REPORT

Exploring the potential role of ePayroll in income-tested benefit and support programs

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Maytree
Poverty • Rights • Change

About the author

Norm Helfand has over 30 years of experience designing and administering social and income security programs in Ontario. He has led initiatives to expand health, child and disability benefits, and to reform social assistance programs. As Director of Income Security with the Ontario Ministry of Finance, he played a key role in intergovernmental negotiations that resulted in the enhancement of the Canada Pension Plan. Throughout his career, Norm has worked to enhance financial security by promoting the coordination and accessibility of social benefits and tax-based income supports. He now works with his partner as a consultant, helping community agencies adapt to evolving policy and social environments.

About Maytree

Maytree is a Toronto-based human rights organization committed to advancing systemic solutions to poverty and strengthening civic communities. We believe the most enduring way to fix the systems that create poverty is to ensure that economic and social rights are respected, protected, and fulfilled for all people living in Canada. Through our work, we support non-profit organizations, their leaders, and people they work with.

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1. Introduction

The Canada Revenue Agency (CRA) is considering creating an "ePayroll" system, a digital platform for employers to submit employee payroll information to the CRA. If implemented, employers would report detailed pay and deduction information for individual employees in real time, likely each time an employee is paid. This change would mark a significant departure from current practice, where employers only submit detailed pay information for individual employees once a year to the CRA through the creation of T4 slips.

But a new ePayroll system could mean more than just changes to employer reporting. The availability of real-time earnings data also raises important questions for policymakers about whether this information could be used to alter the way that income-tested programs respond to changes in beneficiaries' incomes and, ultimately, the program's overall architecture.

Income-tested benefits and support programs use different time periods for assessing income and determining eligibility for benefits. For instance, Employment Insurance (EI) and social assistance programs respond in near real time to income changes by calculating benefit amounts based on beneficiaries' current monthly or biweekly income. Most other federal and provincial social benefits, such as the Canada Child Benefit and related provincial child benefits, base benefits on beneficiaries' latest income tax assessments. Consequently, payments from these programs may not reflect beneficiaries' current income or employment status but, rather, are based on their income from six to 18 months earlier.

This paper aims to contribute to discussions on whether real-time information (RTI) about earnings collected through a new ePayroll system could, or should, be used to improve the assessment and delivery of income-tested benefits and support programs, focusing on those provided for people who are of working age.

This paper examines the following:

- **The use of RTI in income-tested benefits and programs**: How RTI about employment income could be used to improve the administration of programs by facilitating accurate, real-time assessments of income and employment status that could be used to determine benefits.
- **International experience**: The experience of jurisdictions that have attempted to use an ePayroll system or RTI to improve the real-time responsiveness of their income-tested programs. Specifically, whether having this system could be used to provide more timely and enhanced support for people whose earnings fluctuate within the year, such as precarious workers.

- **Policy implications and trade-offs:** An assessment of the benefits, disadvantages, and trade-offs of converting income-tested programs that are based on annual income to benefits that are adjusted in real time based on monthly or biweekly income.

This paper reviews several benefit and income support programs in Canada and other jurisdictions, examining how and when they respond to changes in income. This paper does not assess the overall design, adequacy, or effectiveness of these programs, and should not be interpreted as an endorsement of their current design or benefit levels.

2. Setting the stage: The ePayroll project and precarious employment

Before considering the potential role of ePayroll information in the architecture of income-tested benefits and support programs, this section describes the ePayroll project, examines how current programs respond to income fluctuations, and identifies their limitations in responding in real time to people who experience paycheque-to-paycheque income volatility.

Although factors such as marital status, age, and disability status are significant factors in determining eligibility for certain programs, this paper primarily focuses on how these programs respond to changes in income and employment.

2.1. What is the ePayroll project?

The 2021 federal budget announced funding for Phase 1 of an ePayroll project to consider a new system that would change the way employers report individual employees' earnings to the CRA.

Currently, employers provide each employee with a pay stub for every pay period, which includes details about the employee's gross pay and deductions for income tax, Canada Pension Plan (CPP) contributions, EI premiums, and other applicable deductions. However, this information is not reported to the CRA in real time. Instead, detailed information about individual employees' total annual earnings and deductions is provided to the CRA when employers prepare year-end T4 slips.

Employers typically submit quarterly reports to the CRA that identify aggregate earnings and deductions for all their employees. These reports are used to calculate the remittances owed by employers for payroll deductions and employer contributions to the CPP and EI. However, these reports are aggregated for all employees and do not include individual employee details. Employers may also be required to prepare Records of Employment (ROEs) and other reports for the federal government, which are necessary for the administration of EI or to collect statistical information.

If implemented, ePayroll would introduce a significant change from current practices by requiring employers to report detailed payroll information for each employee for every pay period, likely at the time of payment. According to the federal government, ePayroll is envisioned as a "tell-us-once" approach, which would streamline employer reporting of employee information by collecting electronic payroll, employment, and demographic data directly from employers in real time. The expected benefits of this approach include the following:

- Reducing the administrative burden on employers and businesses by eliminating the need for, or streamlining the preparation of, year-end T4 slips, quarterly remittance reports and ROEs, and other reports periodically required by the federal government for the administration of EI.
- Improving the speed and accuracy in delivering government services and benefits, such as EI benefits and future wage subsidies, through access to more accurate and up-to-date employment data.[1,2]

Developing and implementing ePayroll would be a complex, multi-year undertaking affecting 1.3 million employers – more than half of whom employ fewer than five individuals. Success would depend on a robust digital infrastructure capable of securely collecting and managing sensitive personal employment information for over 18 million workers.

In Phase 1 of the project, the federal government consulted with employer and payroll industry representatives, who supply software and payroll services to the employers of most workers in Canada. These consultations found support for the project's aim of "tell-us-once" reporting and its potential to reduce administrative burdens on employers. However, consultations also revealed concerns and conditions that would need to be addressed to ensure successful implementation. For example, consultations indicated that:

- The ePayroll project should not impose additional information reporting obligations beyond what employers already provide through pay stubs, year-end T4s, and EI reports;

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1 Department of Finance Canada. (2021). *Budget 2021: A Recovery Plan for Jobs, Growth, And Resilience*. https://www.budget.canada.ca/2021/home-accueil-en.html

2 Canada Revenue Agency. (2023). *The ePayroll Project*. https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/epayroll-project.html

- The digital infrastructure must have the capacity to handle a wide range of pay periods (e.g., weekly, biweekly, monthly) and pay dates used by employers;
- The system must be compatible with existing payroll processing technologies used by employers and accessible to smaller employers who do not use payroll technology; and
- The system should allow employers to correct or update previously filed payroll reports and for employees to view the information provided by their employers.[3,4]

Overall, consultations revealed concerns among some stakeholders about the federal government's capacity to effectively implement and manage what the National Payroll Institute describes as the largest data collection and management system ever attempted in Canada.[5]

As of the time of this writing, Phase 1 of the project has been completed, but the federal government has not confirmed whether the project will be continued. In its 2025 federal pre-budget submission and in its 2025 letter to the newly appointed Minister of Finance and National Revenue, the National Payroll Institute expressed strong support for proceeding with ePayroll and called on the federal government to advance the project by committing resources for Phase 2 of its implementation.[6]

Phase 1 consultations focused primarily on the impact of an ePayroll system on employers, although privacy issues for employees and the potential use of earnings RTI from ePayroll for the administration of income-tested benefits were noted. It is unclear whether the federal government intends to conduct consultations on the potential use of ePayroll earnings information in the design and delivery of income-tested benefits and supports.

