



# Improving the lives of people living in deep poverty in New Brunswick

## Written submission for the New Brunswick pre-budget consultations in advance of the 2023 provincial budget

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February 2023

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ISBN: 978-1-928003-51-9  
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# Introduction

At Maytree, we believe that the most enduring way to fix the systems that create poverty is to ensure that economic and social rights are protected, respected, and fulfilled for everyone in Canada. Maytree's submission is focused on ensuring that the New Brunswick government takes action to strengthen the province's social safety net, so that those living in deep poverty can live a life with dignity.

To this end, Maytree recommends that the New Brunswick government:

1. Increase benefit amounts for people receiving social assistance.
2. Increase and index earning exemption amounts for social assistance recipients.
3. Transform part of the Canada Workers Benefit (CWB) into the proposed Canada Working-Age Supplement (CWAS).

The following provides the evidence and context behind our recommendations.

## Recommendations

### 1. Increase benefit amounts for people receiving social assistance in New Brunswick.

Maytree's annual *Welfare in Canada* report<sup>1</sup> shows that in 2021 New Brunswick households had some of the lowest welfare incomes<sup>2</sup> in Canada. The following provides the total welfare incomes of four household types in New Brunswick in 2021, and how their welfare incomes compared across Canada:

- Unattached singles considered employable had a total welfare income of \$7,499, the lowest in Canada;
- Unattached singles with a disability had a total welfare income of \$10,298, the lowest in Canada;
- Single parents with one child had a total welfare income of \$21,595, the second lowest in Canada; and
- Couples with two children had a total welfare income of \$27,177, the lowest in Canada.

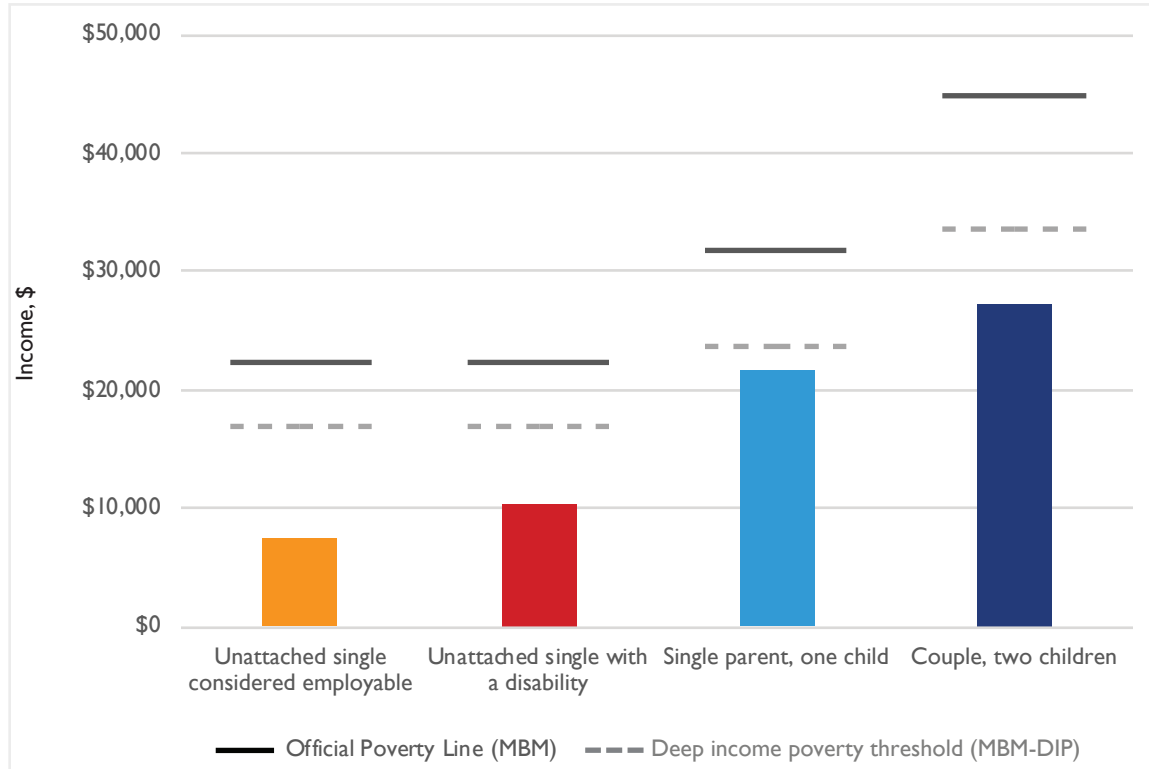
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1 Laidley, Jennefer and Mohy Tabbara. (November 2022). "Welfare in Canada, 2021." *Maytree*. Accessed at: <https://maytree.com/welfare-in-canada/>

2 Welfare incomes include social assistance amounts, benefits, and refundable tax credits.

It is also important to assess the adequacy of welfare incomes. As such, we compare them to Canada’s Official Poverty Line (the Market Basket Measure, or MBM), and the deep income poverty threshold (which is 75 per cent of the MBM). Because the MBM is regional, we use the threshold for New Brunswick’s largest city, Moncton.

**Figure – New Brunswick welfare incomes relative to two poverty thresholds, 2021**



Note: All households are receiving social assistance for the first time in 2021 and are assumed to have received it for the entire 2021 calendar year. They are also assumed to not have employment income.

