9–22.



from changes in income security programs over the last two decades.<sup>19</sup> The extent to which governments enable a downward trend in minimum income protections is largely determined by the values of the state and the public fiscal capacity of a jurisdiction.<sup>20</sup>

As governments moved to tie receipt of benefits to labour market attachment, they did not consider how structural changes in the labour market affect working-age adults living in poverty.

Although low levels of income support were (in theory) supposed to have been balanced by the income security generated through employment, flattening wages, disappearing benefits, and job insecurity have epitomized the modern realities of low-wage work.

For working-age adults, this has led to contradictory and stark realities: income support programs were designed to be inadequate as an incentive to employment, yet the work that has been created is in itself inadequate.

In the mid-2000s, it became evident that low-income workers needed support to help make ends meet. This led to the next phase in income support for working-age adults: In-work supports (for example, further expansion of the Earned Income Tax Credit in the United States, or the Working Income Tax Benefit in Canada) were developed to “make work pay” while improving incentives to work. The phrase “make work pay” is used to describe the value of in-work benefits and is a nascent acknowledgement by governments that low-wage work doesn’t pay people enough. Benefits such as the Working Income Tax Benefit (the predecessor of the Canada Workers Benefit) used the moniker “make work pay” to emphasize the role that the benefit could play in enhancing the total incomes of workers with low wages while also incentivizing work. However, it is unclear whether such benefits actually help people enter the labour market.

For example, in analysis of the impact of the Earned Income Tax Credit (EITC) by Henrik Kleven for the National Bureau of Economic Research,<sup>21</sup> Kleven counters prevailing insights of the EITC and indicates that changes in labour market participation for single mothers were much more influenced by 1993 welfare reforms in the United States and macroeconomic conditions (for example, the booming economy) than the benefits available to them.

Debate has also arisen around the role that in-work benefits play in subsidizing low wages, as opposed to supplementing incomes.<sup>22</sup> Although the parameters of these in-work

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<sup>19</sup> Causa, O., & Hermansen, M. (2019). Income Redistribution Through Taxes and Transfers Across OECD Countries. *Organisation for Economic Co-Operation and Development*. <https://doi.org/10.1787/bc7569c6-en>

<sup>20</sup> Noël, A. (2020). The Politics of Minimum Income Protection in the Canadian Provinces. *Canadian Journal of Political Science*, 53(2): 399–420. <https://doi.org/10.1017/S0008423920000098>

<sup>21</sup> Klevin, H. (2019). The EITC and the Extensive Margin: A Reappraisal. Accessed at: [https://www.nber.org/system/files/working\\_papers/w26405/w26405.pdf](https://www.nber.org/system/files/working_papers/w26405/w26405.pdf)

<sup>22</sup> Gilbert, N. (2017). Protection to Activation: The Apotheosis of Work. *Welfare to Work in Practice: Social Security and Participation in Economic and Social Life*, 9–22.

subsidies differ by jurisdiction (see “Jurisdictional Scan”) and have evolved over time, such as the transformation of the Working Income Tax Benefit to the CWB, they have left behind a significant proportion of working-age single adults without employment earnings.

Although the central question for policy-makers in decades past has been the extent to which there is a relationship between income supports and labour market attachment, it is also important to ask whether income supports can have a meaningful impact on reducing poverty.

Analysis from Statistics Canada demonstrated that in 2016 income transfers reduced the rate of poverty from 37.2 to 30 per cent for unattached non-elderly women, and from 32.2 to 25.8 per cent for unattached, non-elderly men.<sup>23</sup> Using data from the Luxembourg Income Study, Caminada and colleagues found that tax and benefit systems can help reduce levels of poverty, depending on how much support they provide.<sup>24</sup> In their analysis of 26 countries, Caminada et al. found that supports provided through the tax and benefits system lifted 17.6 per cent of the total population above the poverty threshold.<sup>25</sup> More specifically, the authors found that 10 per cent of working-age adults, 9 per cent of children, and 58.3 per cent of seniors were lifted out of poverty.<sup>26</sup>

This relationship between the level of benefit and poverty reduction reinforces the importance of income transfers as a way of reducing poverty. While some may be concerned that higher income support benefits would reduce labour market attachment, declining income supports and increasing low-wage and insecure work have exacerbated poverty. Koebel and Pohler indicate that tax credits have some influence on decisions that people make in joining the labour market and little impact on time worked for those already in the labour market.<sup>27</sup> Baker and colleagues found that the CCB for families with children has had little impact on labour supply.<sup>28</sup>

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<sup>23</sup> Harding, A. (2018). *The Effect of Government Transfer Programs on Low-income Rates: A Gender-Based Analysis, 1995 to 2016*. Accessed at <https://www150.statcan.gc.ca/n1/en/pub/75f0002m/75f0002m2018003-eng.pdf?st=nuvIENp9>

<sup>24</sup> Caminada, K., Goudswaard, K., Wang, C., & Wang, J. (2021). Antipoverty Effects of Various Social Transfers and Income Taxes Across Countries. *Social Indicators Research*, 154(3): 1055–1076. <https://doi.org/10.1007/S11205-020-02572-9>

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Koebel, Kourtney, and Dionne Pohler. 2019. “Expanding the Canada Workers Benefit to Design a Guaranteed Basic Income.” *Canadian Public Policy* 45(3): 283–309. <https://utpjournals.press/doi/10.3138/cpp.2019-016> (February 27, 2022).

<sup>28</sup> Baker, Michael et al. 2021. “The Effects of Child Tax Benefits on Poverty and Labor Supply: Evidence from the Canada Child Benefit and Universal Child Care Benefit.” *National Bureau of Economic Research*. <http://www.nber.org/papers/w28556> (February 27, 2022).

Undoubtedly, initiatives to support people living in poverty are different in other countries. Addressing working-age poverty, especially for unattached single adults, requires responding to context — a one-size-fits-all approach will not address the challenges faced by working-age adults.<sup>29</sup>

A targeted income support benefit for unattached working-age single adults should reflect the examples set by Canada’s child and seniors benefits. Furthermore, complementary advocacy on developing a Canada Disability Benefit would significantly support working-age adults with disabilities. A similar benefit for unattached working-age single adults would help redress some of the challenges of past decades in responding to the deep poverty this group faces.

In Canada, solutions will need to reflect the realities of federalism. Although social assistance programs make up a significant part of Canada’s income support programs, the level of support provided is decided by provincial and territorial governments, which creates uneven levels of welfare incomes across the country. The federal government should play a role in providing targeted income supports to unattached working-age single adults, offering a base level of support that can be stacked on top of other benefits individuals may receive.

Arguments have been made that a basic income program could also help address the challenges that some working-age adults living in poverty experience. Koebel and Pohler provided an example of how the CWB could be re-designed to function like a basic income benefit, so that the shape of the CWB is maintained while replacing base social assistance benefits with a federal tax credit for those without any earnings.<sup>30</sup>

However, counterarguments have also been made that there are significant considerations associated with establishing a basic income.<sup>31</sup> In the Canadian context, it is important to maintain and improve the array of supports available for Canada’s diverse population while responding to the urgent needs of working-age adults living in deep poverty. For example, access to prescription medications or housing support cannot simply be replaced with an income support program.<sup>32</sup>

When we reflect on the literature and trends in income support policy for working-age

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<sup>29</sup> Green, D., Kesselman, R., & Tedds, L. *Covering all the Basics: Reforms for a More Just Society. Final Report of the British Columbia Expert Panel on Basic Income*. Accessed at: [https://bcbasicincomepanel.ca/wp-content/uploads/2021/01/Final\\_Report\\_BC\\_Basic\\_Income\\_Panel.pdf](https://bcbasicincomepanel.ca/wp-content/uploads/2021/01/Final_Report_BC_Basic_Income_Panel.pdf)

<sup>30</sup> Koebel, Kourtney, and Dionne Pohler. 2019. “Expanding the Canada Workers Benefit to Design a Guaranteed Basic Income.” *Canadian Public Policy* 45(3): 283–309. <https://utpjournals.press/doi/10.3138/cpp.2019-016> (February 27, 2022).

<sup>31</sup> Green, D., Kesselman, R., & Tedds, L. *Covering all the Basics: Reforms for a More Just Society. Final Report of the British Columbia Expert Panel on Basic Income*. Accessed at: [https://bcbasicincomepanel.ca/wp-content/uploads/2021/01/Final\\_Report\\_BC\\_Basic\\_Income\\_Panel.pdf](https://bcbasicincomepanel.ca/wp-content/uploads/2021/01/Final_Report_BC_Basic_Income_Panel.pdf)

<sup>32</sup> Yalnizyan, A. (2017). *Redistribution through a Basic Income: Are We Better Off When We Have More Income, Or When We Need Less of It?* Canadian Centre for Policy Alternatives. Accessed at: <https://policyalternatives.ca/publications/monitor/redistribution-through-basic-income>

adults, we can learn from both the successes and the risks of past initiatives.

To aid those who face the deepest and highest rates of poverty in Canada, the federal government should develop a targeted income support benefit for unattached working-age single adults. Reconfiguring the CWB into the proposed CWAS is our recommended solution. The following section provides an overview of the CWB, its parameters, and how it has evolved since its inception.

# OVERVIEW OF THE CANADA WORKERS BENEFIT

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The Canada Workers Benefit (CWB) is one of three federal refundable tax credits available to working-age adults (the other two being the GST/HST credit and the Climate Action Incentive, depending on the province). It was first established in 2007 as the Working Income Tax Benefit (WITB) and, in 2018, was enhanced into the CWB. Like other “in-work tax credits,” the primary objectives of the program are to provide support for low-income households and incentivize work.

The CWB has two components: the basic amount and the disability supplement. To be eligible for the CWB, a recipient must be 19 years of age or older, be a resident of Canada, and have income from employment (within a certain range). Full-time students are ineligible, with little explanation as to why this is the case. To access the disability supplement, a recipient must be eligible for the disability tax credit.

The CWB benefit amount depends on the type of household, income level, and if the primary recipient has a disability. In 2021, with the exception of Alberta, Nunavut, and Quebec, the maximum basic amount of CWB was \$1,395 per year for unattached single adults and \$2,403 per year for families. The maximum disability supplement was \$720 per year for both unattached single adults and families.

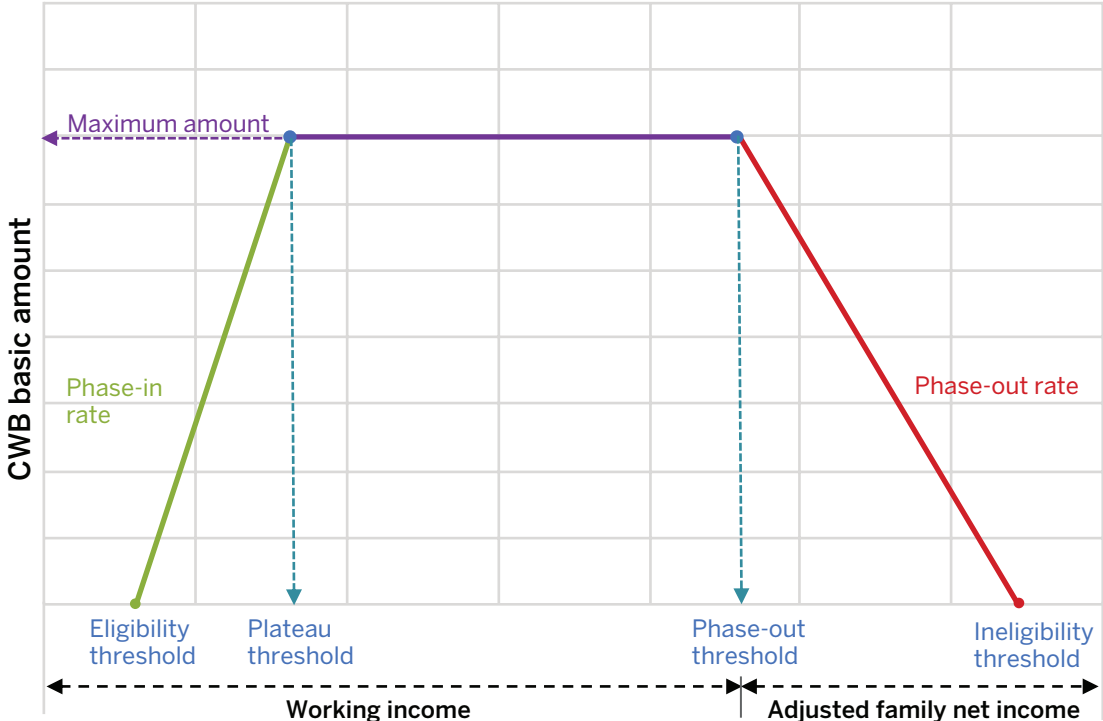
The CWB basic amount can be determined based on two trapezoid-shaped graphs, one each for families and unattached single adults. As shown in Figure 3.1, the first section of the CWB shows a line steadily going upward. This indicates that the CWB basic amount is increasing as the recipient earns more from employment. According to the federal government, this is meant to encourage low-income earners to work more and better support labour force attachment.

After reaching a certain income, eligible recipients hit the plateau of the CWB trapezoid, in which households receive the maximum CWB amount available to them. At the end of the plateau, the CWB basic amount decreases as income increases until the income becomes too high for the recipient to receive any CWB.

# CWB parameters

The CWB basic amount a household is eligible to receive is determined by several parameters, which are highlighted in Figure 3.1.

Figure 3.1: Shape and parameters of the CWB basic amount Model



The parameters consist of a maximum amount, the phase-in and phase-out rates, two types of incomes, and four thresholds. They can be further defined as following:

- **Maximum amount:** The highest level of support that households can receive from the CWB basic amount.
- **Phase-in rate:** The rate of increase in CWB for every additional dollar earned. The rate is applicable until the CWB amount reaches the maximum. This is often presented as a percentage, but it can be interpreted as cents per dollar. For example, a phase-in rate of 27 per cent means that a recipient would get 27 cents more from the CWB for every additional dollar earned.
- **Phase-out rate:** The rate of decrease of CWB for every additional dollar earned. This rate is applied once the income of the recipient reaches the phase-out threshold and is applicable until the CWB amount reaches \$0.
- **Employment earnings:** From \$0 to the phase-out threshold, the amount of CWB that a recipient can receive is based on working income. It includes income from employment and excludes social assistance income.

- **Adjusted family net income (AFNI):** Starting from the phase-out threshold, the amount of CWB that a recipient can receive is based on AFNI. It differs from employment earnings notably because it includes social assistance income.<sup>33</sup>
- **Eligibility threshold:** Households become eligible for the CWB when their employment earnings reach this threshold.
- **Plateau threshold:** Households become eligible for the maximum amount of CWB when their employment earnings reach this threshold.
- **Phase-out threshold:** Households are no longer eligible to receive the maximum amount of CWB when their employment earnings reach this threshold.
- **Ineligibility threshold:** Households are no longer eligible for the CWB when their income (AFNI) reaches this threshold. It is also referred to as the cut-off point.

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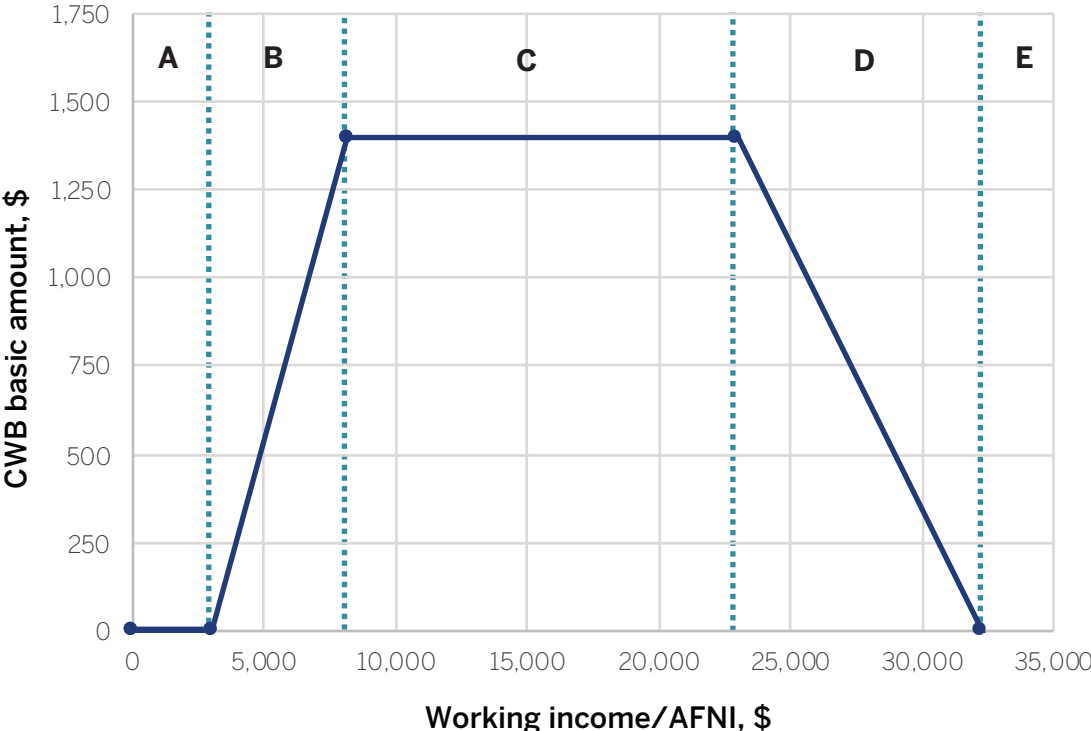
<sup>33</sup> **Employment earnings** refers to income obtained from work and does not include social assistance. **Adjusted family net income (AFNI)** is a tax definition of income, which includes working income along with some income supports, such as social assistance. It excludes payments received from the Universal Child Care Benefit and Registered Disability Savings Programs (RDSP), but does include any UCCB and RDSP amounts repaid.



# CWB basic amount for unattached single adults

As shown in Figure 3.2, the level of support an unattached single can receive from the CWB basic amount can be broken down into five stages of eligibility.

Figure 3.2: 2021 CWB basic amounts for unattached single adults



- A: Ineligible because employment earnings are below \$3,000 per year.  
Amount: \$0
- B: Starting at \$3,000, the CWB basic amount received increases as employment earnings rise. The phase-in rate is 27 per cent or a 27-cent increase in the basic amount per additional dollar earned until the maximum amount is reached.  
Unattached single adults amount: \$0 to \$1,395 as employment earnings increase
- C: Between \$8,166 and \$22,944, the CWB basic amount is constant at the maximum amount.  
Amount: \$1,395
- D: Starting at the phase-out threshold of \$22,944, the CWB basic amount decreases as the recipient’s income increases. The phase-out rate is 15 per cent or a 15-cent reduction in the basic amount per additional dollar earned until the amount reaches \$0.  
Amount: \$1,395 to \$0 as income (AFNI) increases

E: Ineligible because income (AFNI) is too high (over \$32,244).