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3 Canada Revenue Agency. (2023). *What we learned during the roundtables*. https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/epayroll-project.html#toc5

4 National Payroll Institute. (2023). *Membership Engagement on ePayroll: What we Heard*. https://payroll.ca/getmedia/b401304b-ab0e-4859-9e33-289bcecaaed6/The-National-Payroll-Institute-s-Membership-Engagement-on-ePayroll-What-We-Heard.pdf

5 National Payroll Institute. (2021). *ePayroll Policy Brief*. https://payroll.ca/getmedia/0766485f-7cf2-4a8f-ad48-a78605982c11/ePayroll-Brief Update.pdf

6 National Payroll Institute. (2024). *Written Submission for the Pre-Budget Consultations in Advance of the Upcoming 2025 Federal Budget*. https://payroll.ca/submissions/written-submission-for-the-pre-budget-consultations-in-advance-of-the-upcoming-2025-federal-budget

National Payroll Institute. (2025). *National Payroll Institute Congratulates New Federal Ministers and Recommends Continued Focus on ePayroll Initiative*. https://payroll.ca/submissions/national-payroll-institute-congratulates-new-federal-ministers-and-recommends-continued-focus-on-epa

2.2. How do Canadian income-tested programs assess income: Annually or in real time?

Understanding how Canadian income-tested programs assess income, whether annually or in real time, is a key design feature that significantly impacts the administration of these programs and their responsiveness to changes in income. This is also important context for considering whether real-time information about earnings, collected through a new ePayroll system, could be used to improve the administration and responsiveness of these programs.

Until the 1990s, Canada's primary income support programs for working-age individuals and families – federal EI and provincial social assistance – were designed to address financial need. Regular EI[7] was primarily intended to provide temporary support for longer-term workers experiencing unemployment, while social assistance aimed to support individuals with limited means facing prolonged economic hardship due to employment barriers, child-rearing responsibilities, or disability. Despite their distinct purposes and designs, both programs were intended to respond in real time to unemployment or financial hardship and provide benefit payments based on beneficiaries' biweekly or monthly income.

When Canada faced a severe recession in the early 1990s, the number of individuals and families receiving income support from EI and social assistance increased significantly in response to an unemployment rate that exceeded 11 per cent. Partially in response to rising program costs and austerity measures, federal and provincial governments introduced reforms that restricted eligibility, reduced benefits, and placed an increased emphasis on active employment measures. Overall, these reforms served to reduce the portion of unemployed workers eligible for EI and the adequacy of income support available from social assistance.[8]

Starting in the 1990s, federal and provincial governments have introduced or expanded income-tested benefits or refundable tax credits delivered through the income tax system, such as the Canada Child Benefit and associated provincial benefits for low- and middle-income families. Other income-tested support programs administered outside the income tax system, such as housing or health benefits, have also been introduced or redesigned to rely on income tax assessments to assess income. Unlike EI and social assistance, these programs are based on

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7 EI includes regular benefits, maternity and parental benefits, sickness benefits, family caregiver benefits, special benefits for self-employed people and fishing benefits. Regular benefits, the largest component of EI, provide temporary income support for eligible individuals who lose their jobs through no fault of their own and are available for work.

8 Courchene, T. & Allan, J. (2009, September). A short history of EI, and a look at the road ahead. *Policy Options*. https://policyoptions.irpp.org/2009/09/a-short-history-of-ei-and-a-look-at-the-road-ahead/

annual income and typically use beneficiaries' most recent prior-year income tax returns to determine benefits. As a result, beneficiaries experiencing income volatility or loss of employment may not see adjustments to their benefits until the following year's income tax assessment.

2.3. Is Canada's benefit and support system appropriate for a precarious workforce with fluctuating incomes?

Numerous concerns have been raised about the adequacy, coverage, and effectiveness of Canada's benefit and income support system, given the labour market changes that have occurred over the last three decades. One area of concern is whether income-tested benefits or support programs based on annual income can effectively support precarious or gig workers.

Precarious work is characterized by low to moderate pay, part-time or contract jobs with little control over working hours, gig work through agencies or digital platforms, self-employment, and a lack of access to health, retirement, illness, or parental leave benefits. Although precarious workers may experience month-to-month income instability and periods of limited income, they are structurally ineligible for EI for several reasons. As contractors or gig workers, they are in so-called "non-standard" employment and, as a result, they and their employers do not contribute to EI. Alternatively, they may be engaged in standard employment and contribute to EI but cannot accumulate enough insurable work hours to qualify for EI due to fluctuating part-time or seasonal work or are not formally laid off but remain engaged with the employer despite a lack of available work.

Studies in other jurisdictions have shown that precarious workers often face significant income volatility and instability. In Canada, year-to-year income changes for households have been well studied using existing data sources. However, there is very limited research on in-year, month-to-month income fluctuations among individual working-age individuals and families.[9] This information gap makes it difficult for policymakers to assess the number of people experiencing monthly income instability, the severity of that volatility, and whether current income-tested benefits and support programs are providing adequate assistance.

One study that analyzed a Chartered Professional Accountants of Canada 2015 national survey of income volatility and financial well-being in Canada found that

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9 For a summary of studies on monthly income volatility in other jurisdictions and year-to-year income volatility in Canada, see Peetz, J. & Robson, J. (2019). *The Perils of Living Paycheque to Paycheque: The relationship between income volatility and financial insecurity*. (Prepared for Chartered Professional Accountants of Canada). https://www.cpacanada.ca/-/media/site/operational/sc-strategic-communications/docs/the-perils-of-living-paycheque-to-paycheque.pdf?la=en&hash=F33B.C.8B14D700566547F5F2BF4397019BE5E229C

12.3 per cent of respondents reported "substantial" volatility in their monthly incomes due to instability in either the source or the amount of income they received, while 6.3 per cent reported instability in both the source and amount of income they received. The study found that substantial income volatility was present among respondents in a wide range of incomes, but most pronounced among households with annual incomes between $30,000 and $50,000 (in 2015 dollars). The study did not distinguish between income from employment, private sources, or government income-tested benefits or support programs.[10]

These findings suggest that households with low or modest incomes are vulnerable to stress caused by unpredictable income and reinforce concerns that Canada's current benefit and income support programs do not adequately address the needs of Canadians experiencing income volatility. It also raises a key policy question: If ePayroll is implemented, could governments use the earnings information collected through ePayroll to adjust income-tested benefits in real time and mitigate the financial and emotional impacts of income volatility?

2.4. What are the time periods used by income-tested programs to assess income?

All income-tested benefits or support programs adjust entitlements based on changes in income. However, there is wide variation across programs and jurisdictions on the time periods used to assess income and adjust benefits. Generally, programs can adopt one of three methods to define the period over which income is assessed.[11]

1. **Previous year's annual income:**
   Using this method, benefits payments are made, typically monthly or quarterly, based on beneficiaries' annual income from the previous year. Such programs usually rely on beneficiaries' most recent annual income tax assessments to determine income as well as other eligibility factors such as family income, family composition, or beneficiary and dependent age. In Canada, most income-tested programs implemented since the 1990s use this approach.

