



# UPSHOT

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

Proposal for a Canada Working-Age Supplement

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This upshot provides key highlights and select modelling. Please [read the full report](#) for the complete analysis.

# 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 single adults).

Unattached single adults currently face the highest rates and deepest levels of poverty in the country. They represented half of the over 1.8 million people living in deep poverty in Canada in 2019.

**Canada's income support system for unattached single adults does not prioritize dignity and adequacy, and continues to perpetuate the cycle of deep poverty.**

For far too long, this group has largely only had access to provincial and territorial social assistance programs for support. These programs are deeply inadequate, inconsistent across the country, and do not help to reduce poverty among unattached single adults. Furthermore, the long-standing policy principle of tying income supports to work effort is outdated, and no longer reflects the realities of the labour market.

While the depth of poverty that unattached single adults face is significant, Canada has the mechanisms and tools available to address it. The federal government has been instrumental in reducing the depth of poverty that families with children and seniors face, and they should do the same for unattached single adults.

**Specifically, we argue that a refundable tax credit for unattached working-age single adults could help reduce the depth of poverty they experience. We recommend the development of a federal Canada Working-Age Supplement.**

## **What are refundable (and non-refundable) tax credits?**

Tax credits can be non-refundable or refundable. Both allow you to reduce your taxes owed. The value of a non-refundable tax credit is capped by your taxes owing. In comparison, if the calculated amount of a refundable tax credit exceeds your taxes owed, you get the additional amount as refund.

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.** This means that unattached working-age single adults living in deep poverty who currently receive \$0 from the CWB would receive foundational support from the federal government.
- **Raising the maximum benefit higher than it is for the current CWB.** Recipients with employment earnings would be eligible to receive a higher benefit than they currently do through the CWB.

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

## What you'll find in the full report

The full report combines an analysis of poverty in Canada today, an overview of the CWB, literature and jurisdictional reviews, and comprehensive modelling to bolster our arguments for the CWAS.

This upshot provides key highlights and select modelling. Please [read the full report](#) for the complete analysis.

# OVERVIEW OF THE CANADA WORKERS BENEFIT

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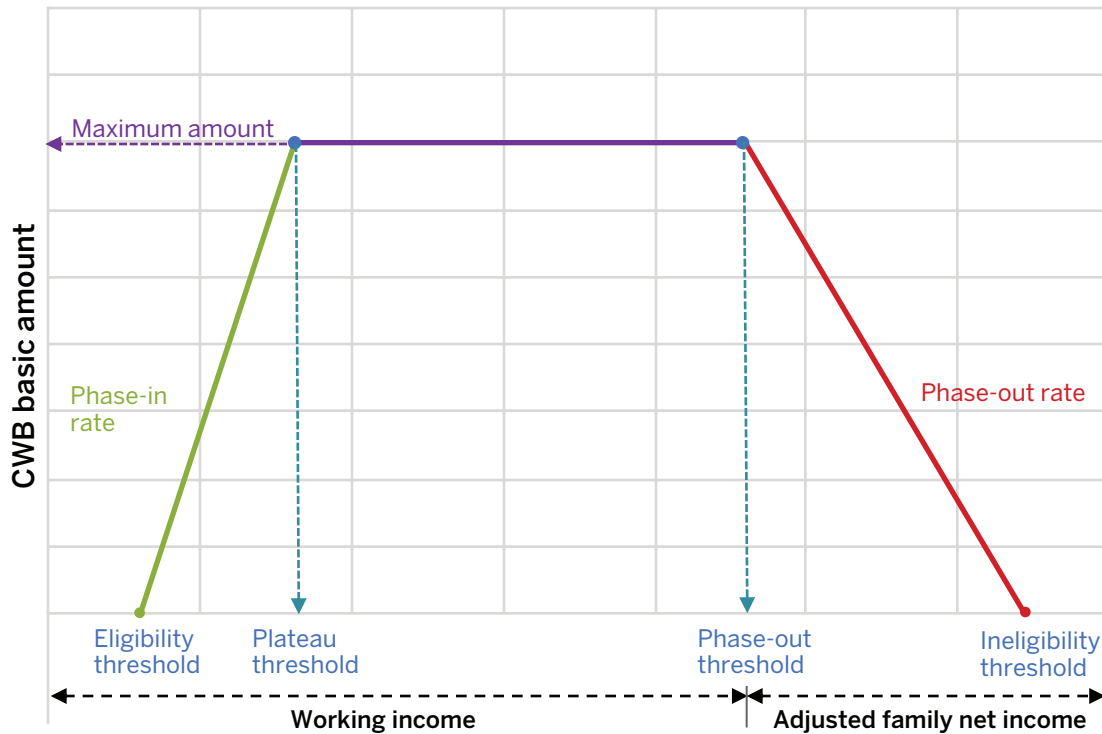
The Canada Workers Benefit (CWB) is a federal refundable tax credit. It was first established in 2007 as the Working Income Tax Benefit (WITB), and was enhanced into the CWB in 2018. Like other “in-work tax credits,” the primary objectives of the program are to provide support for low-income households 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). 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, in most provinces and territories, the maximum basic amount of CWB was \$1,395 per year for unattached single adults. Those earning less than \$3,000 in employment income were ineligible to receive support from the CWB.