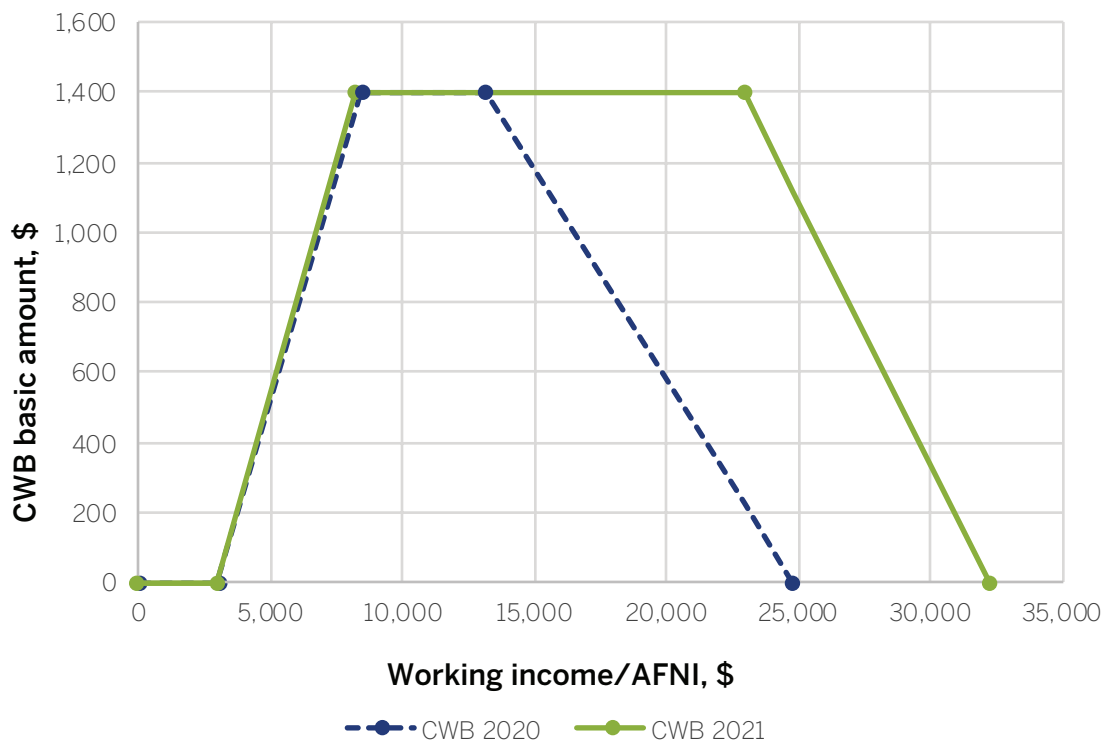
Amount: \$0

## Recent changes to the CWB

The federal government made changes to the CWB in its 2021 budget. Unlike previous enhancements that saw a noticeable bump in the maximum benefit amount, this one did not increase the amount of CWB. Instead, as shown in Figure 3.3, the most notable change was to the phase-out threshold. The basic amount phase-out threshold increased from an income of \$13,194 to \$22,944 for unattached single adults. The disability supplement phase-out threshold increased from an income of \$24,815 to \$32,244 for unattached single adults. This means that more people became eligible for the benefit. For example, full-time minimum wage employees became eligible for a CWB basic amount in almost all Canadian jurisdictions. This will cost the government \$8.9 billion over six years, increase access to about one million more people, and lift about 100,000 people out of poverty.<sup>34</sup>

In addition, the federal government made the CWB automatic, meaning that if a person is eligible for the tax credit but did not claim it in their tax return, the government will check and claim it for them. This move will help to improve access to the CWB for those who qualify for the benefit.

**Figure 3.3: Difference between 2020 and 2021 CWB basic amounts for unattached single adults**



<sup>34</sup> Finance Canada. (2021.) *Budget 2021*. Accessed at: <https://www.budget.gc.ca/2021/home-accueil-en.html>

This review of the parameters of the CWB helps ground discussions later in the report on how to enhance it to create the proposed CWAS. However, Canada is not the only country that provides some income support to working-age adults, as discussed in the following section.

# JURISDICTIONAL SCAN

Like Canada, other OECD countries tend to focus their income support programs on either seniors or households with children. To address working-age poverty, countries typically offer programs that are either conditional on recipients participating in the labour force or that incentivize recipients to actively look for employment. Programs that resemble social assistance or Employment Insurance (EI) also exist in many OECD countries.

In-work credits — refundable tax credits that specifically target working-age single adults living in poverty — are uncommon, and those that do exist very much resemble the Canada Workers Benefit (CWB). Although the purpose of this report is to change the parameters of the CWB and transform it into a new CWAS, it is worthwhile to understand how some jurisdictions, both outside and within Canada, are providing supports to unattached working-age adults. This foundational understanding can help inspire ideas about how the CWB can be improved.

This section examines four programs in three jurisdictions:

1. The Earned Income Tax Credit (EITC) in the United States;
2. The *Prime d'activité* (PA) in France; and
3. Two programs in Quebec — the Work Premium Tax Credits and the Solidarity Tax Credit.

## United States — Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable tax credit available to low- to moderate-income households with earned income. To qualify for the EITC, recipients must have earned income between US\$1 and a threshold specific to their household type, as well as investment income below US\$10,000. The amount received depends on different factors, including level of income and the number of qualifying children or dependents.

For working-age singles without children, the maximum earnings/adjusted gross income to qualify for the EITC is US\$16,480, with a maximum benefit of US\$560 (in 2022). During the COVID-19 pandemic, on a temporary basis, the EITC amount was nearly tripled to a maximum benefit of US\$1,502.<sup>35</sup>

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<sup>35</sup> Internal Revenue Service. *Earned Income and Earned Income Tax Credit (EITC) Tables*. Accessed at: <https://www.caf.fr/allocataires/aides-et-demarches/droits-et-prestations/vie-professionnelle/la-prime-d-activite>

Like the CWB, the EITC benefit is determined according to a trapezoid-shaped model.<sup>36</sup> In 2020, the phase-in and phase-out rates were 7.65 per cent, reaching the maximum amount at US\$7,098 and beginning the phase-out at US\$8,880.

Excluding the one-time increase in 2021, the EITC maximum amount (US\$560) is less than half the CWB equivalent (\$1,395). Also, the difference between the maximum amount for unattached single adults as opposed to families is much more notable in the EITC (US\$560 versus US\$3,618/5,980/6,728) than the CWB (\$1,395 versus \$2,379). The maximum eligible income for unattached single recipients of the EITC (US\$16,480 in 2021) is notably lower than that of the CWB (\$32,244). However, the EITC is available to people with lower earned incomes, starting at US\$1, as opposed to the CWB, which is only accessible to recipients earning over \$3,000.

**Figure 4.1: 2020 versus 2021 EITC for single adults without qualifying children**



<sup>36</sup> Congressional Research Service. *The “Childless” EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)*. Accessed at: [https://crsreports.congress.gov/product/pdf/IN/IN11610#:~:text=For%202021%2C%20the%20legislation%20temporarily,%2417%2C550%20if%20married\)%3B%20and](https://crsreports.congress.gov/product/pdf/IN/IN11610#:~:text=For%202021%2C%20the%20legislation%20temporarily,%2417%2C550%20if%20married)%3B%20and)

## Key takeaway

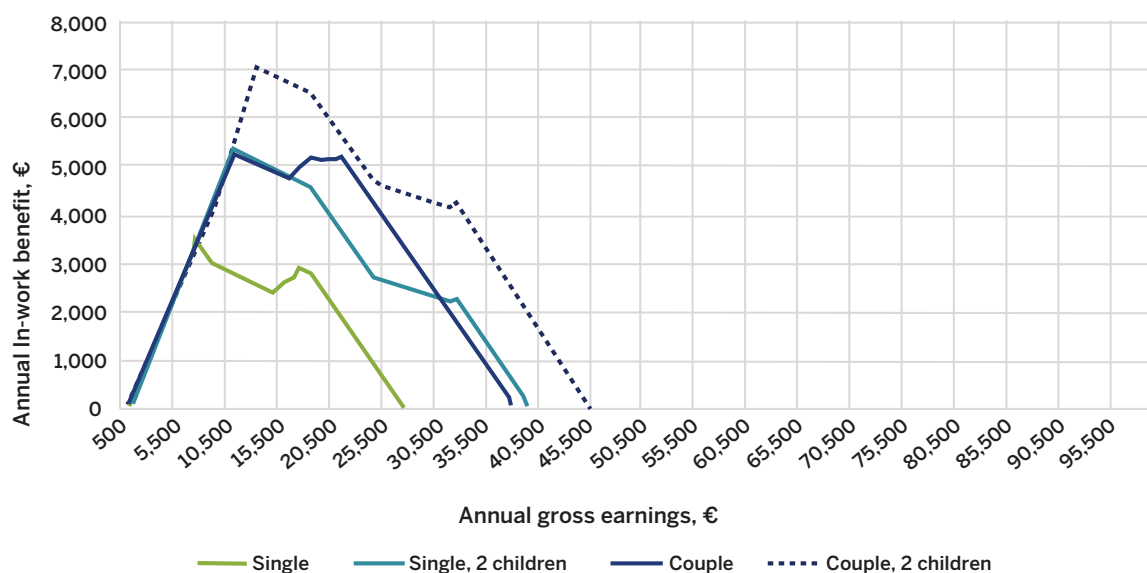
The CWB’s predecessor, the Working Income Tax Benefit (WITB), was modelled after the EITC. Since then, the CWB has evolved into a more generous and more accessible program. Still, one lesson remains to be learned from the EITC: It is accessible to recipients with employment earnings starting at US\$1, whereas the CWB currently excludes many potential recipients living in deep poverty because it is only accessible to adults with employment earnings of \$3,000.

## France — *Prime d’activité*

The *Prime d’activité* (PA) is a benefit established in 2015 as a combination of the former *Revenu de solidarité active* and the *Prime pour l’emploi*. Its objectives are to encourage employment and increase purchasing power.

To be eligible for the PA, recipients must be at least 18 years of age; reside in France; not be on maternity leave, sabbatical, or unpaid leave; and have a monthly employment earnings between €1 and 1.5 times the minimum wage (SMIC), or €2,405. Students are eligible but must earn at least €982 monthly, slightly above 0.6 times the SMIC.<sup>37</sup>

Figure 4.2: 2020 *Prime d’activité* for four households



Note: All adults are 40 years old. In case of couples, spouse does not work. Children, if present, are 4 and 6. Source: OECD Tax-Benefit Model.

<sup>37</sup> Caisses d’Allocations Familiales. “La prime d’activité.” Accessed at <https://www.caf.fr/allocataires/droits-et-prestations/s-informer-sur-les-aides/solidarite-et-insertion/la-prime-d-activite>

Unlike the CWB and the EITC, for which the benefit amount depends on income, calculating the PA is much more complex. The result is a curved trapezoid, similar but more complex in shape than the CWB and the EITC. In 2022, it is estimated that the maximum benefit amount for an unattached single will be:<sup>38</sup>

- €188 monthly or €2,256 yearly at 25 per cent of the SMIC;
- €246 monthly or €2,952 yearly at 50 per cent of the SMIC; and
- €132 monthly or €1,584 yearly at the SMIC.

The delivery of the PA is also quite distinct from the CWB and EITC. Instead of going through the tax system, recipients can apply to the PA on a trimestral basis. Once they are approved and begin to receive the PA, they must make a declaration of their income every three months and notify the government of any changes in their lives that can affect the amount of PA to which they are entitled.

Unlike the CWB, the PA is much more responsive to recipients' changing circumstances, and the benefit amounts are substantially higher. However, the PA is not automatic or retroactive, and requires a bureaucratic and intrusive process to access.

## Key takeaway

The French Prime d'activité (PA) resembles the CWB but is notably more generous, providing a maximum benefit of about €3,500 to unattached single adults. In addition, recipients can have access to the PA from annual employment earnings of €1, a much lower threshold than the CWB's \$3,000.

The PA is also more responsive, allowing recipients to opt into the program several times a year, and not only after submitting their tax return. However, this process is much more bureaucratic and intrusive than benefits delivered through the tax system in Canada.

Lastly, French students can access the PA, whereas Canadian full-time students are not eligible for the CWB.

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<sup>38</sup> Burel, S. (2022, January 7). "Qui a droit à la prime activité ? L'aide qui remplace le RSA activité et la prime pour l'emploi." *Aide-Sociale.fr*. Accessed at <https://www.aide-sociale.fr/calcul-prime-activite-demande/>



## Quebec

### a) Work premium tax credits

The work premium tax credits (WPTC) are refundable tax credits available for residents of Quebec. The benefits aim to encourage residents to either join the labour market or remain employed. The WPTC was introduced in 2005 as a replacement for Parental Wage Assistance programs, which were only available for families with children.<sup>39</sup> The WPTC are available to residents of Quebec in addition to the CWB, not as a replacement.

To claim the WPTC, a recipient has to reside in Quebec, be at least 18 years old, earn income from employment, and not be a full-time student unless they are the parent of a child with whom they live.<sup>40</sup> Recipients are paid automatically, and they can apply to receive advance payments. The WPTC comprise three types of credits: 1) the work premium; 2) the adapted work premium; and 3) the supplement to the work premium. We will focus on the work premium as it is the most broadly accessible, and the other two require meeting additional criteria.

To access the work premium, unattached single adults must earn an income between \$2,400 and \$20,594, and could receive up to \$961.18 from the credit in 2021.<sup>41</sup> In 2021, the phase-in rate of the work premium was 11.2 per cent, reaching a peak at an income of \$10,982, and the phase-out rate was 10 per cent.<sup>42</sup>

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<sup>39</sup> *Chaire en fiscalité et en finances publiques*. (2020). “Crédit d’impôt remboursable attribuant une prime au travail.” Accessed at [https://cftp.recherche.usherbrooke.ca/wp-content/uploads/2021/01/24\\_credit\\_prime\\_travail\\_2020.pdf](https://cftp.recherche.usherbrooke.ca/wp-content/uploads/2021/01/24_credit_prime_travail_2020.pdf)

<sup>40</sup> Revenu Québec. (2018). *The Work Premium, Adapted Work Premium and Supplement to the Work Premium IN-245-V*. Accessed at <https://www.revenuquebec.ca/en/online-services/forms-and-publications/current-details/in-245-v/>

<sup>41</sup> Ibid.

<sup>42</sup> Finances Québec. (2017, December 11). Enhancement of the Refundable Tax Credit: Attributing a Work Premium. Accessed at [http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN\\_2017-13-a-b.pdf](http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2017-13-a-b.pdf)

**Figure 4.3: 2021 work premium benefit amount relative to earned income for unattached single adults**



The work premium is similar to the CWB’s basic amount but with different parameters. Residents of Quebec can qualify and receive both. The WPTC and the CWB are also both composed of other credits, although they are treated differently. For example, both programs provide additional benefits for people with disabilities, but the WPTC do so through the adapted work premium, which is a different credit from the work premium, and the CWB does it through the disability supplement, which is in addition to the basic amount.

**b) Solidarity Tax Credit**

The Solidarity Tax Credit (STC) is also a refundable tax credit available to residents of Quebec. Introduced in 2010, it combined and replaced three former credits: 1) the Quebec Sales Tax (QST) credit; 2) the property tax refund; and 3) the tax credit for individuals living in a northern village.

To claim the STC, a recipient must be at least 18 years of age and reside in Quebec. Unlike the WPTC, the STC is available to students. To be eligible, unattached single adults must have earned less than \$54,568 in 2021 (except if they reside in a northern village).<sup>43</sup> Importantly, the STC is also available to those without any employment earnings.

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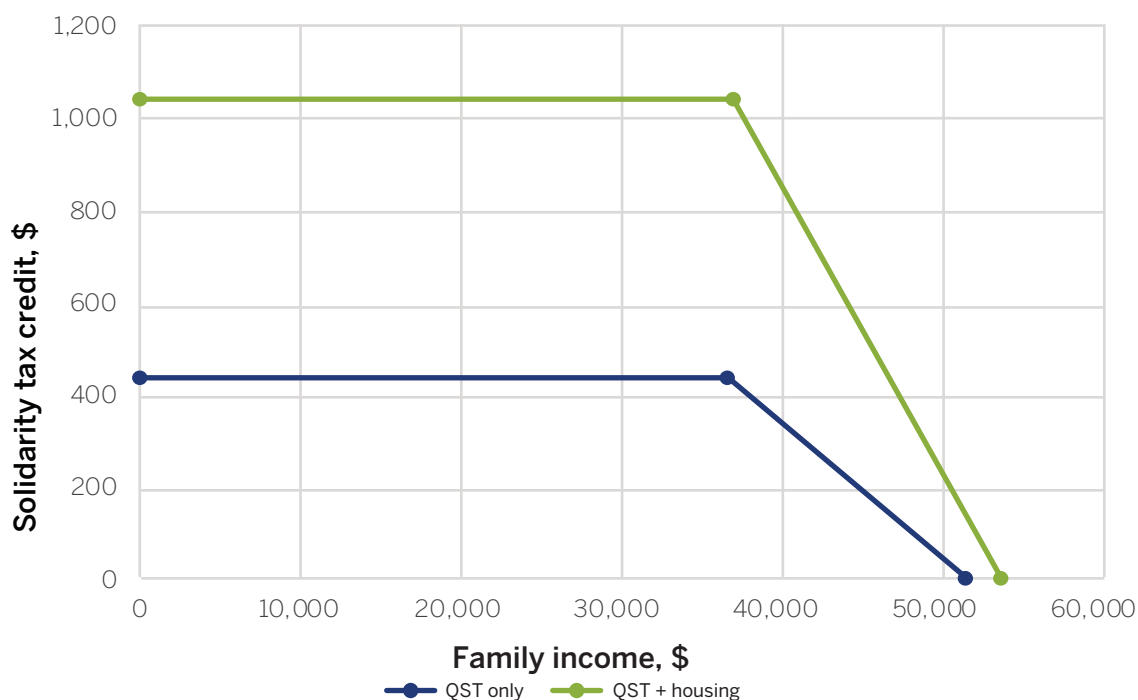
<sup>43</sup> Revenu Québec. “Solidarity Tax Credit – Individuals.” Accessed at <https://www.revenuquebec.ca/en/citizens/tax-credits/solidarity-tax-credit/>

The STC has three components — equivalent to the credits it replaced. From July 2022 to June 2023, the maximum amount that an unattached single can receive from each is the following:

- \$456 from the QST component;
- \$599 from the housing component; and
- \$1,818 from the component for recipients living in a northern village.

The maximum total that an unattached single may receive is \$2,873. However, the majority of STC recipients receive only the first two components with a maximum total of \$1,055, and many only receive the QST component. The credit begins to phase out at incomes above \$36,790 at a rate of 6 per cent if they are eligible for two or three components, and 3 per cent if they are only eligible for one.<sup>44</sup>

**Figure 4.4: STC amount for the QST component and the combined QST and housing components relative to earned income for unattached single adults, July 2022 to June 2023**



The STC is not automatic; tax filers must claim it through a separate form, in which they indicate the components they are eligible for. Depending on the amount of the benefit, it is paid out either as a lump sum, in four payments, or monthly.