10 ibid.

11 Whiteford, P., Mendelson, M., & Millar, J. (2003). *Timing it right? Tax Credits and responding to income changes*. Joseph Rowntree Foundation. https://researchportal.bath.ac.uk/en/publications/timing-it-right-tax-credits-and-responding-to-income-changes/

Millar, J., & Whiteford, P. (2020). Timing it right or timing it wrong: How should income-tested benefits deal with changes in circumstances? *Journal of Poverty and Social Justice, 28*(1), 3–20. https://bristoluniversitypressdigital.com/view/journals/jpsj/28/1/article-p3.xml?rskey=XlrKin&result=1

2. **Current year's annual income:**
   Starting at the beginning of the year, programs using this method make provisional quarterly or monthly benefit payments based either on beneficiaries' previous year's income or an estimate of annual income for the coming year provided by the beneficiary. At year-end, annual income is determined through income tax assessments and used to establish the actual benefit entitlement for the year. If the provisional payments were lower than the actual entitlement, a top-up payment is issued; if they were higher, an overpayment is identified. Although this method is commonly used in other jurisdictions, the Canada Workers Benefit appears to be the only federal income-tested program based on this approach.

3. **Real-time income:**
   Benefit entitlement is determined based on income received by a beneficiary over a short entitlement period, often one month,[12] and payments are made after the end of that entitlement period. To obtain income data, programs rely on beneficiaries' self-reporting of their income during the entitlement period and, where available, employment or other income information collected through RTI payroll systems. There is no annual reconciliation since payments are based on income in the entitlement period, not annual income.[13] In Canada, social assistance and EI are based on this approach.

Each of these methods has advantages and disadvantages. Deciding which approach to use for the design of a benefit program requires balancing trade-offs between policy objectives, operational complexity, and access to processes for collecting and verifying beneficiaries' income information.[14]

The real-time income approach has several advantages. Providing benefits payments in real time, when beneficiaries experience a loss or drop in income, can support low- or moderate-income beneficiaries when they need it without having to wait until their next income tax assessment. In theory, this method can also smooth out the month-to-month incomes of beneficiaries who experience income volatility and reduce stress on families facing financial instability.

In addition, some consider the real-time income approach to provide more substantial work incentives compared to methods based on annual income,

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12 Entitlement periods can also be biweekly or quarterly.

13 Annual tax assessment may be used to identify possible errors or misrepresentations in self-reported monthly income.

14 Whiteford, P., Mendelson, M., & Millar, J. (2003). and Millar, J., & Whiteford, P. (2020). (Footnote 9)

particularly for programs aimed at encouraging employment.[15] Providing real-time payments when beneficiaries obtain work makes the support more visible and directly connected to their employment participation.

However, in practice, periodic eligibility reassessments can be administratively complex, burdensome for beneficiaries, and costly to administer. Periodic reassessments require frequent self-reported information on income and other family circumstances, supplemented, where available, by employer-reported RTI employment data, which may be inaccurate. Frequent self-reporting with tight filing deadlines carries the risk of administrative and beneficiary errors, which can result in underpayments or overpayments that are later recovered. While periodic reassessments aim to verify self-reports and ensure that benefits are accurately determined, the administrative processes can create barriers for eligible beneficiaries and a stigmatized, adversarial program environment.

In contrast, programs based on annual income are simpler to administer and impose fewer reporting requirements on beneficiaries beyond the obligation to file an annual income tax return.[16] This is due, in part, to income-tested programs' reliance on the income tax assessment process to collect and verify income and family status information, such as marital status or the number and age of children. Once the annual income tax assessment is completed, programs that use the previous year's annual income provide predictable, consistent payments for one year. Predictable benefits may allow beneficiaries to rely on an income floor or better plan their use of health benefits and services.

Yet programs based on annual income have little or no capacity to respond in real time to income fluctuations or unemployment that beneficiaries might face throughout the year. They require that beneficiaries file income tax returns, which can be a significant burden, even though low-income beneficiaries may not be legally obligated to do so. Benefits intended to encourage employment that are based on annual income are also likely to be less effective than those based on real-time income due to the lack of a visible, direct connection with the benefits and beneficiaries' real-time work activity. Plus, beneficiaries may not know the reasons behind the benefits they receive from their income tax assessments given the time lag between when they earn their income and when they receive benefits, obscuring the link between work activities and benefit payments.

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15 OECD. (2015). *Connecting People with Jobs: Activation Policy in the U.K.*. https://www.oecd.org/content/dam/oecd/en/publications/reports/2014/07/connecting-people-with-jobs_g1g451ac/9789264217188-en.pdf.

16 Some programs may require in-year self-reporting of changes in circumstances. For example, the Canada Child Benefit expects that beneficiaries report marriages or changes in custody arrangements that occur during the year.

Programs using the current year's annual income method aim to align payment amounts with the beneficiaries' current year employment status or income. These programs may provide provisional payments based on the previous year's income tax assessment or may determine provisional payments using income estimates submitted by beneficiaries. Some jurisdictions allow beneficiaries to submit mid-year estimates to reflect income changes, which can increase remaining payments if income decreases or help avoid overpayments if income rises. Preliminary payments are reconciled against the actual entitlement, which is determined through the year-end income tax assessment.

Table 1: Comparison of time periods used to assess income

	Real-time income	Current year annual income	Previous year annual income
Canadian program examples	**Employment Insurance** **Social assistance**	**Canada Workers Benefit**	**Canada Child Benefit** **Canada Disability Benefit** **Provincial income-tested drug and dental benefits**
Time period for determining entitlements and payments	Entitlement based on a month or other assessment period. Payment amounts fluctuate depending on income in the previous assessment period.	Entitlement based on annual income in the current year. Provisional payments based on previous year or an estimate provided by beneficiaries. Depending on the actual income, over- or underpayments may be identified at year-end.	Entitlement based on annual income in the previous year. Payment amounts are made monthly or quarterly over the year.

	Real-time income	Current year annual income	Previous year annual income
Canadian program examples	**Employment Insurance** **Social assistance**	**Canada Workers Benefit**	**Canada Child Benefit** **Canada Disability Benefit** **Provincial income-tested drug and dental benefits**
Responsiveness to income changes that occur during the year	Yes Payments are adjusted to reflect income changes in the previous month or other assessment period.	Partially Provisional payments plus year-end adjustments reflect annual income in the current year. Some allow beneficiaries to update estimates mid-year if their income changes.	No
Source of income information	Beneficiaries' self-reports. Where available, RTI earnings data is used to determine benefits, and/or to verify self-reports.	Year-end annual tax assessments can include all sources of income or focus only on employment income.	Previous year's tax assessment. Usually based on all sources of income.
Burdens on beneficiaries	High Burden to accurately file frequent reports in a timely manner on monthly income and other circumstances. Potential for overpayments adds complexity and stress for beneficiaries.	Moderate Requires filing of income tax return and may be asked to provide an estimate of income for the year. Risk of overpayments.	Low May require an estimate of income for the coming year.