Living below 75 per cent of the Official Poverty Line—or deep income poverty threshold—means that a person can no longer cover the basic necessities of life such as food and shelter. Unfortunately, all households receiving social assistance in New Brunswick lived below the deep income poverty threshold in 2021.

As can be seen in the figure above, unattached singles with a disability had a welfare income that reached 46 per cent of the Official Poverty Line and 61 per cent of the deep income poverty threshold. Unattached singles considered employable household had a welfare income that reached only 33 per cent of the Official Poverty Line and 45 per cent of the deep income poverty threshold.

Single parents with one child had a welfare income that was 68 per cent of the deep income poverty threshold and 91 per cent of the Official Poverty Line. Couples with two children household had welfare income that was 81 per cent of the deep income poverty threshold and 61 per cent of the Official Poverty Line.

While welfare incomes in New Brunswick had increased slightly in 2020, they decreased again in 2021 after pandemic-related payments were phased out.

New Brunswick began annual indexing of social assistance benefits as of April 2021, and it remains one of the few Canadian jurisdictions to do so. However, it is important to recognize that indexing alone will not help improve the adequacy of income support benefits in New Brunswick as its welfare incomes are amongst the lowest in the country.

Given the depth of poverty people receiving social assistance experience, we strongly recommend that the government of New Brunswick make significant increases to social assistance benefits for all recipients. This will reduce the depth of poverty in New Brunswick and ensure that everyone in the province can live a life of dignity.

## **2. Increase and index earnings exemptions.**

Currently, people receiving social assistance and working in New Brunswick will have their social assistance benefits clawed back by 30 cents for every dollar of earnings after a certain threshold in net earnings is achieved (i.e., \$150 monthly in net earnings for unattached singles considered employable, and \$500 monthly in net earnings for unattached singles with a disability).

While the intention of these earnings exemptions is to help people receiving social assistance keep more of what they earn, they are currently restrictive and can be improved. For example, while the phase-out rate is among the more generous in Canada (the 30 per cent claw-back), the earnings exemption threshold (the net earnings level at which claw-backs begin) is the second lowest in all of Canada for unattached singles considered employable. Increases to the earnings exemption threshold would help this group, and others receiving social assistance, improve their overall incomes and reduce disincentives to employment.

To help ensure that the earnings exemption threshold maintains its value over time, we also recommend that New Brunswick consider indexing the exemptions.

### **3. Transform part of the Canada Workers Benefit (CWB) into the proposed Canada Working-Age Supplement (CWAS).**

Working-age singles without children face the highest and deepest rates of poverty in Canada. To address this, Maytree and Community Food Centres of Canada (CFCC) released a report proposing the development of the Canada Working-Age Supplement (CWAS).<sup>3</sup> The report outlines how the federal government could enhance the Canada Workers Benefit (CWB) and transform it into the CWAS, so that the federal government could better support working-age singles without labour market attachment and living in deep poverty.

Advocacy from provincial and territorial governments, including New Brunswick, is needed to encourage the federal government to implement the CWAS. At the same time, all provinces and territories have the option to enhance the CWB themselves to address their jurisdictions' own needs, and we recommend to not wait for federal leadership to better support working-age singles living in deep poverty.

The enhancement of the CWB into the CWAS would only impact the portion of the CWB targeted to unattached singles and would be further refined to target those who are of working age. Unattached working-age singles represented half of the 48,000 working-age people living in poverty in New Brunswick<sup>4</sup> in 2019, and the CWAS would reduce their depth of poverty.

Implementing the CWAS would require the following parameter changes to the CWB:

- Adding a floor benefit of \$3,000, which would be provided to those with very little or no employment income. This change is in contrast to the current CWB design, where people need \$3,000 or more in earnings to receive the benefit.
- An employment boost—that is, a benefit that is phased in as earnings increase—of up to \$1,000.
- A maximum benefit amount of up to \$4,000 per year, combining the floor benefit and the employment boost. This maximum is much higher compared to the current CWB maximum benefit of \$1,395 for single adults.

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3 For more details on the proposal, see: Talwar Kapoor, Garima et al. (2022). “How to reduce the depth of single adult poverty in Canada: Proposal for a Canada Working-Age Supplement.” *Maytree and Community Food Centres Canada*. Accessed at: <https://maytree.com/wp-content/uploads/canada-working-age-supplement-report.pdf>

4 Statistics Canada. (March 2022). “Low income statistics by age, sex and economic family type.” Accessed at: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1110013501>

- A broader reach, meaning that benefits would continue to be provided to those with low and moderate earnings until adjusted family net income reaches \$49,611, compared to the current threshold of \$32,244.

The CWAS would largely mirror the current structure of the CWB—that is, the personal income tax system would be used for assessment and delivery, and the benefit would be indexed to inflation to protect its value over time.

Implementing the CWAS would markedly improve the quality of life of unattached working-age singles in New Brunswick. Notably:

- Welfare incomes of social assistance recipients would increase by up to 29 per cent;
- Many part-time minimum wage workers would no longer live in deep poverty; and
- Many full-time minimum wage workers would have incomes that are even higher above the Official Poverty Line.

Maytree thanks you for the opportunity to provide input on the 2023 budget. We welcome any questions or comments you may have on our recommendations.