<sup>44</sup> *Chaire en fiscalité et en finances publiques*. “Crédit d’impôt pour solidarité.” 2021. Accessed at <https://cffp.recherche.usherbrooke.ca/outils-ressources/guide-mesures-fiscales/credit-impot-solidarite/>

Like the CWB and the WPTC, the STC provides financial relief to low- and moderate-income workers in Quebec. However, unlike the other two, Quebecers living in deep poverty have access to the maximum amount of each component of the STC even without any employment earnings.

## Key takeaway

In addition to the CWB, Quebecers with low incomes have access to two programs: the WPTC and the STC.

The WPTC were introduced two years prior to the CWB and are effectively identical to the CWB but with different parameters. Notably, the WPTC maximum benefit for unattached single adults is \$961.18, lower than the CWB's \$1,395.

Unlike the WPTC and the CWB, unattached single adults can receive the maximum STC if their incomes are less than \$36,790. This means that adults with no attachment to the labour market receive the maximum amount. The STC is also available to students regardless of income. However, the STC is not automatically available, which means that individuals must claim it in their tax returns in order to access it.

## Lessons learned from the jurisdictional scan

The purpose of this jurisdictional scan is to identify the lessons the federal government can learn from other jurisdictions providing support to unattached working-age single adults with low incomes. Overall, it appears that the phase-in parameters of the CWB are much more restrictive than other jurisdictions with similar in-work benefits.

In summary:

- All four benefits (US EITC, France PA, and QC WPTC and STC) are available to individuals living in deep poverty and/or with minimal employment earnings.
- France's PA offers a significantly more generous benefit, although with a challenging delivery model.
- Full-time students can access benefits in both France and Quebec (STC) but are excluded from CWB federally.

# PROPOSING THE CANADA WORKING-AGE SUPPLEMENT

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When combining the key takeaways from the poverty analysis, literature reflection, and jurisdictional scan, it is clear that there is both a need and an opportunity for the federal government to provide support to working-age single adults without children.

This report proposes the creation of the Canada Working-Age Supplement (CWAS) to increase the level of income support provided to working-age single adults. The CWAS would enhance the CWB so that it provides a greater level of support to working-age single adults, whether they are employed or not.

We identified three existing tax credits that unattached working-age single adults are eligible for: the GST/HST tax credit, the CAI (the receipt of which depends on the province), and the CWB. We selected the CWB for analysis given that it is comparatively more targeted to people with low incomes.

We developed several scenarios of what a CWAS could look like and engaged the consulting firm Vivic Research to conduct the modelling. The analysis was done using the programming language R and data from Statistics Canada's Social Policy Simulation Database/Model (SPSD/M), a tool that analyzes tax and transfer policies between governments and individuals in Canada. In total, eleven scenarios were modelled to understand their cost and impact.

The baseline model that we examined identified the impact of a CWAS if the maximum benefit were the same as the maximum benefit provided to families under the CWB (\$2,403) and there was no change in the floor amount (\$0). The ten other models assessed the impact of enhancing the maximum benefit and floor amount at various levels, up to a combined benefit of \$4,000. This benefit rate is the fourth model presented below, which has a floor amount more than double the current maximum benefit provided to unattached single adults in the CWB, plus a \$1,000 employment boost. Ultimately, out of the eleven models assessed, the four chosen for this report had the highest impact on both poverty and deep poverty reduction.

**In designing a refundable tax credit that would contribute to a higher income floor for unattached working-age single adults, our goals were to:**

1. Provide an additional targeted support that would supplement existing supports, such as provincial/territorial social assistance and other refundable tax credits.
2. Extend access to federal income support to single adults without employment earnings.
3. Provide a predictable and stable source of income that would reduce the depth of poverty of some of the most vulnerable people in Canada.

The proposed CWAS adds a floor benefit to the existing CWB basic amount for working-age single adults (ages 19 – 64 in our analysis) living in deep poverty, regardless of their employment status.

Like the CWB, the CWAS has a phase-in stage (or employment boost) but with a higher maximum amount.<sup>45</sup> This employment boost is introduced at \$3,000 in earnings and would allow the CWAS to target people living in the deepest poverty while still maintaining the original goal of the CWB to incentivize increased attachment to the labour market.

The four models vary in terms of their floor amount, employment boost, and maximum amount. For each model, we use the same phase-in rate (27 per cent) and phase-out rate (15 per cent), as well as the same income definitions (phase-in on employment earnings and phase-out on AFNI) as the current CWB.

For each scenario, we looked at the overall cost, the number of gainers and losers by economic family type, and the average gain/loss for single adults by after-tax family net income (AFNI) category.

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<sup>45</sup> The employment boost is sometimes also referred to as the “work incentive amount.”

The models have the following parameters:

**CWAS Model 1**

- Maximum amount: \$3,000
- Floor amount: \$1,000
- Employment boost: \$2,000

**CWAS Model 2**

- Maximum amount: \$3,000
- Floor amount: \$2,000
- Employment boost: \$1,000

**CWAS Model 3**

- Maximum amount: \$4,000
- Floor amount: \$2,000
- Employment boost: \$2,000

**CWAS Model 4**

- Maximum amount: \$4,000
- Floor amount: \$3,000
- Employment boost: \$1,000



# FOUR MODELS FOR THE PROPOSED CANADA WORKING-AGE SUPPLEMENT

An assessment of the distributive impacts and trade-offs associated with the four models presented here should consider the principles that have guided the development of this report.

The principles that follow reaffirm those highlighted at the outset of this report, and articulate some operational and design considerations that have influenced the development of the proposed Canada Working-Age Supplement (CWAS).

## PRINCIPLES

**Human rights:** Everyone in Canada has the human right to an adequate standard of living. The realization of this human right is not determined by income alone but must also consider the system of public and community services available to help promote one's well-being and ensure dignity. In this report, we focus on the role that income can play.

**Equity:** Policy efforts to reduce poverty in Canada should focus on those in greatest need. Often, policy options to reduce the rate of poverty focus on people who are living just below various poverty measures. In this report, we focus on people living in deep poverty.

**Agency:** People across Canada should have the resources they need to live life as best possible, without the punishing implications and reduced capacity that poverty entails. This means that people should have access to resources and opportunities that enable them to live with dignity. It is the duty of the state to provide adequate resources, in a way that is respectful, timely, and reflective of the diverse needs of all people in Canada.

## DESIGN AND OPERATIONAL CONSIDERATIONS

**Definition of income:** Importantly, in estimating the impact of the CWAS models, we do not change the CWB's income definitions to calculate eligibility for the CWAS. While many income-tested tax credits in Canada are calculated using AFNI throughout the credit, the CWAS and the CWB are calculated using employment earnings below the phase-out threshold, and AFNI above. Keeping the same income definition is meant to limit the potential negative interactions on other income-tested benefits that could be associated with changing the definition of incomes.

**Interactions:** The realization of the CWAS will require provincial and territorial governments to exempt income from CWAS in the calculation of social assistance benefits.

The potential impact and costing of the CWAS models assume that other income-tested benefits currently provided to people living in deep poverty do not change. This also means that the models are static and not dynamic, and do not illustrate the potential impact if other income-tested benefits vary.

**Reliance on tax returns:** Given the proposal that the CWAS is to be delivered through the income tax system, the CWAS would not be provided to people who do not file their taxes. This “eligible non-participation” would limit the effectiveness of the CWAS, especially as people with incomes below the Market Basket Measure are less likely to file taxes compared to those above this poverty threshold.<sup>46</sup> To improve access to all income-tested tax credits, including the CWAS, it is important that efforts to reduce barriers to tax filing are enhanced.

**Including students:** While the CWB is not provided to students in post-secondary education, we did not exclude students from our analysis. If students in post-secondary education qualify for the proposed CWAS from an income perspective, it is because they have very low or no employment earnings. While some may argue that this means that students with low incomes in high-income families would benefit from the CWAS, we want to ensure that students without access to other household income are also able to access income support that may help retain their attachment to post-secondary education in the first place.

**Implications for people with disabilities:** Currently, people with disabilities who qualify for the CWB can receive a “disability supplement” amount in addition to the basic amount. As is the case with the CWB basic amount, those without employment earnings do not have access to the disability supplement. However, both the floor CWAS amount and the maximum disability supplement should be provided to unattached working-age single adults with disabilities, whether they are employed or not. This supplement is not included in the costing of the CWAS models.

Critically, extending eligibility of the disability supplement to those without employment earnings is not meant to, and should not, take away from the current momentum behind the proposed Canada Disability Benefit.

**Given the principles guiding the report, and the design and operational considerations identified above, we recommend that the federal government consider the development and implementation of Model 4.**

To support this recommendation, the following section provides detailed modelling and analysis for each of the four models. This analysis helps to illustrate the strengths and limitations associated with each model, and why Model 4 should be adopted by the federal government.

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<sup>46</sup> Robson, and J. Shwartz, S. (2020). *Who Doesn't File a Tax Return? A Portrait of Non-Filers*. Canadian Public Policy, 46(3): 323–339. Accessed at <https://www.utpjournals.press/doi/epdf/10.3138/cpp.2019-063>

# Model 1

## OVERVIEW

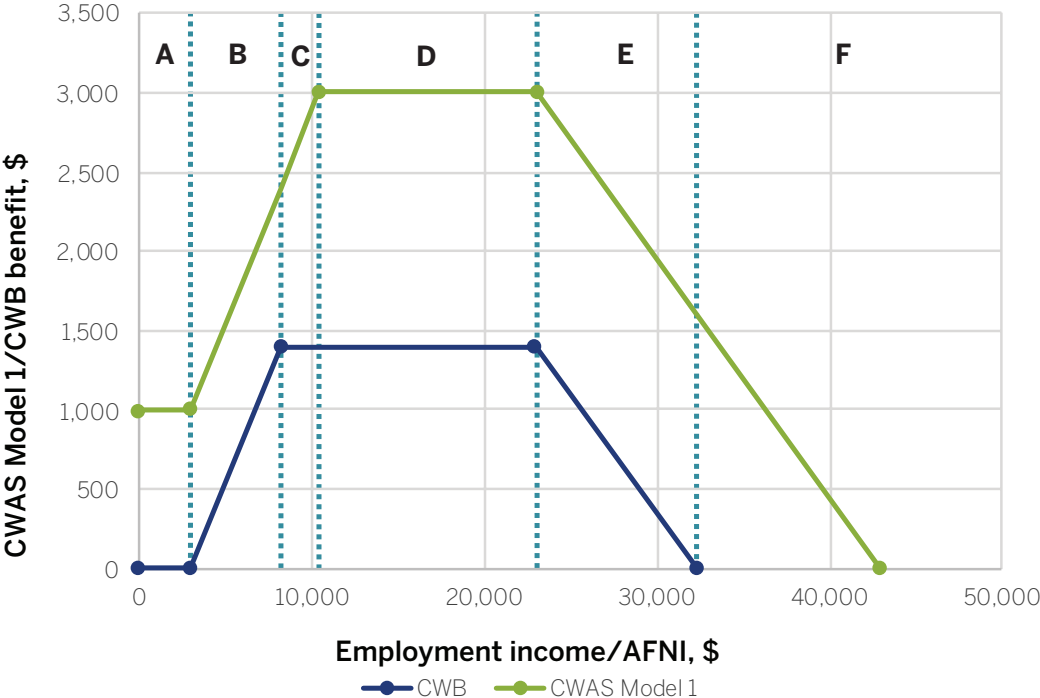
Model 1 proposes a floor amount of \$1,000 and a \$2,000 employment boost, with a maximum amount of \$3,000. The phase-in and phase-out rates would remain unchanged from the CWB. The ineligibility threshold would be increased to \$42,944, meaning people with AFNI above this amount would not be eligible for the CWAS.

With these parameters, 2.5 million unattached single adults would have access to the benefit, an increase of 1.5 million recipients from the CWB. One million of the new recipients would be single adults living in deep poverty, who would gain eligibility due to the addition of the floor amount. Furthermore, all those already receiving the CWB would see gains in their benefit amount.

Model 1 is expected to cost \$3.843 billion, an increase of \$2.9 billion in the single adults portion of CWB. Although it is well established that unattached single adults are the most likely to live in poverty, our modelling suggests that \$943 million of the almost \$3.0 billion allocated to the CWB currently goes to them.<sup>47</sup>

## BREAKDOWN

Figure 6.1: CWAS Model 1 versus the CWB



<sup>47</sup> Department of Finance Canada. (2022). Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2022. Accessed at: <https://www.canada.ca/en/department-finance/services/publications/federal-tax-expenditures/2022/part-4.html#Canada-Workers--Benefit>

- A: Between employment earnings of \$0 and \$3,000, recipients are ineligible for the CWB, but they would be eligible for the CWAS Model 1 floor amount.
- CWB: \$0
  - CWAS Model 1: \$1,000
- B: Starting at employment earnings of \$3,000, the benefit increases as employment earnings rise for CWB and CWAS Model 1. At this stage, because the phase-in rate is 27 per cent for both, former CWB recipients would receive exactly \$1,000 more from CWAS Model 1. For example, if they were eligible for \$500 from CWB, they would receive \$1,500 from CWAS Model 1.
- CWB: \$0 to \$1,395
  - CWAS Model 1: \$1,000 to \$2,395
- C: At employment earnings of \$8,166, the CWB has reached its maximum amount of \$1,395, while the CWAS Model 1 continues to increase at the 27 per cent phase-in rate. Recipients whose benefit would have plateaued with CWB would see their benefit continue to further increase with the CWAS Model 1 as their employment earnings increased.
- CWB: \$1,395
  - CWAS Model 1: \$2,395 to \$3,000
- D: At employment earnings between \$10,407 and \$22,944, the CWB and CWAS Model 1 are both flat at their maximum amounts of \$1,395 and \$3,000, respectively. A CWB recipient would receive \$1,605 more with the CWAS Model 1.
- CWB: \$1,395
  - CWAS Model 1: \$3,000
- E: Starting at employment earnings of \$22,944, both CWB and CWAS Model 1 begin to decrease as income (AFNI) increases. The phase-out rate is the same for both at 15 per cent, so former CWB recipients would receive exactly \$1,605 more from CWAS Model 1 at this stage.
- CWB: \$1,395 to \$0
  - CWAS Model 1: \$3,000 to \$1,605
- F: After reaching an income (AFNI) of over \$32,244, recipients become ineligible for the CWB. However, they would remain eligible for the CWAS Model 1 as it continues to phase out until income (AFNI) reaches \$42,944.

## IMPACT

Figure 6.2 summarizes the average benefit gain with a transition to CWAS Model 1 for each AFNI income category.

**Figure 6.2: Average benefit increase from CWAS Model 1**

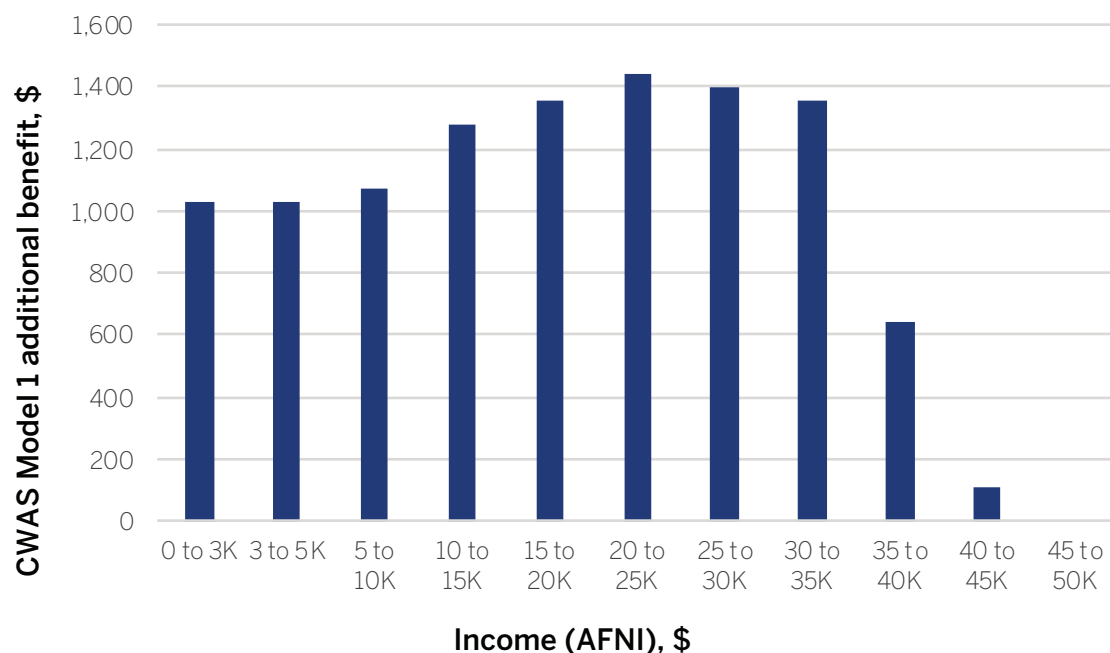
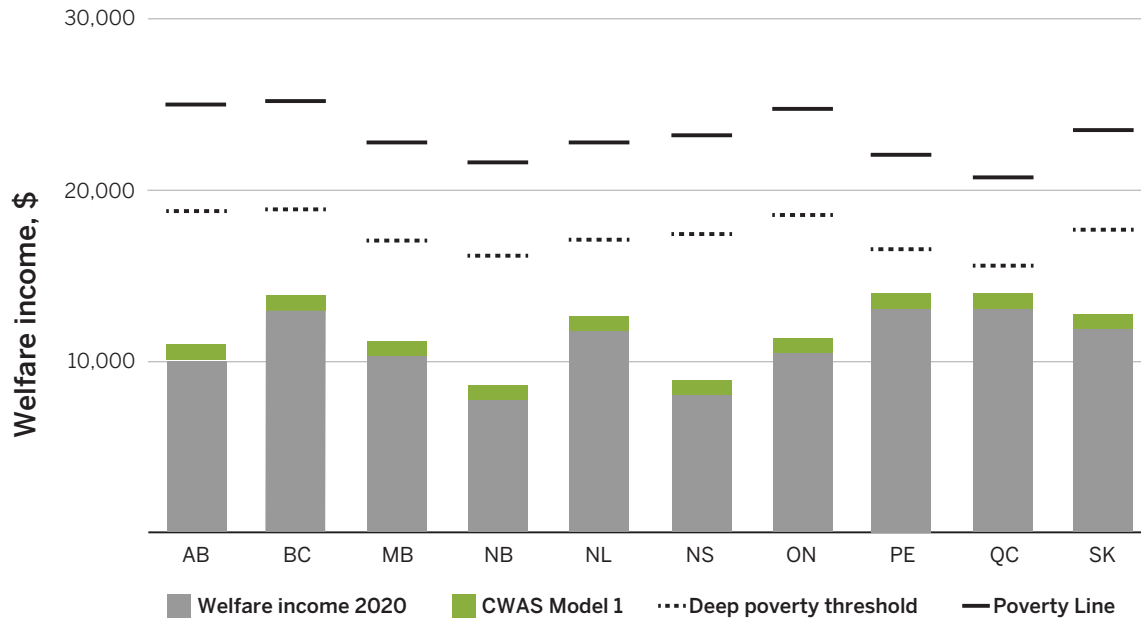


Figure 6.3 demonstrates the impact of CWAS Model 1 on the adequacy of the 2020 welfare income of an unattached single in each of the ten provinces. The recipient is assumed to have no employment earnings and to have received social assistance for the calendar year.