3. Linking real-time income information to income-tested benefits: What can we learn from other jurisdictions?

In considering the potential advantages and challenges of using RTI to determine access to, and the amount received from, benefit programs, Canada can draw on the experiences of other jurisdictions that have already implemented similar practices. Many countries, including the United Kingdom (U.K.), Australia, Denmark, the Netherlands, Germany, Norway, and Sweden, have adopted, or are in the process of implementing, payroll reporting systems similar to the proposed ePayroll for Canada, and are using the collected earnings data to make real-time adjustments to social benefits.

3.1. The U.K. Universal Credit

The United Kingdom's Universal Credit (UC) was launched in 2013 by merging six legacy benefits into a single benefit system. It was intended to provide simplified, one-stop access to an income support floor and to improve work incentives by applying a single rate of benefit reduction[17] for income that beneficiaries earn above thresholds that vary based on family size and disability status.

UC provides monthly or biweekly payments to people with low- and modest-income, or families based on the family size, income, and asset levels. Depending on their assessed work capacity, beneficiaries may be required to participate in employment-related activities or job searches. As of January 2025, 7.5 million people receive UC, up from 6.4 million in 2024. Of these, about 37 per cent had employment earnings or self-employment income.[18]

The Department for Work and Pensions (DWP) adjusts monthly benefit entitlements based on income in the previous month, an approach described as "near real-time" since actual payments reflect beneficiaries' prior-month income and circumstances. Employment earnings data are collected from employers through Pay As You Earn (PAYE), the U.K.'s RTI system, and combined with self-employment income self-reported by beneficiaries. For households, data from PAYE

17 Starting in November 2026, the U.K. will increase the taper (or claw back) rate from 55 per cent to 63 per cent.

18 Department for Work & Pensions. (2025). *Universal Credit statistics*, 29 April 2013 to 9 January 2025. https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-9-january-2025/universal-credit-statistics-29-april-2013-to-9-january-2025

and self-reported income from self-employment are linked and totalled across family members to determine the family's monthly entitlement.

Precarious or self-employed workers who have lost income but are not eligible for New Style Jobseeker's Allowance (NSJSA) – a UC component comparable to Canada's EI – may receive UC support at levels similar to NSJSA-eligible beneficiaries. However, these benefits are subject to asset and family income limits, which limit access for some precarious or self-employed workers.

Theoretically, UC benefit payments are based on earnings and other income during the monthly entitlement period. However, several technical and administrative issues can impact the actual payments beneficiaries receive. For example:

- Precise timing and accuracy of employer reports to PAYE for all family members and beneficiary reports on any self-employment or other income are essential for accurate benefit payments. An automated system calculates entitlements based on reported income in the previous monthly assessment period and issues payments seven days after the end of that entitlement period.[19] Delayed or inaccurate reports result in payments being issued with incomplete information or being suspended, resulting in underpayments that are not corrected until the following month, or overpayments that are recovered by DWP by reducing future payments.
- Since benefit entitlements are calculated based on employment income actually received during a beneficiary's most recent monthly assessment period, variations in employer pay periods, statutory holidays, and weekends affect both the timing of pay dates and the resulting benefit determination. For example, beneficiaries paid on a biweekly schedule typically receive two employer payments within most monthly assessment periods. However, in at least two monthly assessment periods per year they will receive three employer payments that temporarily increase beneficiaries assessed monthly income and reduce benefits for those periods.

These and other technical issues or constraints can result in notable month-to-month fluctuations in UC payments, even if the beneficiaries' overall income remains stable.[20] Fluctuations and overpayments in UC benefits due to these technical issues have been the subject of substantial public attention, including a 2020 court challenge that arose from employers adjusting pay dates reported in

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19 Depending on the benefits received, beneficiaries may also be required to report monthly on changes in family status, residence, asset levels or job search activities that may impact their monthly entitlement.

20 Griffiths, R. & Wood, M. (2024). *Coping and hoping: Navigating the ups and downs of monthly assessment in universal credit*. University of Bath.

PAYE to avoid falling on a public holiday – an action that led to adverse impacts on beneficiaries' benefits and to overpayments.[21]

The DWP has attempted to address some of these problems. This includes considering the impact of public holidays and weekends on pay dates if employers specify the contractual pay date in PAYE when it differs from the employee's actual pay date.[22] Efforts to inform employers about the importance of timely reporting have reduced UC payment errors. Beneficiaries can request a manual override to distribute one-time employer payments over several months, provided that the request is made before payments are issued.

Self-employed beneficiaries, including contract and gig workers, may see fluctuations in UC payments due to spikes in expenses or income in certain months. To address this, the U.K. introduced reforms, including setting a minimum UC payment amount for self-employed recipients, regardless of reported income and allowing self-employed beneficiaries to report their income and expenses quarterly to spread spikes over a three-month entitlement period. Beneficiaries experiencing a period of higher income can remain enrolled if they have up to five months of zero UC payments.

However, many of these issues persist. A recent study followed a group of UC beneficiaries with employment or self-employment income over 13 months. In principle, adjusting the payments in response to monthly income can dampen income fluctuations and stabilize household income. In practice, however, most study participants with volatile employment income frequently encountered a myriad of pay period or employer reporting misalignments, errors, and benefit withdrawal rates that resulted in UC payments that failed to smooth out income fluctuations and sometimes exacerbated them. Study participants found benefits payments difficult to predict and were unable to plan for them.[23] When asked if they would prefer fluctuating payments or consistent payments from UC, many respondents preferred the latter, even if the consistent payments were lower.[24]

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21 Flanders J. (2025, May 1). WATCH OUT: Full list of the DWP benefit errors that can lead to owing £1,000 – including ticking the wrong box. *The Sun*. https://www.thesun.co.uk/money/34770149/dwp-benefit-errors-debt/

22 The "contractual pay date" refers to the last day of a biweekly or monthly pay period. This date may differ from the actual payday, for instance, if an employer delays or advances the actual pay date because the last day of a pay period falls on a public holiday or weekend.

23 Griffiths, R. & Wood, M. (2024). (Footnote 20).

24 Griffiths, R. & Wood, M. (2024). Coping and hoping: monthly assessment and Universal Credit. *Institute for Policy Research*. (YouTube video) https://www.youtube.com/watch?v=RB6IRC0wRYQ

3.2. Denmark's approach

The RTI systems in the U.K. and most other countries only collect employment earnings information from employers. The Danish RTI system is unique in that it collects monthly income from employers as well as various other sources of taxable income. For instance, Denmark requires the reporting of payments made to fee-for-service contractors or gig platform workers (e.g., through ride-hailing or food delivery platforms). Payments for social assistance, unemployment insurance, pensions, and student grants are also reported to the RTI system.

While Denmark's RTI system is not used to adjust benefits automatically, it is used to inform adjustments to certain monthly payments when income changes. For instance, eligibility for the housing benefit is determined based on annual income for the current year. At the start of the year, monthly payments are calculated using an income estimate approved or provided by the beneficiary. If a beneficiary reports a significant income change that can be verified with RTI data, or if program administrators detect a change through monitoring beneficiaries' RTI data, monthly payments are increased or decreased to reflect this change. At year-end, entitlements are finalized through the income tax assessment, and payments are reconciled to identify possible over- or underpayments. Beneficiaries are encouraged to proactively report significant income changes to help reduce year-end overpayments or underpayments.