To better understand the shape and parameters of the CWB basic amount for single adults, see Figure 1 below.

Figure 1: Shape and parameters of the CWB for unattached single adults



The following are key parameters of the CWB. These are important to keep in mind because some are adjusted to create the proposed CWAS.

- The CWB phases in after a recipient has working income that meets the CWB **eligibility threshold** of \$3,000.
- As employment earnings increase, the CWB amount increases by the **phase-in rate** of 27 cents for every dollar earned.
- At \$8,166 in earnings, an unattached single would receive the maximum CWB amount of \$1,395. The **maximum amount** for unattached singles with employment earnings is between \$8,166 and \$22,944.
- After this, the maximum benefit **phases out** by 15 cents for every dollar of adjusted family net income (AFNI).
- The CWB **ineligibility threshold** (the AFNI point at which an unattached single can no longer receive the CWB) is \$32,244.
- The CWB is calculated based on a recipient's working income until the **phase-out threshold**. Afterwards, it is calculated based on adjusted family net income (AFNI). AFNI includes working income along with some income supports, such as social assistance. It excludes payments received from other programs, such as Universal Child Care Benefit (UCCB) and Registered Disability Savings Program (RDSP), but does include any UCCB and RDSP amounts repaid.

# INTRODUCING THE CANADA WORKING-AGE SUPPLEMENT

This report proposes the creation of the Canada Working-Age Supplement (CWAS) to increase the level of income support provided to unattached single adults.

The CWAS would enhance the CWB to provide greater support to unattached single adults, whether they are employed or not. We selected the CWB for analysis because it is more targeted to people with low incomes, and part of it is specifically targeted to unattached single adults.

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

1. Provide an additional targeted income support that would supplement existing supports, such as provincial/territorial social assistance and other refundable tax credits;
2. Extend access to federal income supports to unattached working-age single adults without employment earnings; and
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.

We developed eleven scenarios of what a CWAS could look like and engaged the consulting firm Vivic Research to conduct the modelling. Ultimately, out of the models assessed, the four chosen for this report had the highest impact on reducing the depth of poverty unattached single adults experience.

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 AFNI category.

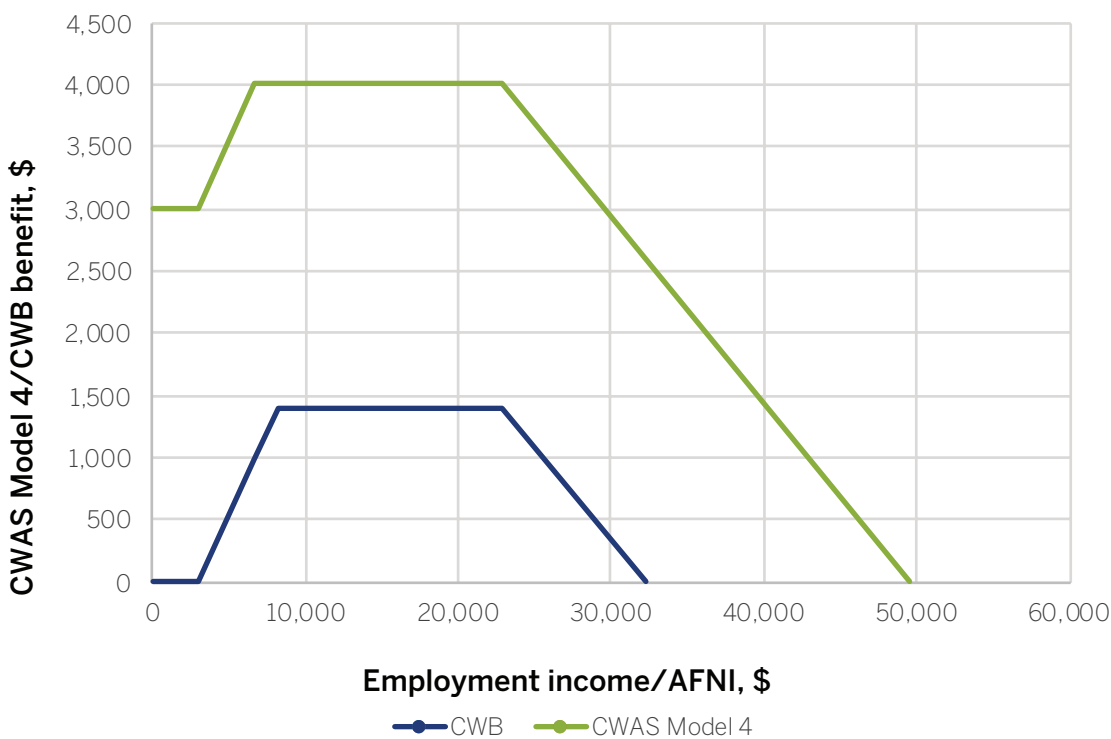
Of the four models presented in this report, we recommend that the federal government consider the development and implementation of CWAS Model 4, as it has the greatest effect on reducing the depth of poverty experienced by unattached working-age single adults in Canada.