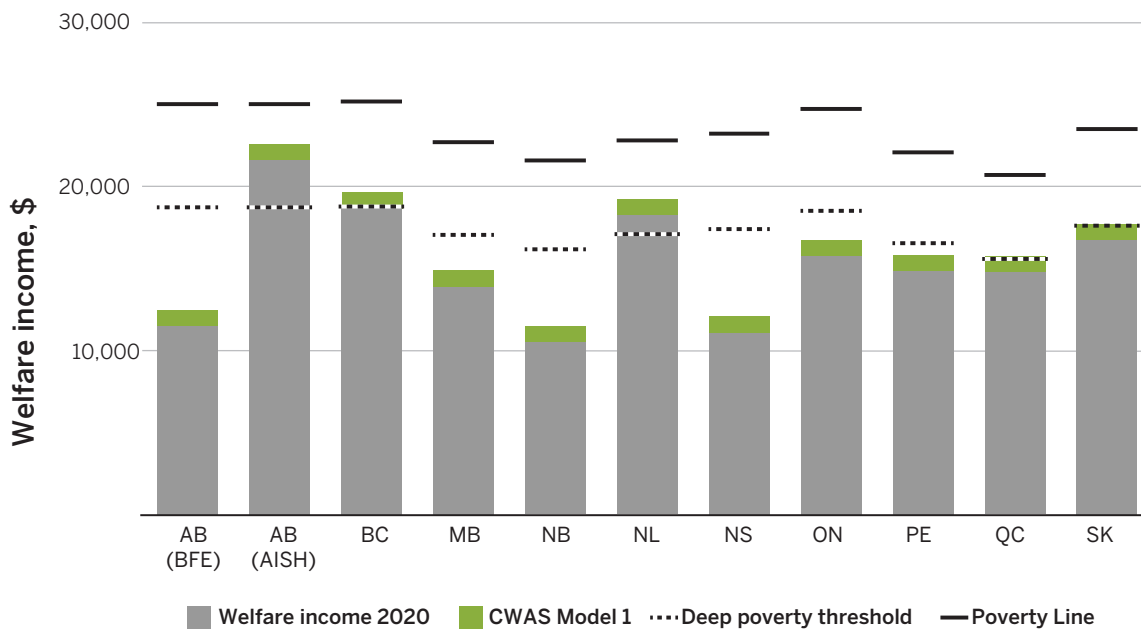
Note that the Official Poverty Line and the deep poverty threshold do not account for the higher cost of living faced by persons with disabilities, and thus these additional costs are not reflected in our analysis.

Figure 6.3: Adequacy of welfare incomes with CWAS Model 1

**A. Unattached single adults considered employable**



**B. Unattached single adults with a disability**

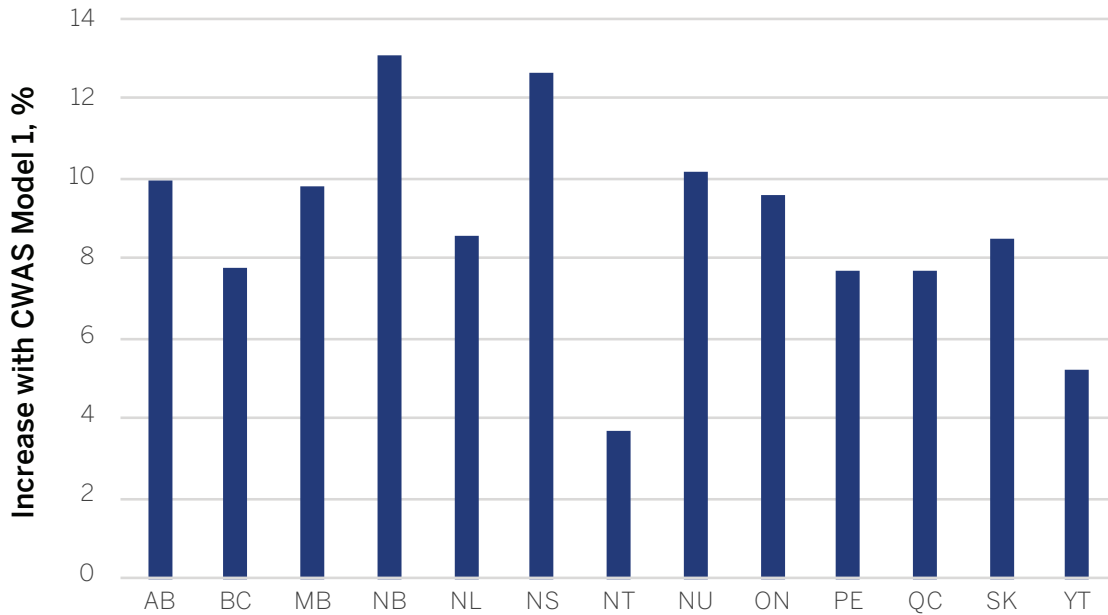


Note: Territories are not included in the figures because MBMs had not yet been developed for these jurisdictions at time of writing.

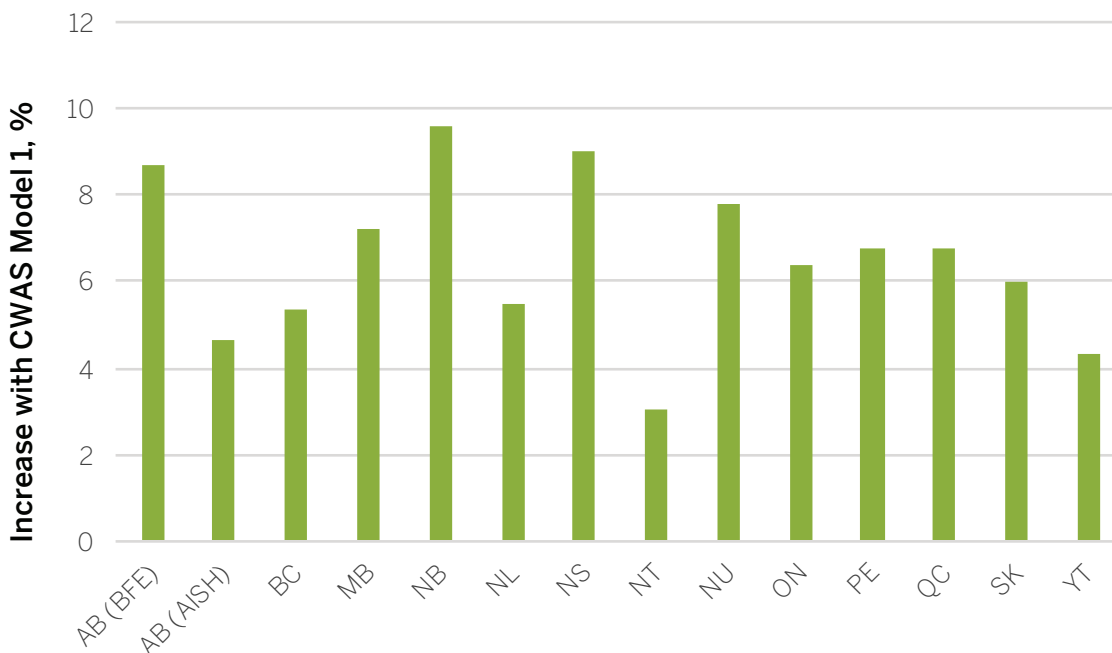
Figure 6.4 illustrates the percentage increase in welfare incomes with the introduction of CWAS Model 1. Since the recipient is assumed to have no income, this means that the Figure shows the impact of the \$1,000 floor.

**Figure 6.4: Percentage increase in welfare incomes with CWAS Model 1**

**A. Unattached single adults considered employable**



**B. Unattached single adults with a disability**



Model 1 highlights the notable improvement in support that people living with low incomes in Canada could receive with the introduction of a floor and by more than doubling the maximum amount. Still, among social assistance recipients with no employment earnings, the \$1,000 from the CWAS Model 1 floor amount would not allow unattached single adults considered employable to reach the deep poverty threshold.

It would allow unattached single adults with a disability to cross the deep poverty threshold in British Columbia, Quebec, and Saskatchewan, and allow them to come closer to the Official Poverty Line in Alberta (AISH) and in Newfoundland and Labrador.

Across all jurisdictions, CWAS Model 1 would noticeably reduce the depth of poverty of both demographics by between 3 and 13 per cent.

Model 2 resembles Model 1 with the same maximum amount, but the floor and employment boost amounts are flipped.



# Model 2

## OVERVIEW

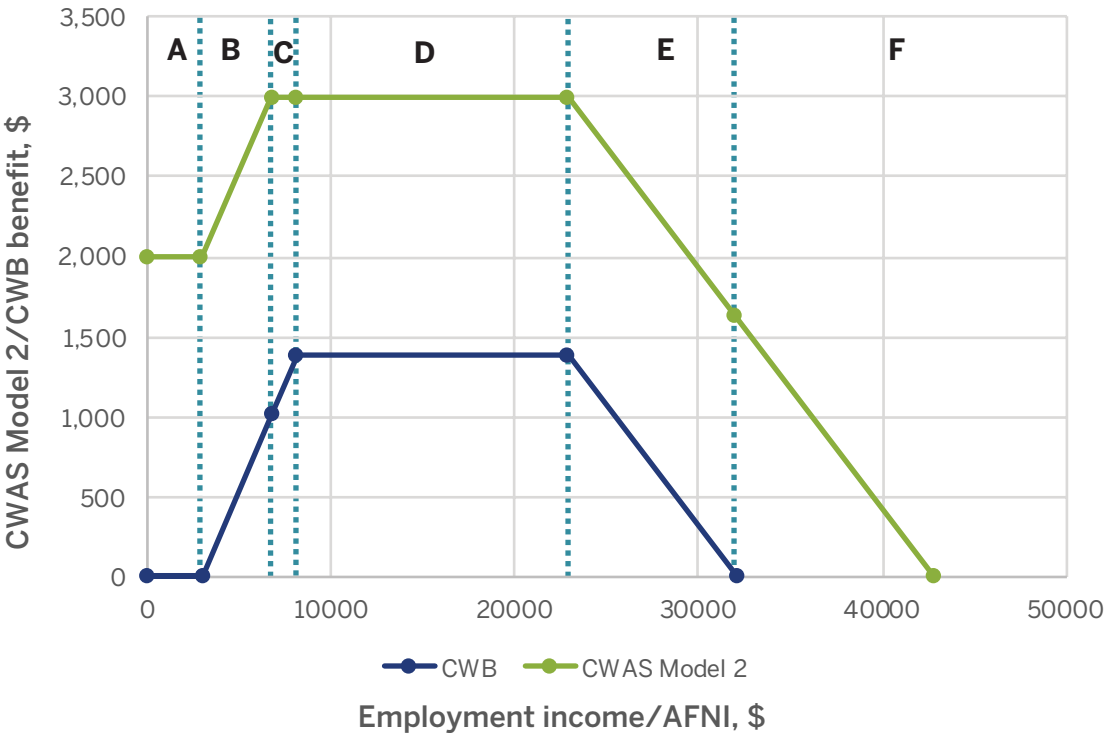
Model 2 proposes a floor amount of \$2,000 and a \$1,000 employment boost, with a maximum amount of \$3,000. The phase-in and phase-out rates would remain unchanged from the CWB. The ineligibility threshold would be increased to \$42,944, meaning people with AFNI above this amount would not be eligible for the CWAS.

With these parameters, 2.6 million unattached single adults would have access to the benefit, an increase of 1.6 million recipients from the CWB. One million of the new recipients would be single adults living in deep poverty, who would gain eligibility due to the addition of the floor amount. Furthermore, all those already receiving the CWB would see gains in their benefit amount.

Model 2 is expected to cost \$4.964 billion, an increase of about \$4 billion from the single adults portion of CWB.

## BREAKDOWN

Figure 6.5: CWAS Model 2 versus the CWB



- A: Between employment earnings of \$0 and \$3,000, recipients are ineligible for the CWB, but they are eligible for the CWAS Model 2 floor amount.
- CWB: \$0
  - CWAS Model 2: \$2,000
- B: Starting at employment earnings of \$3,000, the benefit increases as employment earnings rise for CWB and CWAS Model 2. At this stage, because the phase-in rate is 27 per cent for both, former CWB recipients would receive exactly \$2,000 more from CWAS Model 2. For example, if they were eligible for \$500 from CWB, they would receive \$2,500 from CWAS Model 2.
- CWB: \$0 to \$1,000
  - CWAS Model 2: \$2,000 to \$3000
- C: At employment earnings of \$6,704, CWAS Model 2 has reached its maximum amount of \$3,000, while the CWB continues to increase at the 27 per cent phase-in rate. This is because the employment boost for CWAS Model 2 is smaller than that of the CWB, at \$1,000 and \$1,395, respectively, so the plateau is reached faster. CWB recipients who would still be phasing in at these employment earnings levels would be entitled to the full CWAS Model 2 amount.
- CWB: \$1,000 to \$1,395
  - CWAS Model 2: \$3,000
- D: At employment earnings between \$8,166 and \$22,944, the CWB and CWAS Model 2 are both flat at their maximum amounts of \$1,395 and \$3,000, respectively. A CWB recipient would receive \$1,605 more with the CWAS Model 2.
- CWB: \$1,395
  - CWAS Model 2: \$3,000
- E: Starting at employment earnings of \$22,944, both CWB and CWAS Model 2 begin to decrease as income (AFNI) increases. The phase-out rate is the same for both at 15 per cent; former CWB recipients would receive exactly \$1,605 more from CWAS Model 2 at this stage.
- CWB: \$1,395 to \$0
  - CWAS Model 2: \$3,000 to \$1,605
- F: After reaching an income (AFNI) of over \$32,244, recipients become ineligible for the CWB. However, they would remain eligible for the CWAS Model 2 as it continues to phase-out until income (AFNI) reaches \$42,944.

## IMPACT

Figure 6.6 summarizes the average benefit gain with a transition to CWAS Model 2 for each AFNI income category.

**Figure 6.6: Average benefit increase from CWAS Model 2**

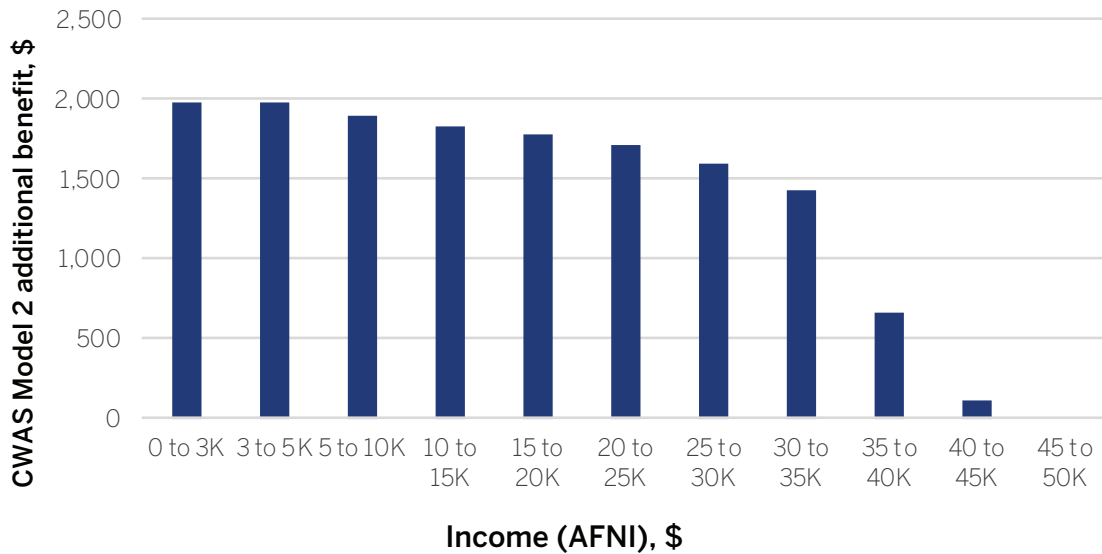
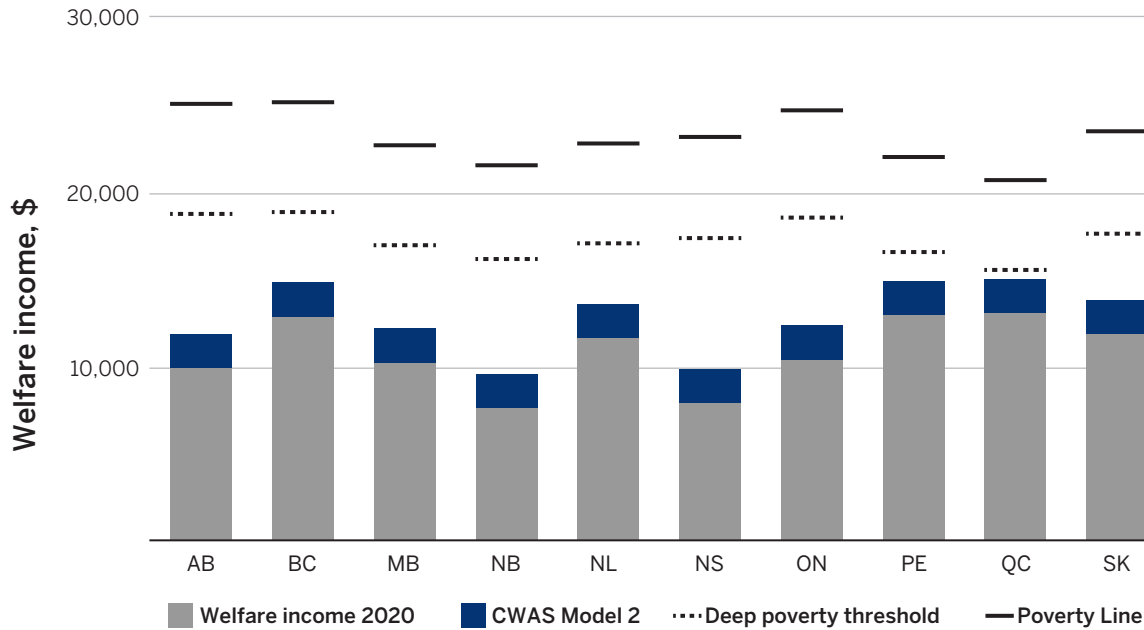


Figure 6.7 demonstrates the impact of CWAS Model 2 on the adequacy of the 2020 welfare income of an unattached single adult in each of the ten provinces. The recipient is assumed to have no employment earnings and to have received social assistance for the calendar year.