3.3. Using RTI to verify income: Australia's JobSeeker Payment

Australia's JobSeeker Payment (JSP) is a contributory program that provides income support for eligible unemployed workers, comparable to Canada's EI program. Before the introduction of RTI in Australia, JSP benefit payments were based solely on the beneficiaries' self-reported biweekly income. In response to public concerns about misrepresentation or fraud in self-reports, the government introduced an automated audit system in 2015 to detect overpayments and seek repayment from beneficiaries.

However, widespread errors made by the system led to a scandal known as "Robodebt." In 2023, the Royal Commission into the Robodebt Scheme found that the audit system wrongly flagged overpayments, resulting in incorrect debt recovery actions against current and former JSP recipients. By using annual income tax assessment data to estimate recipients' average biweekly income, rather than their actual biweekly earnings, the audit system underestimated the correct entitlements for beneficiaries with large income fluctuations.[25]

As of 2023, when Australia fully implemented RTI, employer-reported earnings are now used to verify the employment earnings of recipients of JSP and other employment-related benefits. Unlike the U.K. system, which automatically adjusts benefits based on RTI information, JSP recipients in Australia are still required to complete biweekly reports of their employment or self-employment income. However, these online self-reports are pre-populated with employer-provided RTI payroll information, and beneficiaries can correct or adjust this information within two days of the end of the biweekly assessment period before submitting the report. Benefits based on these biweekly reports are paid one or two days later.

A 2023 audit found that there was no clear indication that the new system has reduced overpayments; however, the government continues efforts to improve payment accuracy.[26] This author could not locate any studies on the impact of the new system on beneficiaries.

3.4. Role of RTI in providing emergency pandemic relief payments

During the COVID-19 pandemic, many countries with RTI systems were able to use these systems to determine eligibility for the special unemployment benefits or wage subsidies implemented in response to the crisis.

In the U.K., for instance, workers who lost their jobs during the pandemic applied for pandemic-enhanced benefits through the existing RTI-linked UC application process. The government accessed applicants' employment history to confirm whether they had been employed before the lockdown and, consequently, were eligible for the pandemic unemployment benefits. The U.K.'s RTI system could then verify employment earnings received by a beneficiary who was also receiving pandemic benefits.

Although RTI verifications helped reduce employment income-related overpayments, the U.K. encountered overpayments due to administrative errors, misrepresentation, or fraud related to information not collected through PAYE, the

25 Commonwealth of Australia. (2023). *Royal Commission into the Robodebt Scheme*. https://robodebt.royalcommission.gov.au/system/files/2023-09/rrc-accessible-full-report.PDF

26 Australian National Audit Office. (2023). *Accuracy and timeliness of welfare payments*. Auditor-General Report No. 4 2023-4. https://apo.org.au/sites/default/files/resource-files/2023-08/apo-nid324127.pdf

U.K.'s RTI system, such as self-employment income or family composition changes. The U.K. continues efforts to recover these overpayments.

Denmark provided wage subsidies to businesses that faced significant revenue declines. It used RTI information to target the wage subsidy for specific employees who had worked for the employer prior to the lockdown and calculated the subsidy amount as 75-90 per cent of those employees' earnings prior to the lockdown, depending on the job type. Since employer wage payments were reported to the RTI system during the pandemic, the Danish government could access this information to confirm that the employer used the subsidy provided to pay and retain their employees.

Canada also provided emergency pandemic wage subsidies and income support. Without access to RTI employment information, Canada relied on employer self-reports to determine eligibility for the Canada Emergency Wage Subsidy and was unable to identify in real-time how this subsidy was used. For the Canada Emergency Response Benefit (CERB), the government had no means to verify, in real time, applicants' eligibility and beneficiaries' biweekly income reports while they received the benefit. By relying solely on beneficiary self-reports to decide eligibility and make CERB payments, the Auditor General of Canada found billions in potential CERB overpayments due to confusing eligibility rules, errors in self-reports, and fraud.[27] The government's efforts to recover these overpayments have significantly affected many low-income Canadians.[28] If an RTI system had been in place, overpayments could have been reduced by quickly verifying some applicants' eligibility from earnings data held in the RTI system and self-reported earnings.

3.5. Key takeaways from international experience

- RTI data has been used to make some benefit payments responsive to monthly income in near real time. Achieving this requires a complex administrative framework and information system capable of rapidly accessing employer-submitted RTI data and beneficiaries' self-reports to calculate payments shortly after each entitlement period. Accurate benefit calculation depends on employers and beneficiaries meeting reporting deadlines and on employers correctly identifying pay periods, pay dates, and pay types, including irregular payments such as bonuses.

27 Auditor General of Canada. (2022). *COVID-19 PANDEMIC, Specific COVID-19 Benefits, Report 10.* https://www.oag-bvg.gc.ca/internet/English/att__e_44178.html

28 Prosper Canada. (2023). 'You can't get blood from a stone': Critics say CERB repayment process undermines poverty reduction. (Reprinted article from *The Hill Times*, July 5, 2023.) https://prospercanada.org/News-Media/News/You-can-t-get-blood-from-a-stone-Critics-say-CERB.aspx

- There are limits to using RTI systems to determine benefit payments since they do not capture self-employment income or other information that programs may require to assess eligibility in real time. As a result, beneficiaries must self-report this information, which is difficult to verify in real time.
- The approach used by the Universal Credit to automatically calculate benefits using RTI data enables real-time adjustment on a large scale. However, it carries risks of inaccurate assessments and over- or underpayments. Most other jurisdictions have opted to use RTI to support and verify self-reported income.
- Whichever approach is taken, strategies are needed to manage apparent income fluctuations during an entitlement period that are due to factors like extra pay days in monthly entitlement periods, employer delays in reporting pay to RTI systems, and large fluctuations in self-employment income.
- There is some evidence from the U.K. that technical or administrative issues undermine the ability of the Universal Credit to effectively smooth out the incomes of low-income beneficiaries with volatile employment income, and that some would prefer consistent, predictable payments that are not adjusted to changes in monthly income.
- Denmark's experience shows that RTI data can enhance the responsiveness of income-tested programs that provide provisional payments based on estimated income for the coming year and later reconcile them with actual entitlements determined through the year-end tax assessment. RTI data is used to verify self-reported income changes or proactively monitor beneficiaries' monthly income, enabling program administrators to adjust payments during the year while minimizing the risk of overpayments.
- Compared with reliance solely on self-reported information, RTI provided a better platform for targeting COVID-19 emergency benefits by facilitating real-time verification of some eligibility and income information. Implementing ePayroll in Canada could improve the accuracy of future emergency payments or EI extensions and reduce overpayments that disproportionately burden low-income workers.

4. Potential Impacts: How could ePayroll impact income-tested programs in Canada that are currently based on real-time income?

This section examines the potential impacts RTI information from ePayroll could have on the administration of EI and social assistance.