From this point onwards, we largely refer to CWAS Model 4 as CWAS. For the full analysis and comparison across the models, [read our full report](#).

## Overview

CWAS Model 4 proposes a floor amount of \$3,000 with a \$1,000 employment boost, adding up to a maximum annual benefit 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.

Figure 2: CWAS versus the CWB basic amount



With this model:

- 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 unattached single adults living in deep poverty, who would gain eligibility due to the addition of the floor amount.

Of note, anyone already receiving the CWB would see gains in their benefit amount with the implementation of CWAS.

*For a detailed breakdown of how CWAS compares to the CWB at different earnings levels, see pg. 59 of the report.*

# Comparing the CWB to the CWAS

Table 1: Key parameters of CWB vs CWAS

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

Table 2: Impact of CWB vs CWAS on the number of recipients

	CWB	CWAS
Total recipients	1 million	3.1 million
New recipients	NA	2.1 million
Of new recipients, number of people living in deep poverty	NA	1 million

Table 3: Cost of the CWB vs CWAS

	CWB	CWAS
Cost	\$0.943 billion*	\$7.833 billion

\*Only cost from unattached single adult portion.

## Key takeaways

The proposed CWAS would noticeably reduce the depth of poverty of unattached working-age single adults between 9 and 39 per cent, depending on the jurisdiction.

Model 4 ensures that individuals experiencing the deepest poverty have access to a floor CWAS benefit of \$3,000 annually. Although the total amount of income support of



unattached single adults will vary by jurisdiction, the CWAS would help to improve the adequacy of income supports they receive and reduce the depth of poverty they experience.

Among people receiving social assistance with no employment earnings and considered employable:

- In Quebec, CWAS would allow unattached single adults to reach the deep poverty threshold.
- In New Brunswick and Nova Scotia, it would represent an almost 40 per cent increase in their income support.

Among unattached single adults with disabilities receiving social assistance with no employment earnings:

- Incomes would rise above the deep income poverty threshold in seven provinces.
- In Manitoba, incomes would come within \$200 of the deep income poverty threshold.
- Individuals receiving AISH in Alberta would come within \$400 of the Official Poverty Line.

## RECOMMENDATIONS

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To meet Canada's poverty reduction targets, it is important for the federal government to play a more active role and provide a baseline level of income support for unattached single adults, as it does for seniors and families with children.

We propose that the CWB be developed into the CWAS, so that all low-income unattached single adults have access to foundational income support, regardless of their attachment to the labour market.

To achieve this, we recommend the following:

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

CWAS 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 on improving the quality of life of people living in deep poverty.

This benefit would be in addition to other income supports unattached single adults are eligible for, and would result in increased total incomes. The total incomes that unattached single adults would have after CWAS and other income supports (like social assistance) would vary by province and territory.

If the CWB were transformed into the proposed CWAS, about 3 million unattached working-age single adults across Canada would receive the benefit, of which about 1 million would be new recipients who are living in deep poverty.

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

Currently, the CWB basic amount 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.

**6. Retain the employment incentive mechanism of the CWB and increase it to better support low-income unattached working-age single adults with labour attachment.**

Compared to the CWB basic amount with a maximum benefit of \$1,395 for unattached single adults, the CWAS would have a higher maximum benefit. This would improve the standard of living of those with low and moderate employment earnings.

**7. 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 maximum disability supplement of \$720.

The floor CWAS amount, plus the full disability supplement, should be provided to unattached working-age single 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. Please note that our modelling does not include costing for this recommendation.

**8. 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. While the rationale for such an exclusion is not publicly known, it is important that this group be eligible for support through the CWAS.

**9. 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.

**10. 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, and any new or enhanced income supports should not be met with decreases in existing benefits. The federal government would need to negotiate with provinces and territories to ensure that the creation of the CWAS is not met with claw-backs elsewhere.

**11. 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.

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

In the past, 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 priorities.

Given the urgency that working-age single adults with low incomes face, it is important that provinces and territories consider implementing the recommended CWAS parameters themselves. These include increasing the floor and maximum amounts.

## CONCLUSION

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In this report, we argue that the federal government 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).

The CWAS addresses the history of inequitable and inadequate income support policy, recommends a targeted approach that focuses on supporting unattached single adults regardless of their employment status, and, by building on the Canada Worker Benefit, would allow the benefit to be created without delay.

Implementing the CWAS would begin to meaningfully address the needs of people living in deep poverty across Canada. It is time that the federal government take steps to do so.