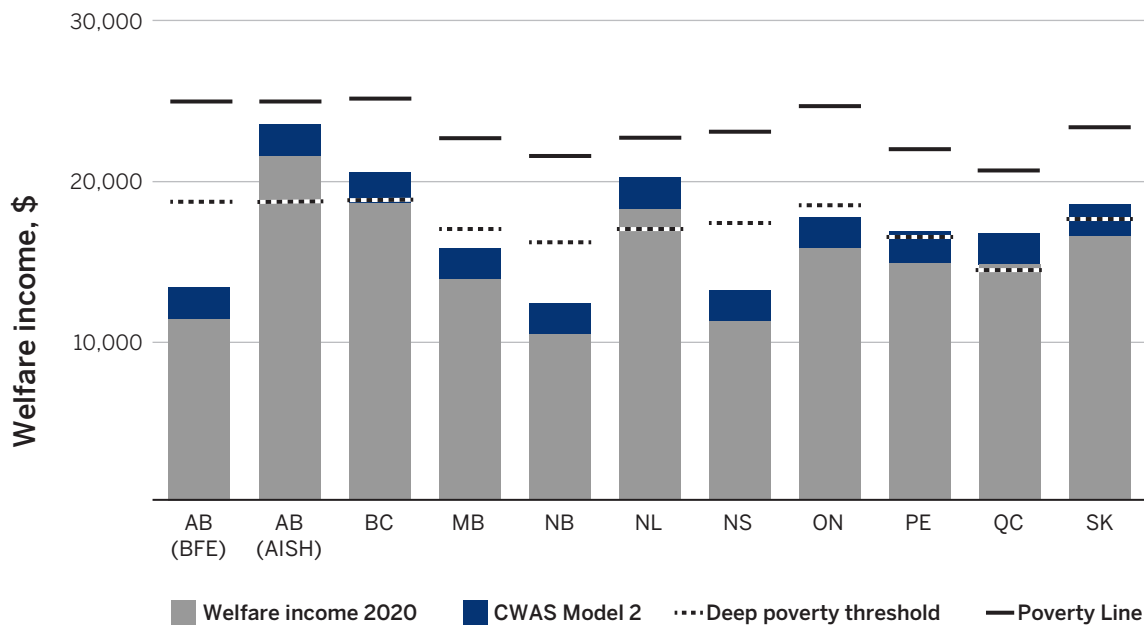
Note that the Official Poverty Line and the deep poverty threshold do not account for the higher cost of living faced by persons with disabilities, and thus these additional costs are not reflected in our analysis.

Figure 6.7: Adequacy of welfare incomes with CWAS Model 2

**A. Unattached single adults considered employable**



**B. Unattached single adults with disabilities**

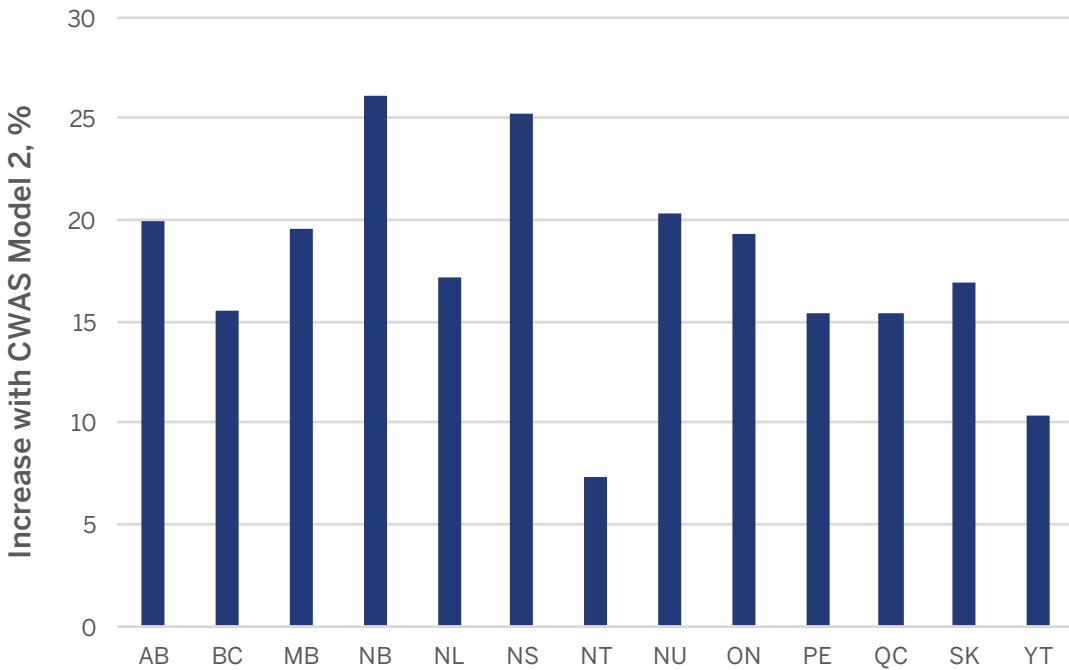


Note: Territories are not included in the figures because Market Basket Measures (MBMs) had not yet been developed for these jurisdictions at time of writing.

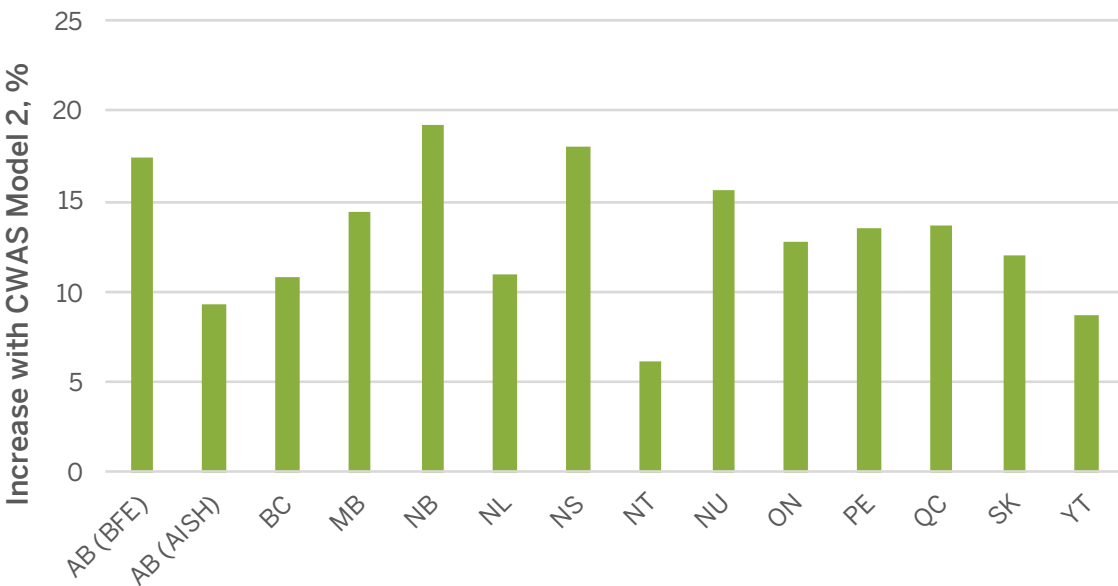
Figure 6.8 illustrates the percentage increase in welfare incomes with the introduction of CWAS Model 2. Since the recipient is assumed to have no income, this means that the Figure shows the impact of the \$2,000 floor.

**Figure 6.8: Percentage increase in welfare incomes with CWAS Model 2**

**A. Unattached single adults considered employable**



**B. Unattached single adults with disabilities**



Despite having the same maximum benefit, Model 2 starts at a higher floor amount than Model 1, which explains its higher cost. However, the value of this difference can clearly be seen in Figure 6.6, as those on the lower end of the income spectrum would receive markedly higher benefits. Furthermore, social assistance recipients with no employment earnings would receive \$2,000 from the CWAS Model 2 floor, double the amount from Model 1.

While single adults considered employable would not reach the deep poverty threshold in any of the provinces, unattached single adults with a disability would be able to cross the deep poverty threshold in one additional province relative to Model 1 — Prince Edward Island — for a total of six. Across all jurisdictions, CWAS Model 2 would noticeably reduce the depth of poverty of both demographics by between 6 and 26 per cent.

Model 3 has the same floor amount as Model 2, but with an employment boost of \$2,000 for a higher maximum amount.

# Model 3

## OVERVIEW

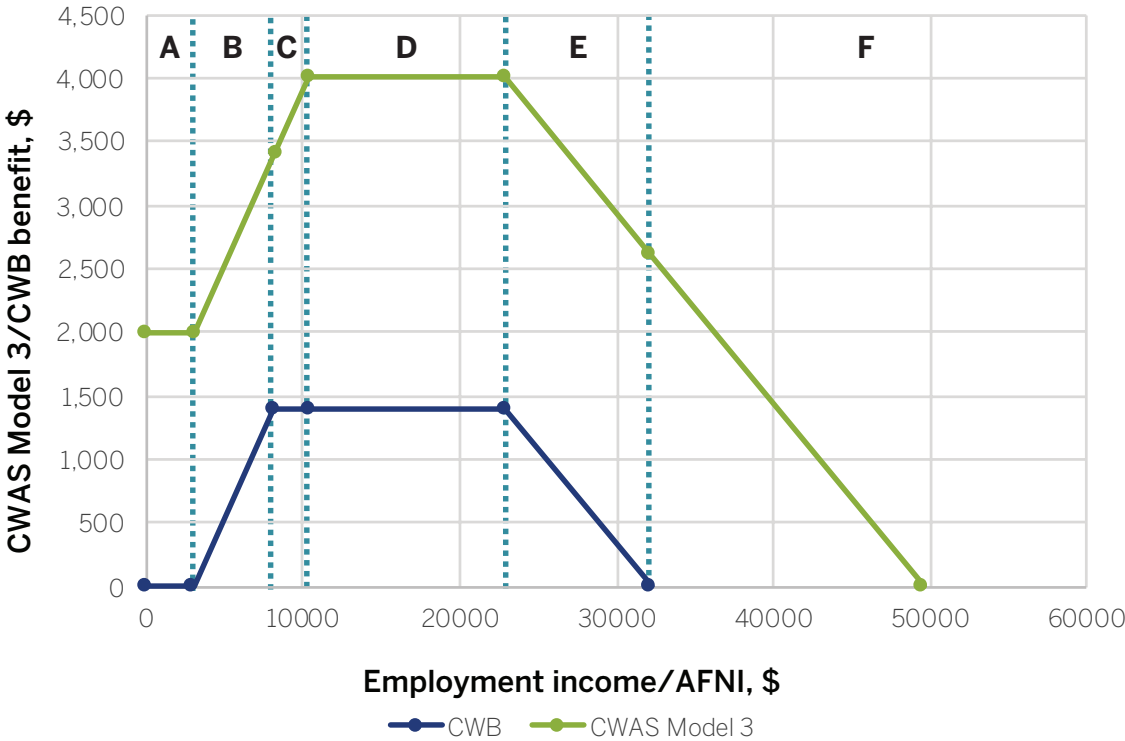
Model 3 proposes a floor amount of \$2,000 with a \$2,000 employment boost, with a maximum amount of \$4,000. The phase-in and phase-out rates would remain unchanged from the CWB. The ineligibility threshold is increased to \$49,611, meaning people with AFNI above this amount would not be eligible for the CWAS.

With these parameters, 3 million unattached single adults would have access to the benefit, an increase of 2 million recipients from the CWB. One million of the new recipients would be single adults living in deep poverty, who would gain eligibility due to the addition of the floor amount. Furthermore, all those already receiving the CWB would see gains in their benefit amount.

Model 3 is expected to cost \$6.613 billion, an increase of about \$5.6 billion from the single adults portion of CWB.

## BREAKDOWN

Figure 6.9: CWAS Model 3 versus the CWB



- A: Between employment earnings of \$0 and \$3,000, recipients are ineligible for the CWB, but they would be eligible for the CWAS Model 3 floor amount.
- CWB: \$0
  - CWAS Model 3: \$2,000
- B: Starting at employment earnings of \$3,000, the benefit increases as employment earnings rise for CWB and CWAS Model 3. At this stage, because the phase-in rate is the same for both at 27 per cent, former CWB recipients would receive exactly \$2,000 more from CWAS Model 3. For example, if they were eligible for \$500 from CWB, they would receive \$2,500 from CWAS Model 3.
- CWB: \$0 to \$1,395
  - CWAS Model 3: \$2,000 to \$3,395
- C: At employment earnings of \$8,166, the CWB has reached its maximum amount of \$1,395, while the CWAS Model 3 continues to increase at the 27 per cent phase-in rate. Recipients whose benefit would have plateaued with CWB will see their benefit continue to further increase with the CWAS Model 3 as their employment earnings increase.
- CWB: \$1,395
  - CWAS Model 3: \$3,395 to \$4,000
- D: At employment earnings between \$10,407 and \$22,944, the CWB and CWAS Model 3 are both flat at their maximum amounts of \$1,395 and \$4,000, respectively. A CWB recipient would receive \$2,605 more with the CWAS Model 3.
- CWB: \$1,395
  - CWAS Model 3: \$4,000
- E: Starting at employment earnings of \$22,944, both CWB and CWAS Model 3 begin to decrease as income (AFNI) increases. The phase-out rate is the same for both at 15 per cent; former CWB recipients would receive exactly \$2,605 more from CWAS Model 3 at this stage.
- CWB: \$1,395 to \$0
  - CWAS Model 3: \$4,000 to \$2,605
- F: After reaching an income (AFNI) of over \$32,244, recipients become ineligible for the CWB. However, they would remain eligible for the CWAS Model 3 as it continues to phase-out until income (AFNI) reaches \$49,611.



## IMPACT

Figure 6.10 summarizes the average benefit gain with a transition to CWAS Model 3 for each AFNI income category.

**Figure 6.10: Average benefit increase from CWAS Model 3**

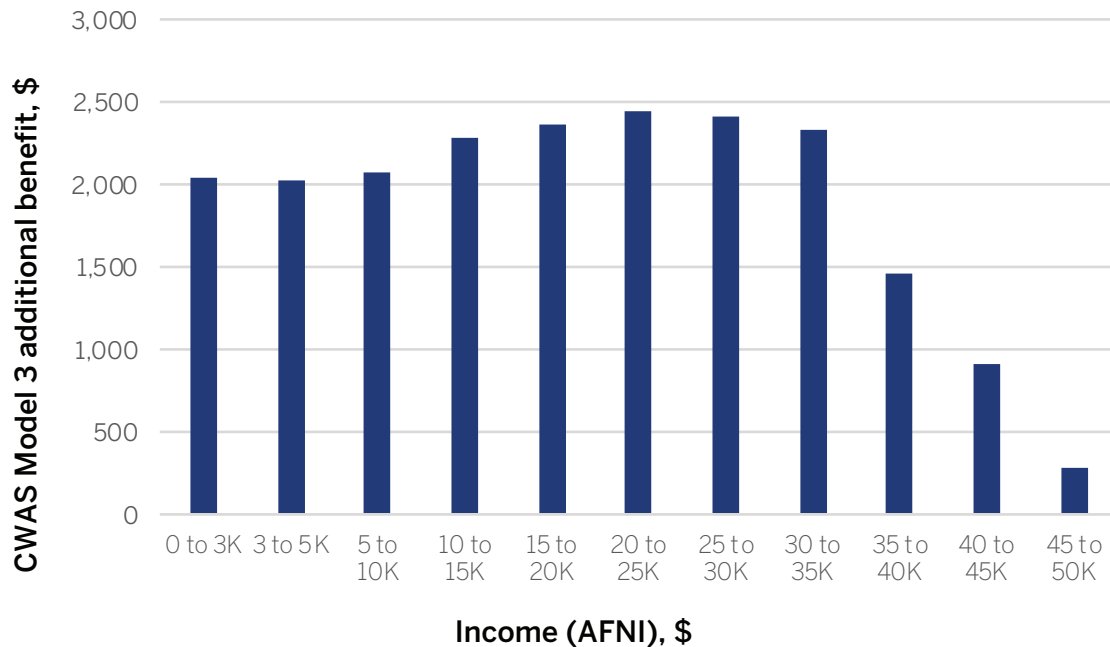
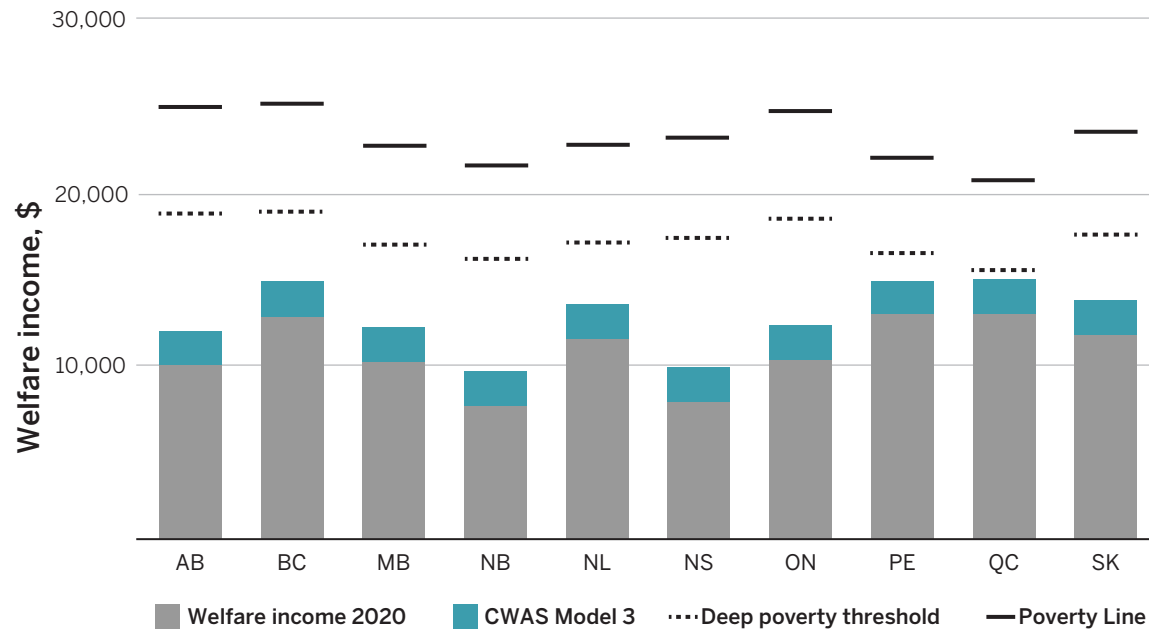


Figure 6.11 demonstrates the impact of CWAS Model 3 on the adequacy of the 2020 welfare income of an unattached single in each of the ten provinces. The recipient is assumed to have no employment earnings and to have received social assistance for the calendar year.