4.1. Linking ePayroll information to Employment Insurance

One of the stated goals of a new ePayroll system is to streamline EI for employers, applicants, and beneficiaries by using RTI to support program administration. This goal is most apparent for employers since it is anticipated that some information currently submitted by employers through a Record of Employment (ROE) would be routinely collected through ePayroll.

Currently, employers must submit a ROE when an employee is laid off or experiences a pay interruption. This document provides data that Employment and Social Development Canada (ESDC), which administers EI, needs to evaluate an applicant's eligibility and determine the amount and duration of benefits. The information includes the reason for the work interruption, job location, the employee's history of insurable earnings and hours worked, and any severance payments. For many employers, completing ROEs presents a significant administrative burden. In 2023-24, about 14 per cent of EI applications were not processed within 28 days, mainly due to delays in employers submitting ROEs or to inaccuracies in, or disputes about, submitted ROEs.[29]

If ESDC were to access an applicant's earnings, hours history, and work location from ePayroll, it would simplify the preparation of ROEs by employers. However, even with full implementation of ePayroll, employers would likely still need to provide information not routinely reported to ePayroll, such as the reason why the employee is no longer employed.

EI beneficiaries receive biweekly payments that are adjusted based on their employment or self-employment income in a previous biweekly reporting period. In 2023-24, 38 per cent of regular EI beneficiaries worked at least one week while

29 Canada Employment Insurance Commission (CEIC). (2025). *Employment Insurance Monitoring and Assessment Report for the fiscal year beginning April 1, 2023, and ending March 31, 2024: Chapter 4 – Program Administration and delivery*. https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2024/chapter4.html.

receiving EI benefits.[30] To receive EI payments, beneficiaries are required to submit reports that detail their job search or training activities, as well as any employment or self-employment earnings in each biweekly reporting period. They have up to three weeks after the end of the reporting period to submit these reports, and, once submitted, EI payments are issued within two to eight days.

To complete these reports, beneficiaries estimate the gross pay earned and hours worked for each day of the biweekly reporting period, even if they have not yet received a pay cheque or pay stub for those days. Through this mechanism, EI avoids some of the issues faced by the U.K. system due to mismatches between beneficiaries' assessment months and their employment pay periods and dates, as well as delays in employer reporting to the U.K.'s RTI system. However, the system used by EI can result in payment delays due to late self-reports and a burden on beneficiaries to accurately track the hours they work each day, information that is typically not available on employer pay stubs.

Unless ESDC changes the way biweekly payments for beneficiaries with employment earnings are calculated, it is unlikely that RTI data from ePayroll could be directly used to determine payment amounts. However, providing beneficiaries with real-time access to their payroll earnings data collected through ePayroll may assist some in completing their biweekly reports, especially those paid on a daily or weekly basis. To meet EI reporting requirements, beneficiaries would still need to calculate their daily hours within their biweekly pay period.

ESDC's efforts to enhance early detection of overpayments resulting from undeclared employment earnings, as identified through audits and compliance reviews,[31] would be improved by using data from ePayroll to verify beneficiaries' biweekly reports and flagging cases for review.

To support the efficient processing of new applications and verify beneficiary self-reports, ESDC would need to develop the capacity to access, manage, and secure a large volume of individual employment data shortly after employers submit it to ePayroll. Since these changes are primarily administrative, they could be implemented without significantly altering the design of the EI program. However, legislative amendments and an information-sharing agreement with the CRA would likely be required for ESDC to access and safeguard sensitive personal ePayroll information for EI purposes.

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30 Canada Employment Insurance Commission (CEIC). (2025). *Employment Insurance Monitoring and Assessment Report for the fiscal year beginning April 1, 2023, and ending March 31, 2024: Chapter 2 – Impacts and effectiveness of Employment Insurance benefits*. https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2024/chapter2.html.

31 Canada Employment Insurance Commission (CEIC). (2024). (Footnote 29).

4.2. Potential use of ePayroll in social assistance programs

There is potential for information collected by ePayroll to be used to supplement or verify self-reported income in social assistance programs.

Most provincial social assistance programs in Canada assess and may adjust benefit payments each month based on the beneficiary's self-reported circumstances, including the number of dependents, marital status, assets, and income from self-employment, employment, or other sources. The proportion of social assistance cases reporting employment or self-employment ranges from 18 per cent to less than 5 per cent, depending on the province and specific program.[32] Typically, these programs allow beneficiaries to earn employment or self-employment income up to a threshold without affecting their benefits, and reduce benefit payments for employment income above that threshold. Thresholds and benefit reduction rates for employment income above the threshold differ across provinces and programs.

Unlike EI, which requires gross earnings to be reported for the day they are earned, most social assistance programs base entitlements on monthly "chargeable" earnings. Chargeable earnings are calculated as gross earnings minus certain payroll deductions, including income tax and CPP/QPP and EI contributions. Provinces differ in whether other payroll deductions, such as pension contributions or court-ordered wage garnishments, are considered in determining chargeable income.

If ePayroll data includes detailed information on various payroll deductions, it would enable social assistance programs to calculate the appropriate chargeable income, and it could, in theory, be used to pre-fill the monthly income reports that beneficiaries need to submit. Beneficiaries would still have to submit monthly reports to identify information not collected by ePayroll, such as self-employment income, changes in family circumstances, assets, child-care expenses, or other factors that influence eligibility and benefit payments.

However, implementing this arrangement would present some challenges. It would require each province, municipality, and First Nation responsible for social assistance administration to sign an information-sharing agreement with the CRA to access ePayroll data. It would also require a digital infrastructure to enable social assistance administrators to access ePayroll information in real time and to manage and secure private employment information.

Provinces and many municipalities already have agreements with CRA to access income tax assessments for verifying information provided by applicants or identifying potential errors or misrepresentations in beneficiary self-reports. Access

32 Oliveira, T. (2025). *Social Assistance Summaries, 2024*. Maytree. https://maytree.com/wp-content/uploads/Social_Assistance_Summaries_2024.pdf

to ePayroll information, even if not in real time, could improve these processes and reduce overpayments that low-income beneficiaries are burdened to repay.

4.3. Key takeaways on the potential impact of ePayroll data on programs currently based on real-time income

- RTI ePayroll data has the potential to improve the administration of EI and social assistance. However, without changes to their eligibility rules, it would have limited impact on the accessibility or responsiveness of programs for precarious workers.
- Providing ESDC with access to ePayroll data could streamline the process of determining eligibility for EI. However, this would depend on employers accurately and promptly submitting required information to ePayroll. Experience in other jurisdictions suggests that Canada will encounter employer errors or delays in their ePayroll submissions, at least initially. A strategy would be needed to encourage employers to meet ePayroll filing deadlines and correctly classify payment types and deductions.
- To support social assistance or EI beneficiaries in preparing and submitting their monthly or biweekly self-reports, real-time access to ePayroll data would be necessary. However, establishing information-sharing agreements and secure digital access will be challenging, especially for provincial and municipal social assistance programs.
- RTI data from ePayroll data would not eliminate the need for beneficiaries to file self-reports. EI and social assistance beneficiaries would still need to report on information not collected through ePayroll, such as self-employment or other sources of income, changes in circumstances, job search activities, and, for EI beneficiaries, to identify employment income in the biweekly form that EI requires.
- Even if ePayroll data is not available in real time, delayed access to the data could serve as a tool for ESDC and social assistance programs to identify potential errors or unreported employment income in beneficiary self-reports. However, due to the risks of employer reporting errors and identity theft, ePayroll data should be used cautiously to flag files for review, rather than assuming misrepresentation or automatically initiating overpayment recovery.

5. Should annual income-based benefits be changed to respond to real-time income?

This section will explore the potential benefits, challenges, and trade-offs of converting tax-based benefits, such as the Canada Child Benefit (CCB) and the Canada Workers Benefit (CWB), from an annual income assessment to real-time income responsiveness using information collected through ePayroll. It will also consider how benefits that are administered outside of the income tax system, but use the results of the prior year's annual income tax assessment to determine eligibility, could be impacted if real-time income information was available.

5.1. Canada Child Benefit and other tax-based benefits based on prior year annual income

The CCB and related provincial child benefits are Canada's largest tax-based income support programs intended to assist low- and middle-income families with the costs of raising children and to reduce child poverty (See Box 1). In 2023-24, the federal government provided $27 billion in CCB payments to 3.8 million families, with about half of these payments going to families with adjusted family net income (AFNI) below $45,000 (See Box 2 for information about AFNI).[33] Provincial benefits provide families with additional payments on top of the CCB. Eligibility is determined by the CRA based on AFNI, the number and age of children, and eligibility for the Disability Tax Credit.

Box 1: Canada Child Benefit Parameters, 2024–25

For the July 2024 to June 2025 pay period, families with AFNI under the $36,502 threshold receive the maximum CCB benefit of:

- $7,787 per year ($648.91 per month) for each child under age 6.
- $6,570 per year ($547.50 per month) for each child aged 6 to 17.
- An additional $3,322 ($276.83 per month) for each child who is eligible for the disability tax credit.

For families with AFNI above the threshold, CCB is reduced by a rate that depends on the number of children and the income level.

- For example, for a family with two children and AFNI between $36,502 and $79,087, benefits are reduced by 13 cents for each dollar of AFNI above $36,502.

33 Canada Revenue Agency. (2024). Canada Child Benefit Statistics - 2023-2024 Benefit Year, Table 1. https://www.canada.ca/content/dam/cra-arc/prog-policy/stats/ccb-stats/2022-tax-year/ccb1-en.pdf

Eligibility for CCB and most tax-based, income-tested federal and provincial benefits is determined by the CRA as part of annual income tax assessments. Information such as marital status, the ages of dependents, and disability status is defined in tax legislation, verified through the annual assessment, and then used by the CRA to determine eligibility for these benefits. To administer provincial tax-based benefits, agreements are negotiated with provinces for the CRA to determine eligibility, pay benefits, and conduct audits on behalf of the province in exchange for a fee to cover CRA's administrative costs.

Most income-tested tax benefits are based on net household income or AFNI. The CRA uses AFNI from the previous year's income tax assessments to determine current-year benefit payments. There is no mechanism to respond to income changes that may occur during the benefit payment year.

Box 2: Definition of Adjusted Family Net Income (AFNI)

AFNI is the total net annual income of a person and their spouse or common-law partner reported on yearly tax returns. It is used to determine eligibility for many federal and provincial tax-based and non-tax-based benefit programs.

Net income includes:

- Annual income of family members (excluding children) from employment and income from self-employment less expenses, investments, capital gains, social benefits such as social assistance and GIS, private and public pensions, minus:
- Deductions such as child-care expenses, disability support payments, employment expenses, RRSP or pension contributions, and moving expenses.

The CCB is paid monthly over a 12-month payment period, from July to June, based on a beneficiaries' previous year's income tax assessment. To illustrate how this impacts the program's responsiveness, monthly CCB payments from July 2024 to June 2025 would be based on AFNI during the 2023 tax year. Income changes that occur during this payment period do not immediately affect payments but are captured in the 2024 tax assessment and may impact payments starting in July 2025.

Although the CCB does not respond in real time to income volatility, changes in other circumstances, such as marital status, child custody arrangements, or the arrival of a newborn or adopted child, are reflected in these payments when reported. For example:

- A single parent with sole custody of a child receives monthly CCB payments based on their previous year's AFNI. If they are married during the payment period, CCB payments are adjusted to reflect the combined AFNI of both partners.
- When a child is born, an eligible family will begin to receive CCB payments after registering the birth based on AFNI from the most recent tax assessment.

The CCB could be redesigned so that monthly payments are based on income in the previous month, similar to the approach used for the U.K.'s Universal Credit. However, converting the CCB to respond in real time to income changes would require substantial modifications to the program's eligibility, design, and administration.

The AFNI calculation used by the CCB includes employment earnings as well as other income sources and deductions that ePayroll will not collect. To approximate AFNI on a monthly rather than annual basis, earnings data from ePayroll would need to be supplemented with self-reported information on other income sources, such as self-employment and investments, and deductions, such as child-care expenses (see Box 2).[34]

A complex new administrative mechanism would be required to enable several million beneficiaries to submit monthly self-reports and to use this information to determine benefits. Monthly self-reporting would create significant burdens for both beneficiaries and program administrators, who would need to verify and process the reports. The system would also likely face challenges similar to those observed in the U.K., including mismatches between pay periods, delays in employer ePayroll reporting, and late beneficiary submissions.

Without data on monthly income volatility, it is hard to assess the potential benefits of moving to a real-time system for precarious workers or others experiencing volatile income. However, due to the relatively high income levels at which people can receive the maximum benefit (e.g., $36,502 for a family with two children) and the gradual benefit reduction rate for income above these thresholds (see Box 1), low-income families who experience monthly income fluctuations that are near or below these thresholds would not see significant changes in their benefits.

Overall, the financial uncertainty resulting from adjusting children's benefits each month, along with the substantial reporting requirements involved, suggests that children's benefits may not be a good candidate for conversion to a real-time income assessment. By providing a consistent stream of 12 monthly payments, the CCB provides a predictable income base despite volatile employment income.

Converting other federal and provincial tax-based benefits that rely on AFNI from the previous year would require a similar administrative and self-reporting mechanism as outlined for the CCB. However, because these programs have different benefit designs, further research is needed to assess whether these

34 Some sources of income or deductions, such as capital gains or capital costs for the self-employed that are difficult to attribute to a specific month, would likely need to be excluded. The potential for beneficiaries to receive investment income is mitigated through asset limits in the U.K.'s Universal Credit.

programs could deliver sufficient benefits to workers with volatile incomes to outweigh the administrative burden and risks associated with using ePayroll data and monthly self-reporting.

5.2. The special case of the Canada Workers Benefit

The Canada Workers Benefit (CWB) may be a better candidate than the CCB for conversion into a benefit that is responsive in real time to employment income using ePayroll RTI earnings data. The policy objectives of the CWB are tied to labour market participation, including encouraging individuals to enter the workforce and supplementing the incomes of low-income workers. Unlike other tax-based programs that rely on income sources and deductions included in prior-year AFNI, CWB eligibility is determined by annual "working income" in the current year. Working income includes earnings from employment, self-employment, scholarships, research grants, and employment-related disability benefits.