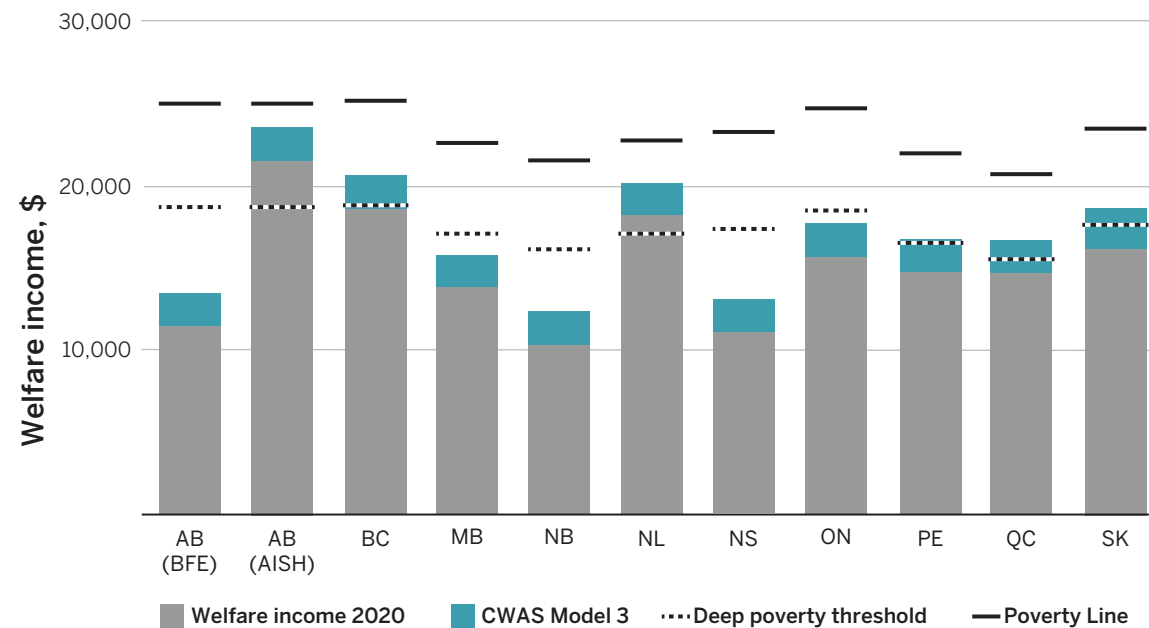
Note that the Official Poverty Line and the deep poverty threshold do not account for the higher cost of living faced by persons with disabilities, and so these additional costs are not reflected in our analysis.

Figure 6.11: Adequacy of welfare incomes with CWAS Model 3

A. Unattached single adults considered employable



B. Unattached single adults with a disability



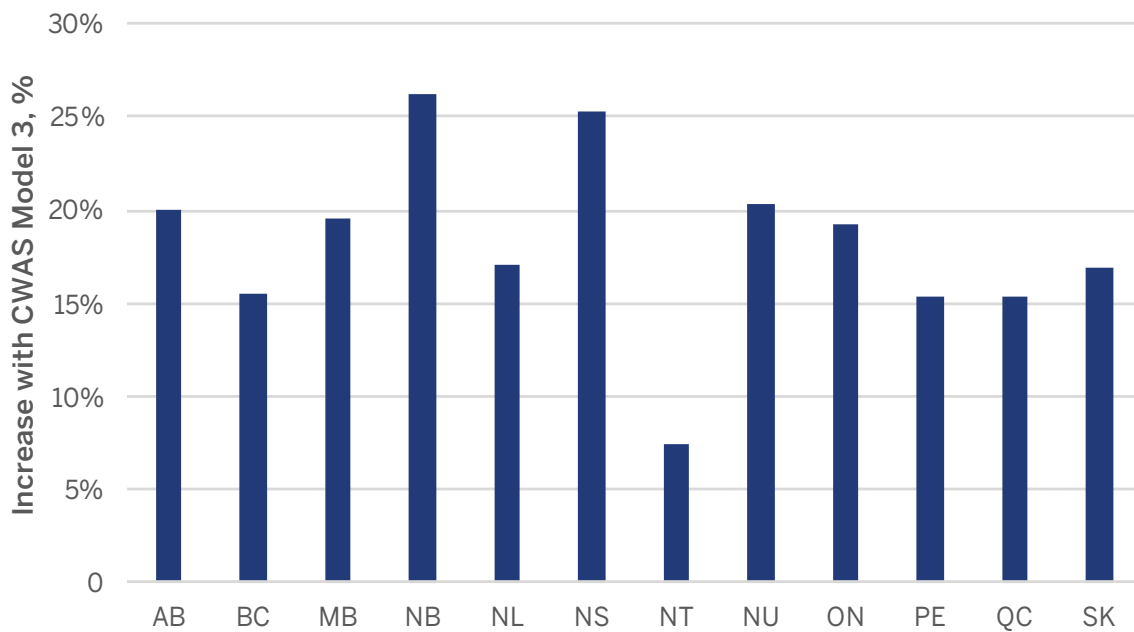
Note: Territories are not included in the figures because MBMs had not yet been developed for these jurisdictions at time of writing.

Model 3 provides a similar boost as Model 2 for people who receive incomes at the lower end of the spectrum, but those with incomes closer to the plateau would benefit even more. Also, Model 3 would provide support to adults with incomes between \$45,000 and \$50,000.

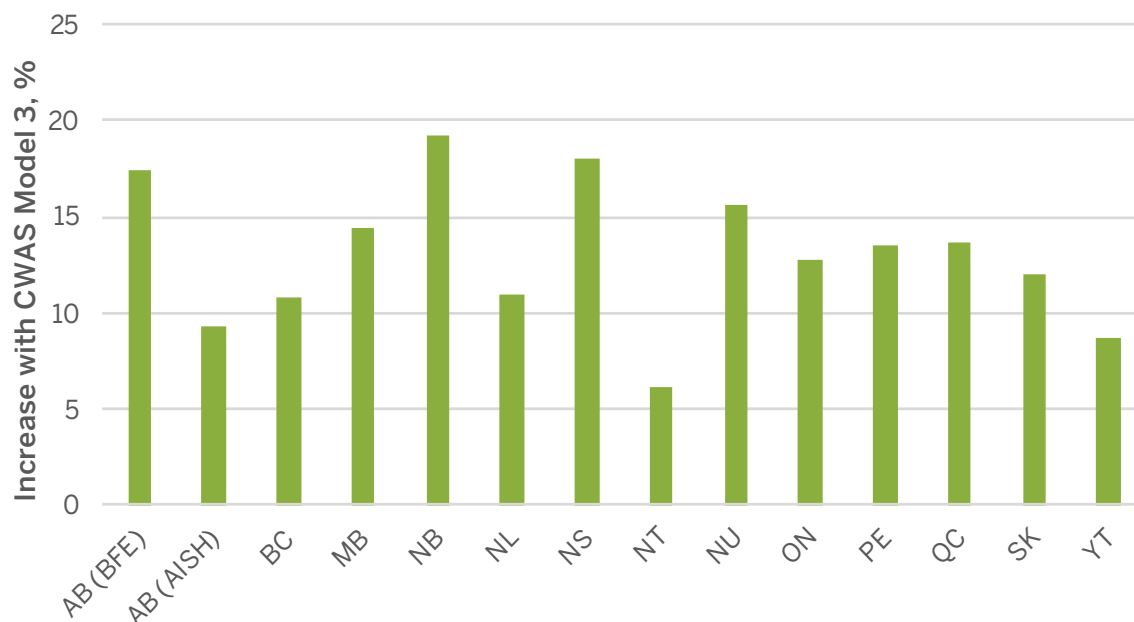
Figure 6.12 illustrates the percentage increase in welfare incomes with the introduction of CWAS Model 3. Since the recipient is assumed to have no income, the Figure shows the impact of the \$2,000 floor.

**Figure 6.12: Percentage increase in welfare incomes with CWAS Model 3**

**A. Unattached single adults considered employable**



**B. Unattached single adults with disabilities**



Social assistance recipients with no employment earnings would receive \$2,000 from the CWAS Model 3 floor, as with Model 2. The increased cost of Model 3 would not further help reduce their depth of poverty, as the additional support would be received by those with employment earnings.

Model 4 resembles Model 3 with the same maximum amount, but the floor is higher at \$3,000.

# Model 4

## OVERVIEW

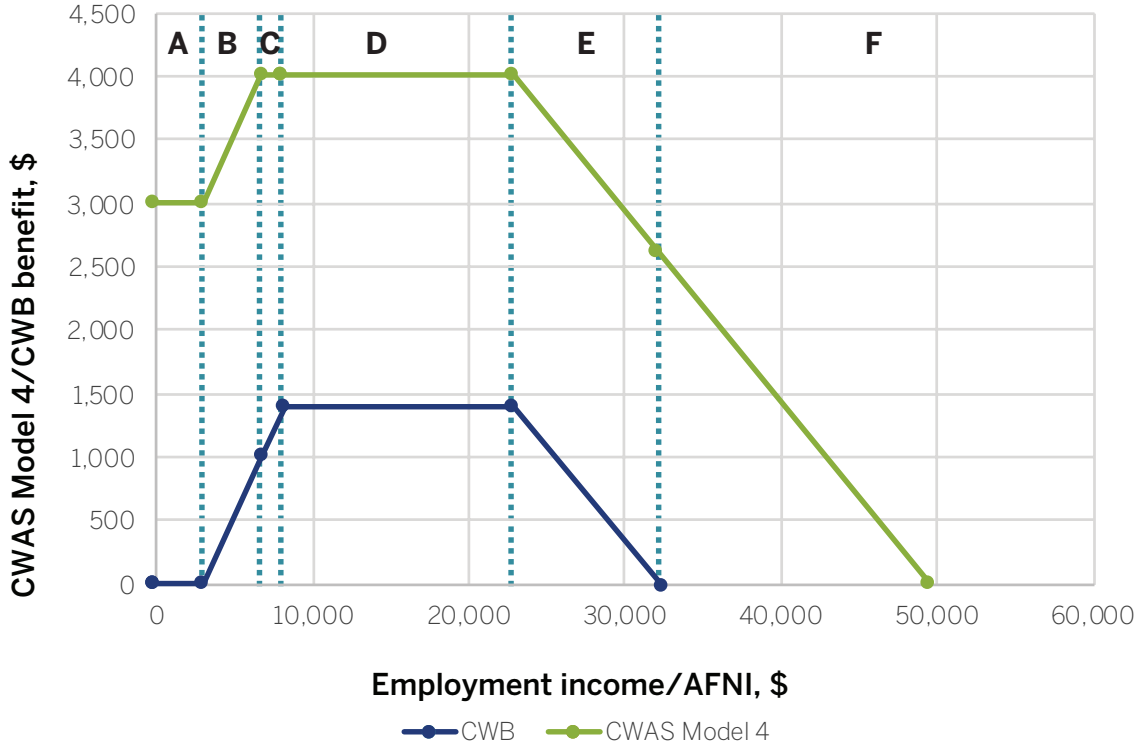
Model 4 proposes a floor amount of \$3,000 with a \$1,000 employment boost, with a maximum amount of \$4,000. The phase-in and phase-out rates would remain unchanged from the CWB. The ineligibility threshold would be increased to \$49,611, meaning people with AFNI above this amount would not be eligible for the CWAS.

With these parameters, 3.1 million unattached single adults would have access to the benefit, an increase of 2.1 million recipients from the CWB. One million of the new recipients would be single adults living in deep poverty, who would gain eligibility due to the addition of the floor amount. Furthermore, all those already receiving the CWB would see gains in their benefit amount.

Model 4 is expected to cost \$7.833 billion, an increase of about \$6.9 billion from the single adults portion of CWB.

## BREAKDOWN

Figure 6.13: CWAS Model 4 versus the CWB



- A: Between employment earnings of \$0 and \$3,000, recipients are ineligible for the CWB, but they would be eligible for the CWAS Model 4 floor amount.
- CWB: \$0
  - CWAS Model 4: \$3,000
- B: Starting at employment earnings of \$3,000, the benefit increases as employment earnings rise for CWB and CWAS Model 4. At this stage, because the phase-in rate is the same for both at 27 per cent, former CWB recipients would receive exactly \$3,000 more from CWAS Model 4. For example, if they were eligible for \$500 from CWB, they would receive \$3,500 from CWAS Model 4.
- CWB: \$0 to \$1,000
  - CWAS Model 4: \$3,000 to \$4000
- C: At employment earnings of \$6,704, CWAS Model 4 has reached its maximum amount of \$4,000, while the CWB continues to increase at the 27 per cent phase-in rate. This is because the employment boost for CWAS Model 4 is smaller than that of the CWB, at \$1,000 and \$1,395, respectively, so the plateau is reached faster. CWB recipients who would still be phasing in at these employment earnings levels would be entitled to the full CWAS Model 4 amount.
- CWB: \$1,000 to \$1,395
  - CWAS Model 4: \$4,000
- D: At employment earnings between \$8,166 and \$22,944, the CWB and CWAS Model 4 are both flat at their maximum amounts of \$1,395 and \$4,000, respectively. A CWB recipient would receive \$2,605 more with the CWAS Model 4.
- CWB: \$1,395
  - CWAS Model 4: \$4,000
- E: Starting at employment earnings of \$22,944, both CWB and CWAS Model 4 begin to decrease as income (AFNI) increases. The phase-out rate is the same for both at 15 per cent; former CWB recipients would receive exactly \$2,605 more from CWAS Model 4 at this stage.
- CWB: \$1,395 to \$0
  - CWAS Model 4: \$4,000 to \$2,605
- F: After reaching an income (AFNI) over \$32,244, recipients become ineligible for the CWB. However, they would remain eligible for the CWAS Model 4, as it continues to phase out until income (AFNI) reaches \$49,611.

## IMPACT

Figure 6.14 summarizes the average benefit gain with a transition to CWAS Model 4 for each AFNI income category.

**Figure 6.14: Average benefit increase from CWAS Model 4**

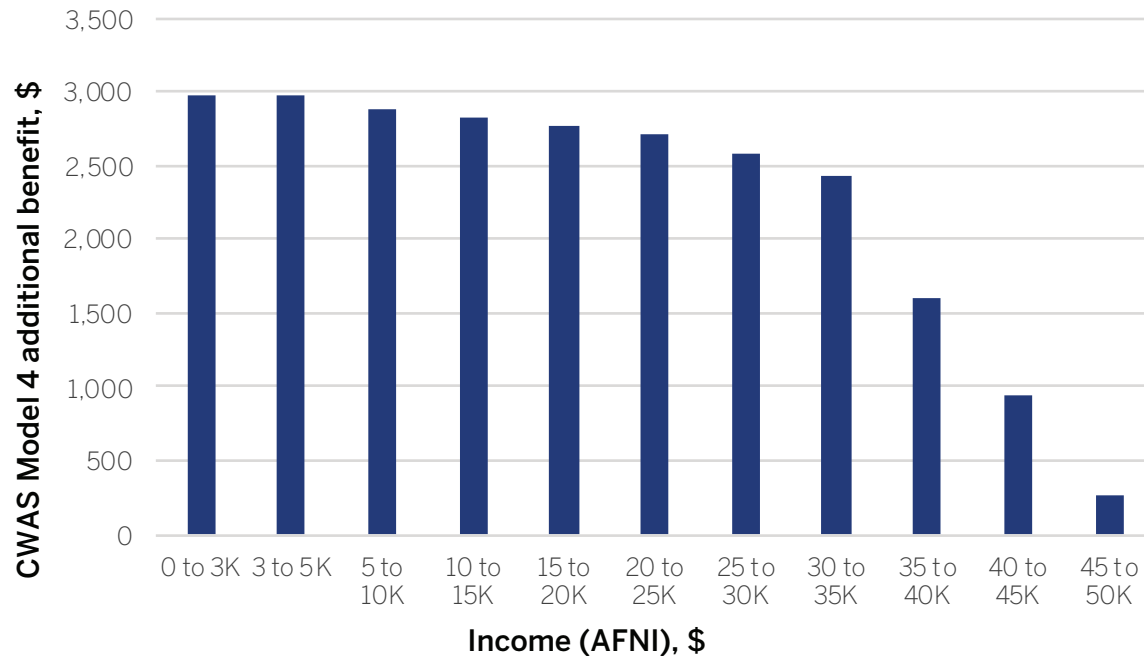
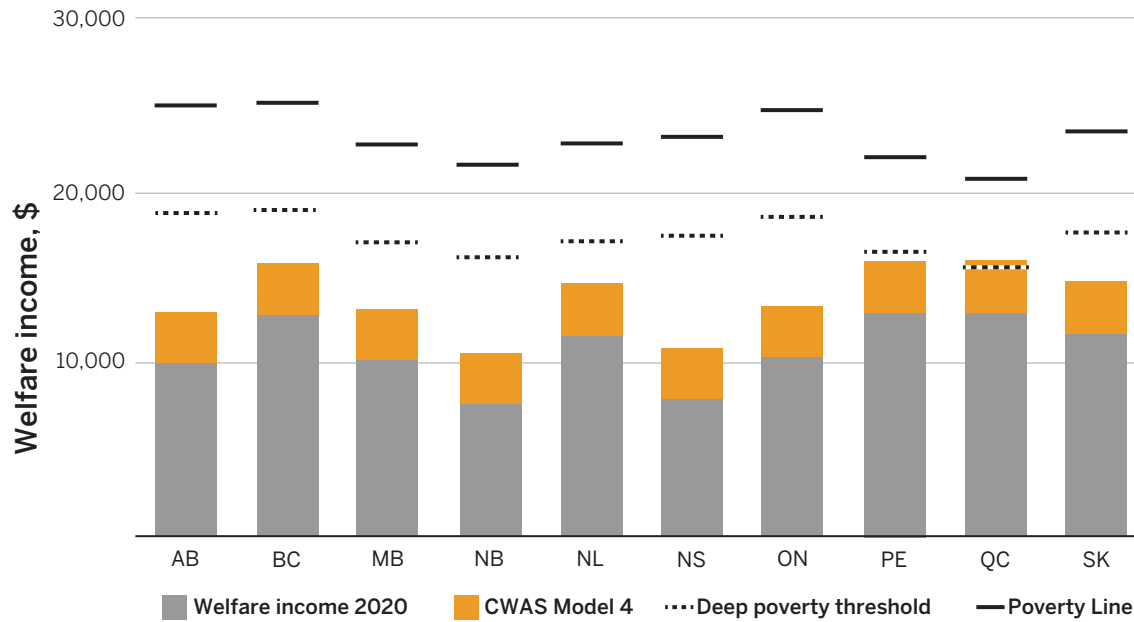


Figure 6.15 demonstrates the impact of CWAS Model 4 on the adequacy of the 2020 welfare income of an unattached single adult in each of the ten provinces. The recipient is assumed to have no employment earnings and to have received social assistance for the calendar year.

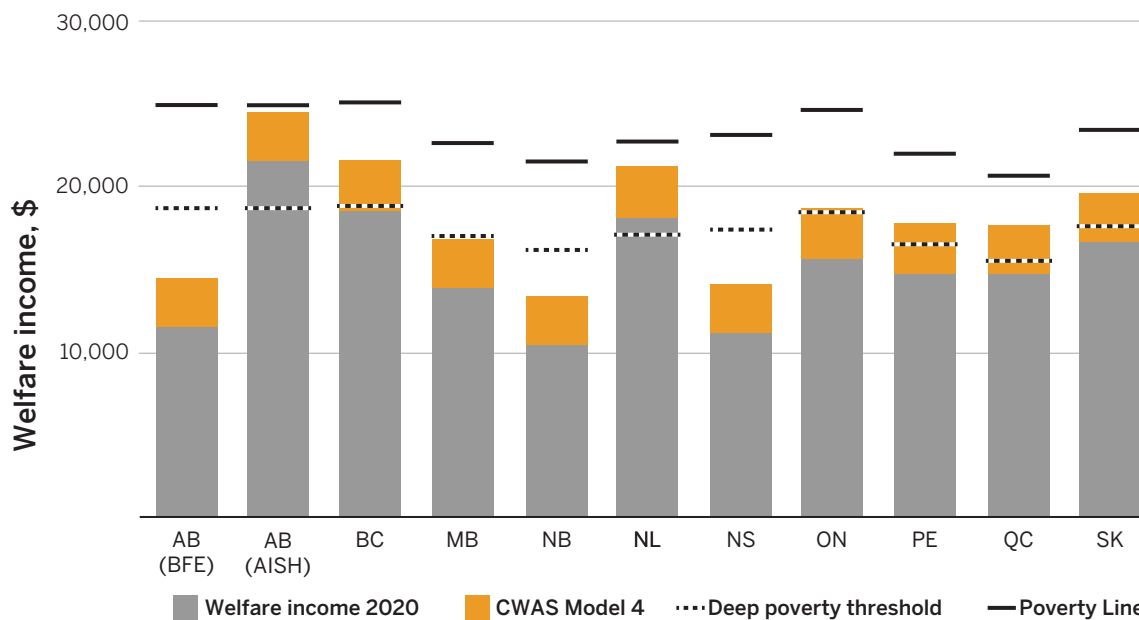
Note that the Official Poverty Line and the deep poverty threshold do not account for the higher cost of living faced by persons with disabilities, and thus these additional costs are not reflected in our analysis.

Figure 6.15: Adequacy of welfare incomes with CWAS Model 4

**A. Unattached single adults considered employable**



**B. Unattached single adults with a disability**



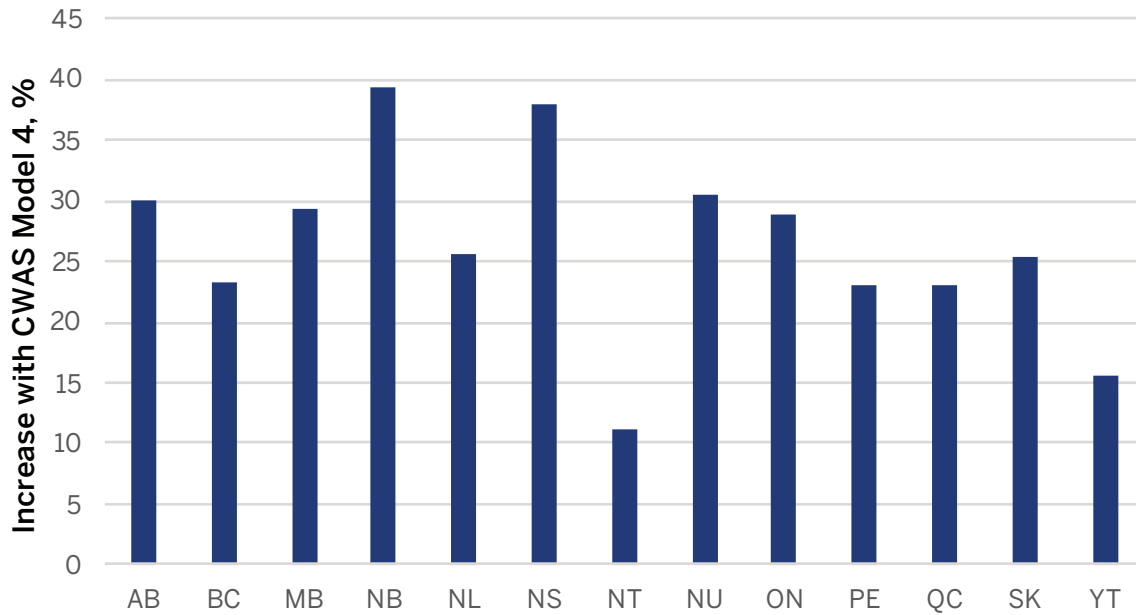
Note: Territories are not included in the figures because MBMs had not yet been developed for these jurisdictions at time of writing.



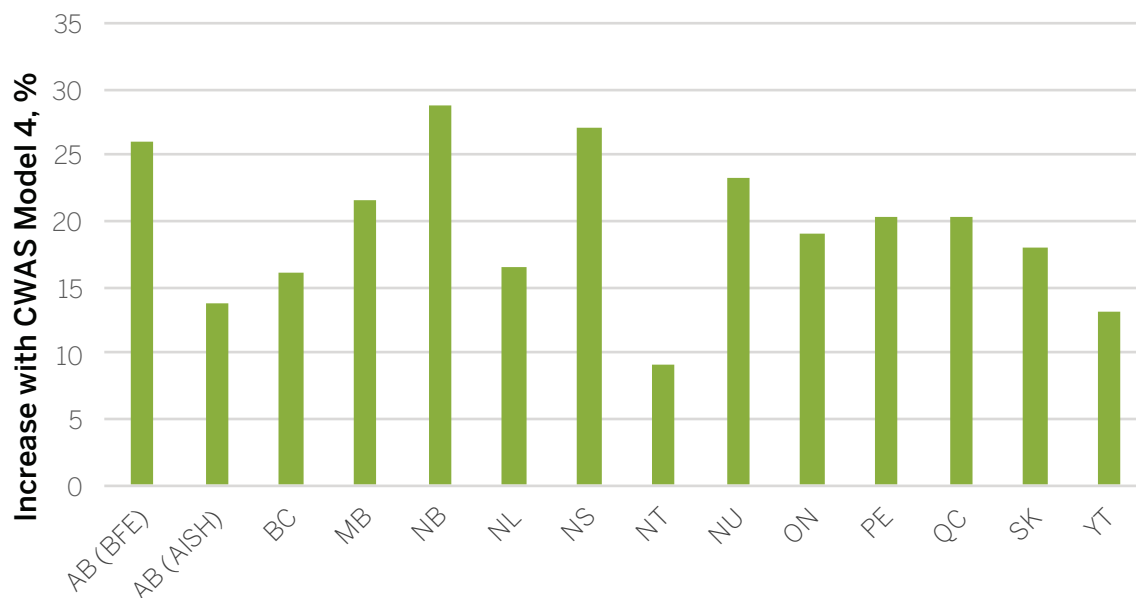
Figure 6.16 illustrates the percentage increase in welfare incomes with the introduction of CWAS Model 4. Since the recipient is assumed to have no income, the Figure shows the impact of the \$3,000 floor.

**Figure 6.16: Percentage increase in welfare incomes with CWAS Model 4**

**A. Unattached single adults considered employable**



**B. Unattached single adults with disabilities**



Despite having the same maximum benefit, Model 4 starts at a higher floor amount than Model 3, which explains the higher cost of Model 4. However, the value of this difference can clearly be seen in Figure 6.14, as those on the lower end of the income spectrum would receive markedly higher benefits.

This would be notably felt for social assistance recipients with no employment earnings, who would receive \$3,000 from the CWAS Model 4 floor, \$1,000 more than Models 2 and 3. In Quebec, it would allow unattached single adults considered employable to reach the deep poverty threshold. In New Brunswick and Nova Scotia, it would represent an almost 40 per cent increase in their welfare income.

For unattached single adults with disabilities, welfare incomes would rise above the deep income poverty threshold in seven provinces in Model 4. Compared to Models 2 and 3, this would mean that unattached single people with disabilities in Ontario would also be lifted out of deep poverty. Unattached single adults with disabilities living in Manitoba would come within \$200 of the deep income poverty threshold. Furthermore, those receiving AISH in Alberta would come within \$400 of the Official Poverty Line.

Across all jurisdictions, CWAS Model 4 would noticeably reduce the depth of poverty of both demographics by between 9 and 39 per cent.

# SUMMARY AND COMPARISON OF CWAS MODELS

To better understand the impact of each CWAS Model relative to the others, we examine them comparatively. The following three tables summarize how key parameters, impact on recipients, and costs differ by model. Then four graphs illustrate how each model impacts benefits by income bracket, affects adequacy of welfare income, increases total welfare income, and increases income supports from the federal government.

## Summary tables

Table 7.1: Key parameters of CWAS models

	CWB	Model 1	Model 2	Model 3	Model 4
Floor amount	\$0	\$1,000	\$2,000	\$2,000	\$3,000
Employment boost	\$1,395	\$2,000	\$1,000	\$2,000	\$1,000
Maximum benefit	\$1,395	\$3,000	\$3,000	\$4,000	\$4,000
Ineligibility threshold	\$32,244	\$42,944	\$42,944	\$49,611	\$49,611

Table 7.2: CWAS models impact on recipients

	CWB	Model 1	Model 2	Model 3	Model 4
Total recipients	1 million	2.5 million	2.6 million	3 million	3.1 million
New recipients	NA	1.5 million	1.6 million	2 million	2.1 million
Of new recipients, number of people living in deep poverty	NA	1 million	1 million	1 million	1 million

**Table 7.3: Costs of CWAS models**

	CWB (portion of cost to single adults)	Model 1	Model 2	Model 3	Model 4
Cost	\$0.943 billion	\$3.843 billion	\$4.964 billion	\$6.613 billion	\$7.833 billion
Additional cost	NA	\$2.9 billion	\$4 billion	\$5.6 billion	\$6.9 billion

## Benefit increase by CWAS model

**Figure 7.1: Benefit increases from CWAS models by income relative to the CWB**

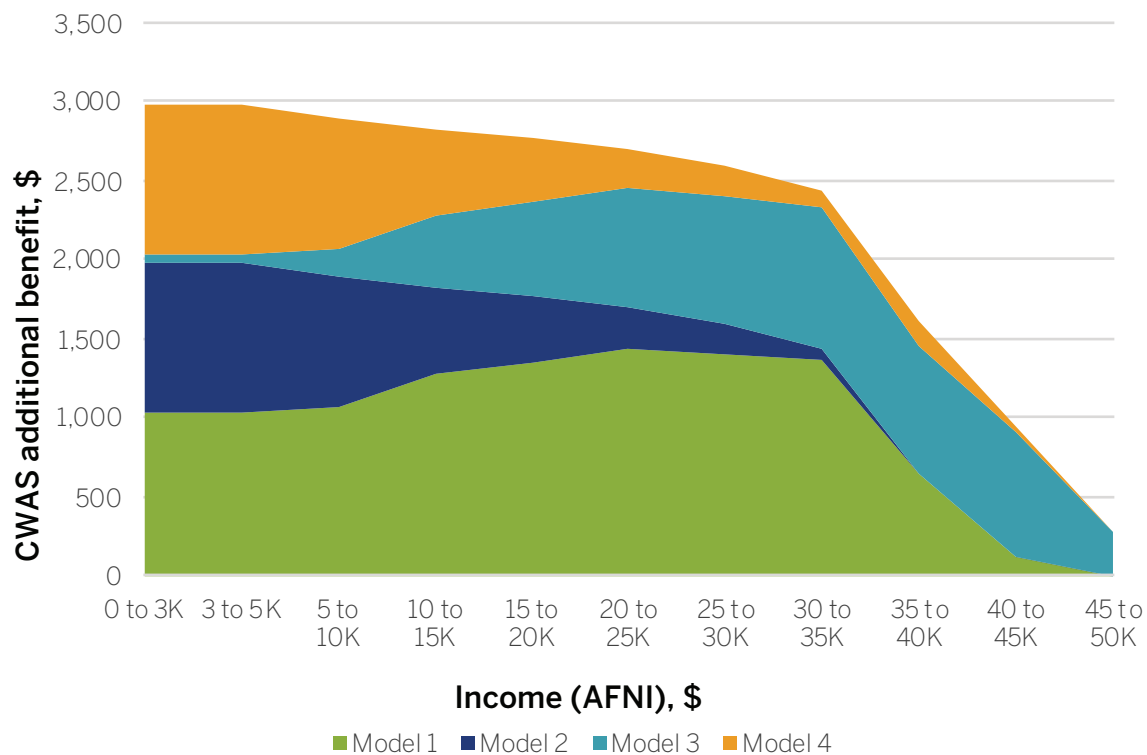


Figure 7.1 reflects important comparative trade-offs between the models assessed. This includes:

- Illustrating that the impact of Model 2 relative to Model 1 is concentrated among people living with low income and people living in deep poverty.
- Demonstrating that even though Models 1 and 2 would impact a similar number of recipients, Model 2 would reduce the depth of poverty, which is also reflected in its higher cost.

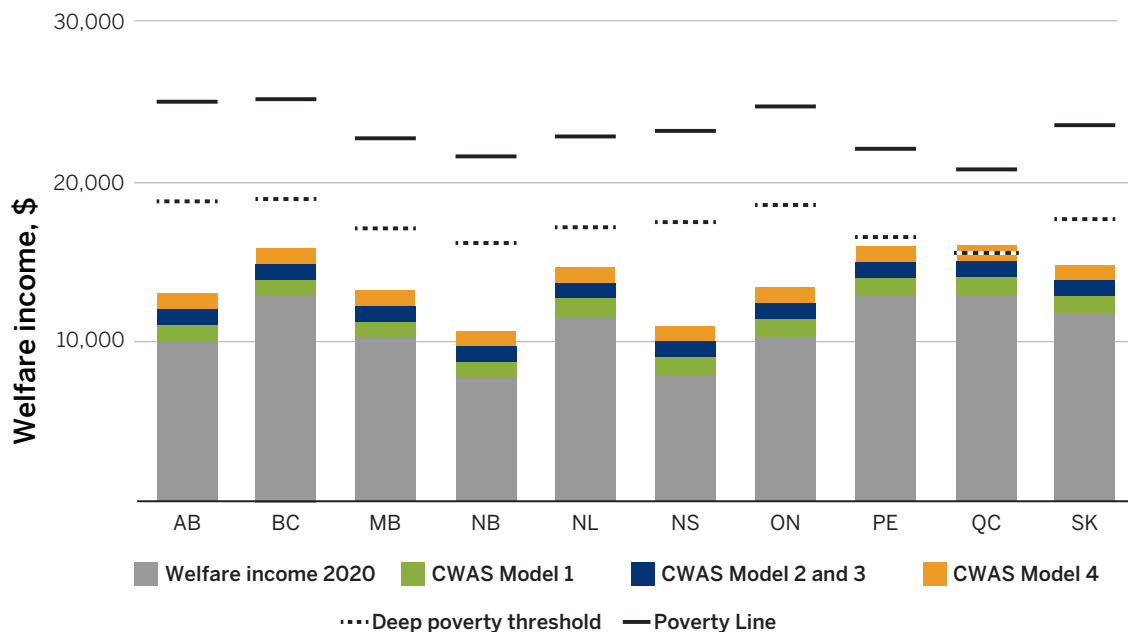
- Clarifying that while Models 2 and 3 seem to have a similar impact among people living with low incomes, the latter is much more impactful among the working poor and moderate-income unattached single adults. This is reflected in the additional 400,000 people with lower and moderate-income beneficiaries who would receive benefits in Model 3.
- Highlighting that while Models 3 and 4 have a comparable number of recipients, Model 4 provides a higher floor amount, and would consequently reduce the depth of poverty more significantly for people living with low income and people living in deep poverty.

## Benefit increase relative to MBM by model

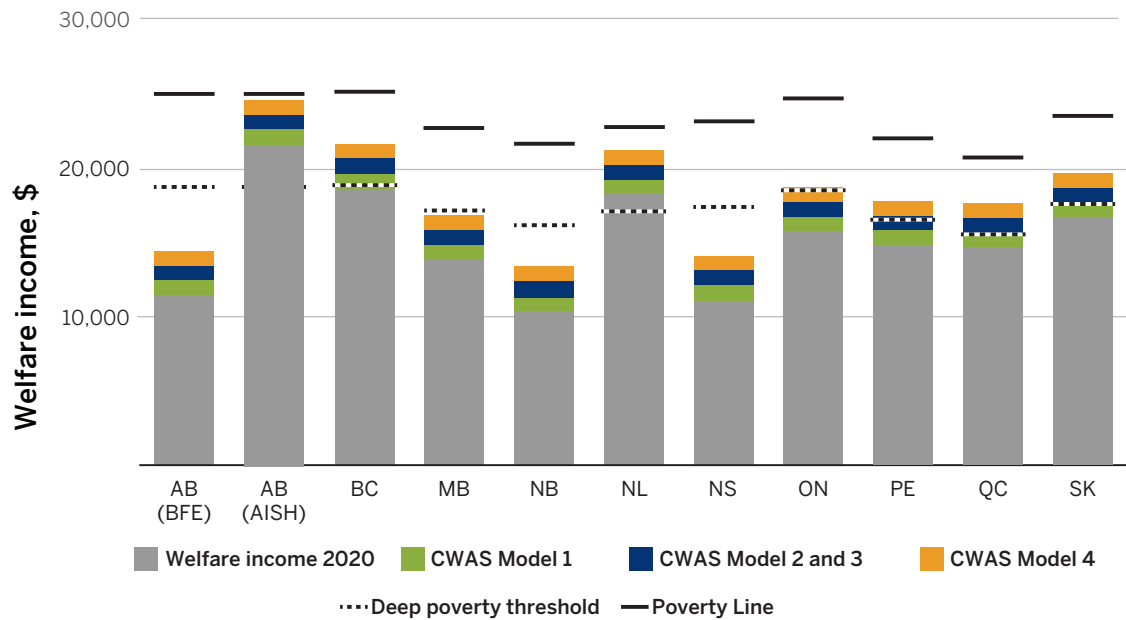
Figure 7.2 shows the impact of CWAS models on the welfare incomes of both unattached single adults considered employable and unattached single adults with disabilities receiving social assistance for the entire 2020 calendar year who did not have any income from employment. This means that the example households would only be eligible for each model’s floor amount.

Figure 7.2: Adequacy of welfare incomes with each CWAS model

### A. Unattached single adults considered employable with no employment earnings



## B. Unattached single adults with disabilities with no employment earnings



Note: Territories are not included in the figures because MBMs had not yet been developed for these jurisdictions at time of writing.

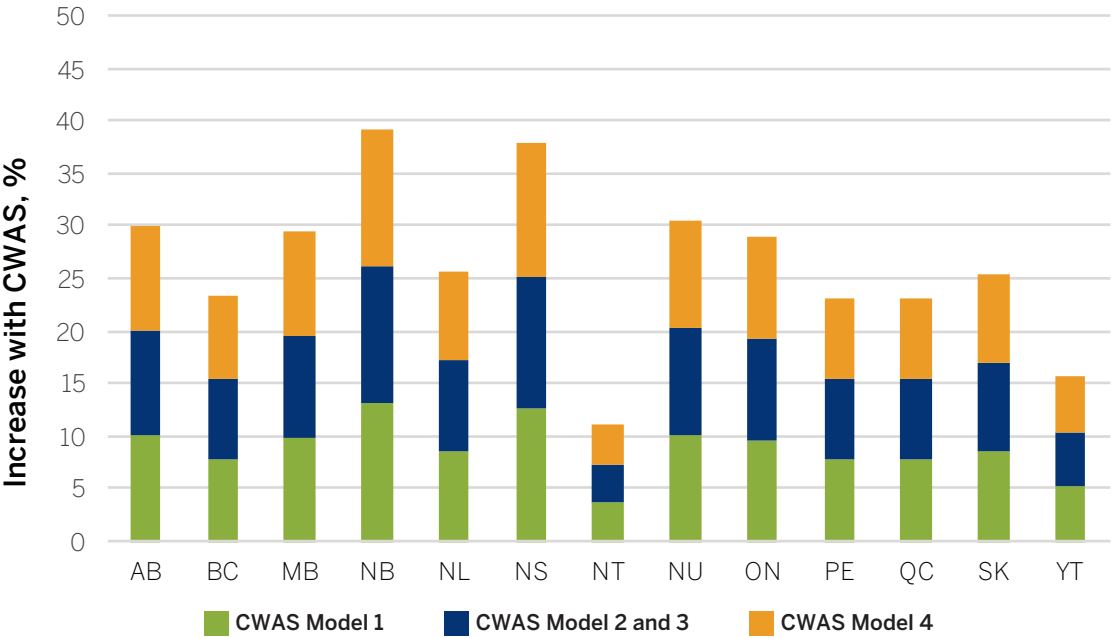
Among unattached single adults considered employable, only Model 4's floor of \$3,000 in Quebec would push recipients above the deep income poverty threshold. In the other nine provinces, additional income supports would have to be invested to reach that threshold.

For unattached single adults with disabilities, welfare incomes without the CWAS floor are above the deep income poverty threshold in Alberta (AISH) and Newfoundland and Labrador. The introduction of CWAS Model 1 would push welfare incomes above the deep income poverty threshold in three more provinces: British Columbia, Quebec, and Saskatchewan. Models 2 and 3 would add Prince Edward Island to the list. Model 4 would add Ontario for a total of seven out of ten provinces above the deep income poverty threshold, with an eighth, Manitoba, right below. None of the example households would reach the Official Poverty Line, but Alberta (AISH) would come close.

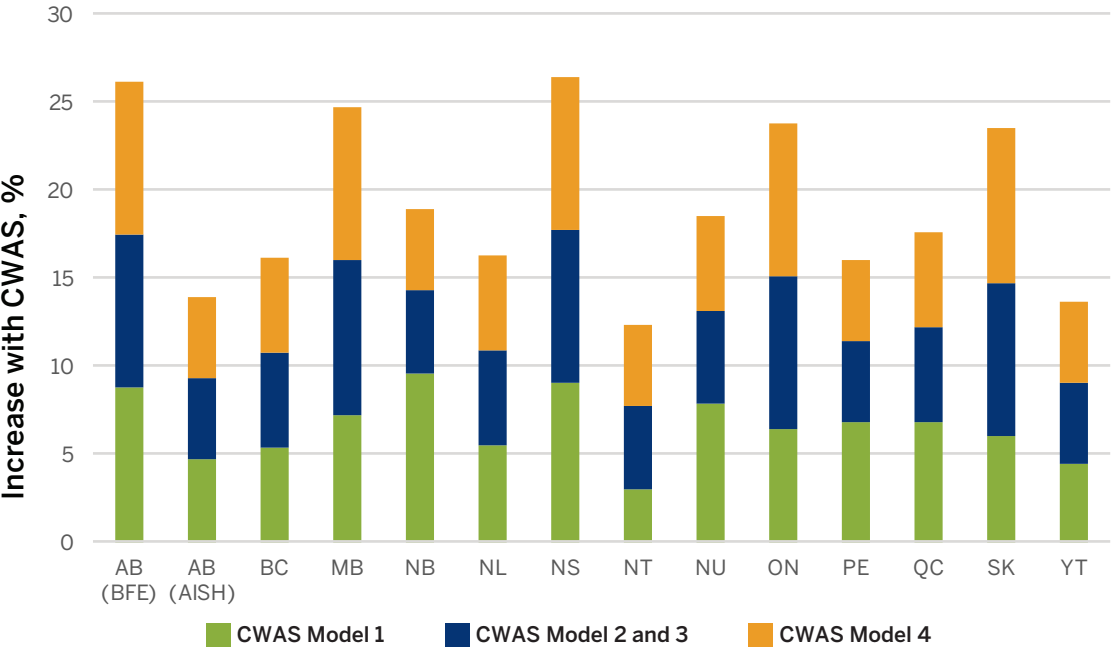
# Percentage increase in welfare income

Figure 7.3: Percentage increase in welfare incomes with the addition of CWAS models by jurisdiction

**A. Unattached single adults considered employable with no employment earnings**



**B. Unattached single adults with disabilities with no employment earnings**



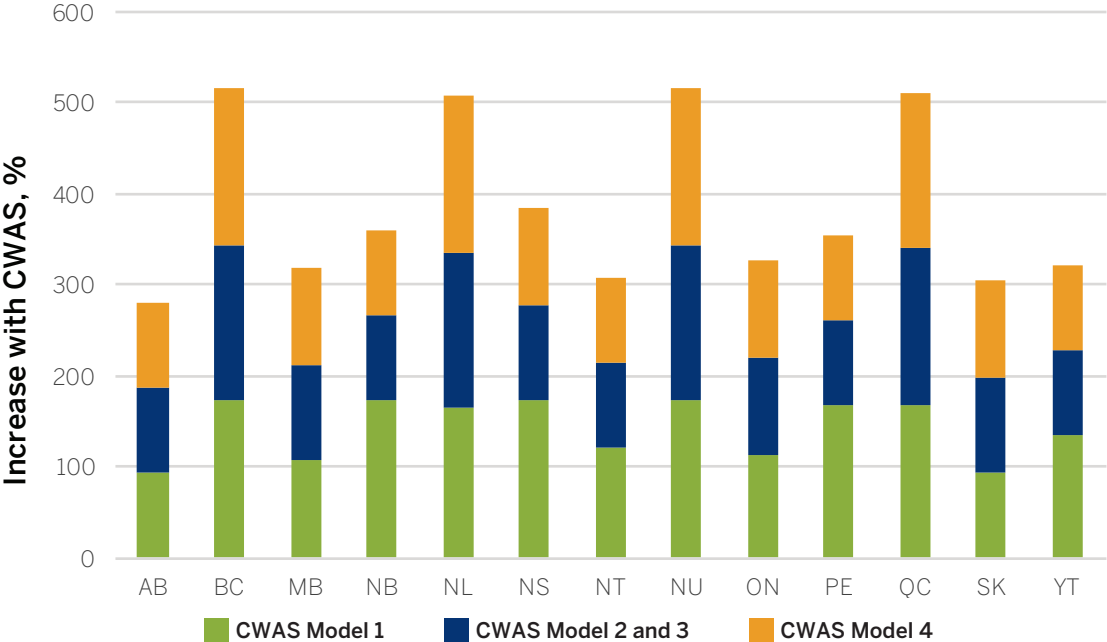
While the CWAS Models would not allow any of the example unattached single adult households to reach the Official Poverty Line, they would noticeably and meaningfully reduce the depth of poverty across Canada. Model 1 would increase welfare incomes by between 3 and 13 per cent, Models 2 and 3 by between 6 to 26 per cent, and Model 4 by between 9 and 39 per cent.

When stacked with other programs, the CWAS will work significantly to reduce the depth of poverty experienced by unattached working-age single adults.

## Increase from federal support for people living in deep poverty by model

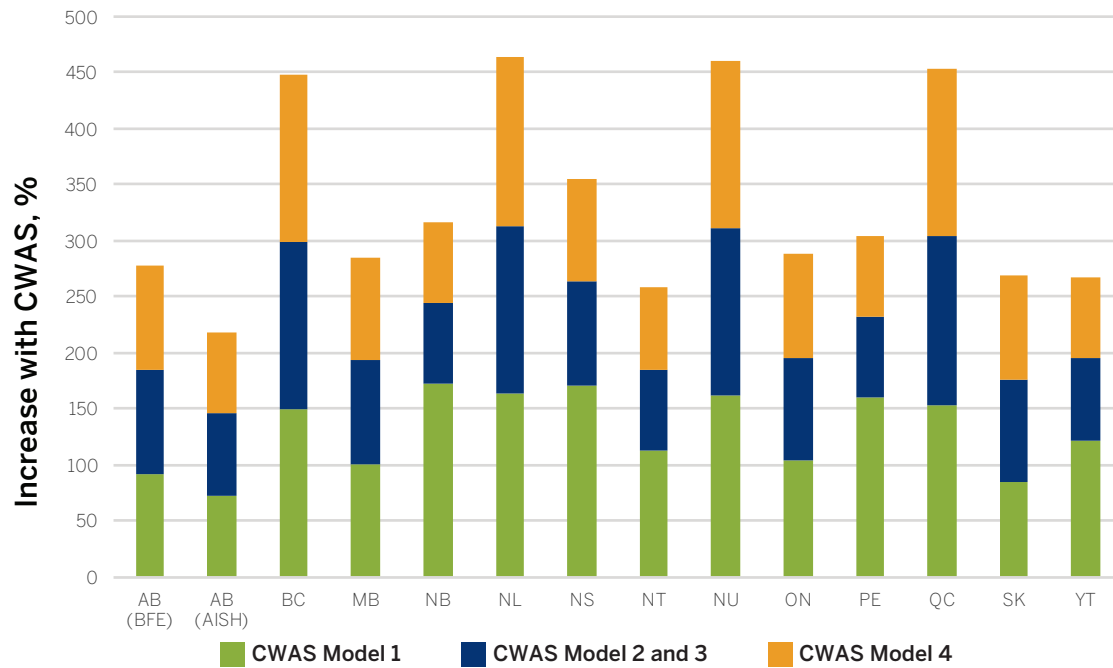
Figure 7.4: Percentage increase in federal income supports with the addition of CWAS models by jurisdiction

### A. Unattached single adults considered employable with no employment earnings





## B. Unattached single adults with disabilities with no employment earnings



The federal government has historically underinvested in people living in deep poverty, especially unattached working-age single adults. The introduction of a CWAS floor amount would mark a turning point. As shown in Figure 7.4, all four CWAS models would multiply the federal government’s contribution to the welfare income of unattached single adults. Model 1 would multiply federal supports by a factor of between 2 and 2.75, Model 2 and 3 by between 3 and 4.5, and Model 4 by between 4 and 6. The impact on income supports in Alberta, Manitoba, Ontario, and Saskatchewan is slightly lower because the federal government provides the Climate Action Incentive (CAI) in addition to the GST/HST tax credit available in the other jurisdictions.

# RECOMMENDATIONS

Unattached working-age single adults face the highest rates and deepest levels of poverty in Canada. To help address the needs of this group, it is important for the federal government to play a more active role and provide a baseline level of income support for working-age single adults, as it does for seniors and families with children.

This report recommends expanding the Canada Workers Benefit (CWB) to provide support to all low-income working-age unattached single adults regardless of their attachment to the labour market.

We propose that the CWB be developed into the Canada Working-Age Supplement (CWAS). To achieve this, we recommend the following:

## RECOMMENDED CWAS MODEL

### 1. Transform the Canada Workers Benefit (CWB) into Model 4 of the proposed Canada Working-Age Supplement (CWAS).

In this report, we provided modelling for four potential versions of the CWAS. All of them propose a floor and an increase to the maximum amount.

Model 4 offers a floor of \$3,000 and an employment incentive of \$1,000 for a maximum amount of \$4,000. The higher floor amount of this model would have the most impact at improving circumstances for people living in deep poverty.

This benefit would be in addition to other income supports working-age single adults are eligible for (for example, social assistance), and thus would result in increased income, though the amounts would vary by jurisdiction.

Model 4 also has a higher maximum amount than Models 1 and 2. This means that the CWAS would better improve the standard of living of people with low and moderate employment earnings.

If the CWB were transformed into Model 4 of the proposed CWAS, about 3 million unattached working-age single adults across Canada would receive the benefit, of which about 1 million would be people living in deep poverty. Depending on the jurisdiction, the depth of impact of the CWAS will be experienced differently, while still resulting in improved outcomes for unattached single adults Canada-wide.

In Quebec, for example, Model 4 would lift unattached single adults considered employable receiving social assistance above the deep income poverty line. It would also result in unattached single adults with disabilities receiving social assistance in seven of eleven households to be lifted out of deep poverty.

Even when working-age single adults are not lifted out of deep poverty, the CWAS would make a significant impact reducing the depth of poverty in other jurisdictions. For example, in New Brunswick and Nova Scotia, it would represent an almost 40 per cent increase in their welfare income.

## **PARAMETER CHANGES**

Transforming the CWB into the CWAS implies a couple of key parameter changes.

### **2. Provide a floor benefit to working-age unattached single adults with employment earnings between \$0 and \$3,000.**

Currently, the CWB excludes people living in deep poverty with employment earnings below \$3,000. The creation of a floor amount to the CWAS would allow those currently ineligible to receive the CWB to have access to this income support, without eliminating the incentive to work that is built into the current program.

This floor would notably allow the federal government to contribute more substantially to the incomes of people receiving social assistance without any employment earnings. Adding a floor amount of \$3,000 to the CWAS would increase federal contribution to welfare incomes by between 280 and 500 per cent, depending on the jurisdiction and the household. This additional income would assist about a million single adults in meeting their basic needs and may eliminate economic barriers to entering the labour market.

### **3. Retain the income incentive mechanism of the CWB and increase it to better support low-income unattached single adults with labour attachment.**

Compared to the CWB maximum amount of \$1,395 for unattached single adults, the CWAS is proposed to have a higher maximum amount. This would reduce the depth of poverty of those living in deep poverty and improve the standard of living of those with low and moderate employment earnings.

## **EXPANDING AND ENHANCING WHO CAN BENEFIT FROM THE PROPOSED CWAS**

### **4. Provide the maximum disability supplement amount to people with disabilities with incomes below \$1,150.**

The CWB disability supplement currently excludes people with disabilities with employment earnings below \$1,150. At \$1,150, they immediately receive the additional disability amount of \$720.

The floor CWAS amount, plus the full disability supplement, should be provided to unattached single working-age adults with disabilities who do not have employment income.

This disability supplement is not meant to take away from the current momentum behind the proposed Canada Disability Benefit. Further, please note that our modelling does not include costing for this recommendation.

**5. Include students (currently, they are not eligible for the CWB).**

According to Statistics Canada, between 37 and 51 per cent of students aged 17 to 24 were employed during their studies in 2020/21, yet they were excluded from receiving the CWB.<sup>48</sup> While the rationale for such an exclusion is not publicly provided, it is important that this group be provided with support through the CWAS, as discussed in some of the design considerations associated with the CWAS modelling.

**6. The CWAS should be indexed to inflation, like the CWB.**

As we've seen in recent years, inflation has become a real concern among people in Canada, but it's especially the case for people with low incomes. CWAS benefit amounts must be indexed or else the real amount would decrease over time, gradually eroding the value of the benefit as the cost of living increases.

**7. Any investments in increasing CWAS amounts must be protected from subsequent decreases from provincial or territorial programs.**

Income supports for unattached single adults are already inadequate; any new investments should not be met with decreases in existing supports. The federal government should negotiate with provinces and territories to ensure that the creation of the CWAS is not met with claw-backs elsewhere.

**8. Ease tax filing so that people can receive the CWAS easily.**

As receipt of CWAS is contingent on income tax filing, the federal government should move to ease filing for people living in poverty so that they can receive the benefits they are eligible for.

**9. Encourage provincial and territorial governments to extend additional income supports to unattached working-age single adults.**

Provincial and territorial governments have had the opportunity to modify the CWB (and its predecessor, the WITB) as long as it is cost-neutral to the federal government. Quebec, Nunavut, Alberta, and British Columbia either currently or previously have modified the CWB and WITB to reflect their jurisdiction's policy priorities.

Given the urgency that working-age single adults with low incomes face, it is important that provinces and territories consider enhancing the recommended CWAS parameters, such as increasing the floor amount and investing in a higher maximum amount themselves.

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<sup>48</sup> Statistics Canada. (2021). "Proportion of Students Who Are Working Aged 15 to 29, By Age and Type of Institution Attended." Accessed at <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3710010401>

# CONCLUSION

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In this report, we have demonstrated that unattached working-age single adults face the deepest levels, and highest rates, of poverty across Canada.

For far too long, unattached working-age single adults living in poverty have largely had to rely on provincial and territorial social assistance programs for support. These programs are deeply inadequate, inconsistent across the country, and do not adequately help to reduce poverty among unattached working-age single adults. Furthermore, the long-standing policy principle of tying income supports for working-age adults to work is a dated idea that no longer reflects the realities of the labour market.

As we have learned through Canada's experience in income support for seniors and families with children, the federal government can be instrumental in reducing the depth of poverty that people experience. Canada has the mechanisms and tools available to address poverty experienced by unattached working-age single adults. We now need to develop and implement them.

**In this report, we argue that Canada can and should play a leadership role in shaping what income supports for unattached working-age single adults can look like. This can be achieved by the proposed Canada Working-Age Supplement (CWAS).**

Changes in the parameters of the Canada Workers Benefit (CWB) can be undertaken to develop the proposed Canada Working-Age Supplement (CWAS). We argue that CWAS should be provided to all unattached working-age single adults living in poverty — whether they are employed or not. The benefit would provide a floor amount of support and would stack on top other income supports that people may receive (for example, social assistance and other income-tested tax credits) to help improve their standard of living. Furthermore, the CWAS would provide higher support to those with some labour market attachment, as compared to the current parameters of the CWB.

The CWAS is both practical and transformative. As the options modelled indicate, adopting CWAS could also lead to a 9 to 39 per cent increase in welfare incomes for unattached working-age single adults across Canada.

Of the four models presented in this report, we recommend the adoption of Model 4 of the proposed CWAS. This model would provide a floor benefit of \$3,000 and an employment boost of up to \$1,000. The adoption of Model 4 would mean that the CWAS would go to 3.1 million working-age single adults across Canada, of which 1 million are new recipients (currently not eligible for CWB) and living in deep poverty.

This is significant, and the role that the CWAS could play in reducing the level of poverty of working-age single adults across Canada should not be underestimated.

As noted, the CWAS on its own is not a panacea. The CWAS will need to be implemented alongside a suite of social programs, legislation, and regulation that can help make life more affordable for people living in poverty across Canada. For it to be successful, it must also be indexed to inflation and connected to improved income tax filing for people living in poverty. Furthermore, the CWAS is not intended to replace any part of Canada's social safety net but rather strengthen it, especially given that different parts of the net serve the needs of different groups across Canada.

The CWAS would not only complement Canada's existing social safety net, it would be transformative in advancing the idea that unattached working-age single adults should be eligible for income support not because they've earned it as workers, but because they need it as people. The CWAS would help improve the ability of unattached working-age single adults to live a life with dignity.

The CWAS needs to be introduced and implemented without delay.