Box 3: Canada Workers Benefit eligibility requirements in 2024

For an individual with working income:

- Below $3,000 – No CWB is paid.
- Between $3,000 and $8,890 – CWB increases $27 for every $100 of working income, to a maximum CWB of $1,590.
- Between $8,890 and $26,149 – The maximum CWB paid.
- Above this level – CWB is reduced by $15 for additional $100 of AFNI.

For families, the maximum CWB of $2,739 per year is reduced for AFNI above $29,833. An additional $821 is provided to those eligible for the Disability Tax Credit.

Due to provincial supplements to the CWB, maximum benefit amounts vary for residents of B.C., Nunavut, and Alberta. Quebec has a separate benefit.

Eligibility for CWB is determined at the end of a year as part of income tax assessments. As of 2023, CRA automatically provides three quarterly advanced payments starting in July for workers who qualified for the CWB in the previous year. At the end of the year, the actual CWB entitlement for that year is determined and reconciled with the advance payments. To minimize overpayments that could occur if the current year's working income exceeds that of the previous year, advanced payments are capped at 50 per cent of the CWB entitlement in the previous year.

Evaluations of the CWB are limited, but analyses of similar benefits in other jurisdictions and research in behavioural science suggest that the small size of the benefit,[35,36] along with payment delay from when income is earned and the lack of a visible real-time connection between work and benefit payments, are likely to limit the effectiveness of the CWB's intended work incentives, particularly among lower-income workers.[37,38,39]

Studies have shown that many workers eligible for the CWB do not receive it because they do not file income tax returns. A 2018 report by the Parliamentary Budget Officer estimated that one in five eligible workers were not claiming the benefit.[40] This gap arises in part because low-income workers are not required to file a return if they owe no income tax – a common situation for precarious workers, even if they pay, and sometimes overpay, income tax through payroll deductions. Additional factors include language barriers, challenges in navigating the filing process, and reluctance among precarious workers who are considered self-employed to file due to the burden of tracking revenue and expenses and concern that filing could trigger a CRA audit. In October 2025, the federal government announced that it will implement an automatic income tax filing system to improve access to tax-based benefits such as the CWB for some eligible low-income people; however, this initiative likely will not include precarious workers with income from self-employment.

In 2022, Finance Canada published the results of focus groups held before the introduction of CWB automatic advance payments. The focus groups revealed that there was little awareness of the CWB, even among participants who had received lump-sum CWB payments after filing tax returns. When the option for an advanced payment was presented, many participants with volatile income indicated that they would have difficulty estimating their income for the coming year and

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35 Nichols, A & Rothstein, J. (2015). *The Earned Income Tax Credit (EITC), Working Paper 21211*. National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w21211/w21211.pdf

36 Koebel, K & Poher, D. (2019). *Expanding the Canada Workers Benefit to Design a Guaranteed Basic Income*. Volume 45, Number 3. Canada Public Policy. https://utppublishing.com/doi/10.3138/cpp.2019-016

37 Mullainathan, S. & Shafir, E. (2013). *Scarcity: Why Having Too Little Means So Much*. Times Books.

38 Loewenstein G. & O'Donoghue, T. (2002). Time Discounting and Time Preference: A Critical Review. *Journal of Economic Literature*, 40 (2), 351–401.

39 Gillezeau, R & Speer, S. (2016). The cross-party case for the Working Income Tax Benefit. *Policy Options*. https://policyoptions.irpp.org/2016/12/the-cross-party-case-for-the-working-income-tax-benefit/

40 Office of the Parliamentary Budget Officer. (2018). *Costing Budget 2018 Measures*. https://publications.gc.ca/collections/collection_2018/dpb-pbo/YN5-157-2018-eng.pdf

would prefer reliable and predictable payments, rather than advanced payments that would be adjusted at year-end, with the potential for overpayment that they would have to repay.[41]

The CWB could be redesigned so that monthly payments are made based on monthly working income, including employment earnings collected through ePayroll. The following explores some implications of real-time monthly adjustments to CWB payments, with no major changes to the program's design other than converting benefit amounts and eligibility thresholds from annual to monthly parameters. Since the current CWB design relies on AFNI to determine benefits above the maximum benefit threshold that is incompatible with real-time monthly entitlements, this analysis assumes that monthly family working income, rather than AFNI, would be used for benefits above this threshold.

To operationalize this redesign, a mechanism would be needed for beneficiaries to report monthly self-employment income and other working income not included in ePayroll and to issue payments shortly after the end of the month. Individuals with employment earnings information collected in ePayroll could not be automatically enrolled since workers below the age of 19 or enrolled in full-time post-secondary education are not eligible for the CWB. Since eligibility for the CWB above the maximum benefit threshold (see Box 3) is based on family working income, ePayroll data and self-reports for family members would need to be linked to calculate total monthly family working income.

Converting the CWB's annual benefit levels and thresholds (see Box 3) into monthly parameters would mean that a single worker:

- Who enters the workforce, or has no income in the previous month, would receive a payment following the month their working income increases above $250;
- With working income between $741 and $2,179 in a month would receive the maximum benefit of $133 for that month; or with working income that exceeds $2,179 in a month, would get a reduced CWB payment or no payment, depending on the amount earned.[42]

Under this scenario, beneficiaries with monthly incomes that fluctuate within the range of $741 to $2,180 per month who qualify for the maximum benefit would experience no change in monthly payments, despite their volatile income. Compared to the current CWB, workers with annual incomes that are too low to

41 Finance Canada. (2022). *Virtual Focus Groups on the Canada Workers Benefit (Executive Summary)*. https://publications.gc.ca/collections/collection_2023/fin/F2-293-2023-1-eng.pdf

42 The monthly benefit numbers and income thresholds noted were determined as one-twelfth of the current annual amounts for the CWB (See Box 3).

qualify for the maximum annual benefit could receive higher benefits if they have temporary income spikes that put them in the monthly maximum benefit range. On the other hand, a worker with an annual income that would qualify for the maximum CWB could experience a drop in benefits in a month when their income falls below $741, or no payment if their income drops below $250.

Without data on income volatility, it is difficult to quantify potential winners and losers in this scenario. However, the reduction of benefits in months when income falls below $741, combined with the lack of responsiveness to income fluctuations within the maximum benefit range, suggests that a more fundamental redesign of the CWB's benefit structure may be required to better support lower-income precarious workers.

5.3. Income-tested benefit programs administered outside of the income tax system: Prescription drug and dental benefits

Provincial and federal governments provide various income-tested programs that provide services or cash transfers, including housing support, student loans, legal aid, and health benefits. Although these programs are administered outside of the annual income tax assessment, most rely on the outcome of prior-year income tax assessments to determine eligibility. This section considers whether ePayroll data could be used to improve the responsiveness of selected programs that cover some costs of prescription drugs or dental care for applicants with low or moderate incomes who lack access to employer-sponsored or private health insurance.

One example is the Healthy Smiles Ontario dental care program for low-income children. To qualify, the child must be in a family receiving social assistance or have a prior-year AFNI below a threshold determined by the number of children in the family. To receive benefits, applicants declare that the child does not have access to dental benefits through an employer or other source.

Information-sharing agreements with the CRA can be negotiated to allow program administrators, with applicants' consent, to view an applicant's most recent tax assessment. In the absence of an agreement, program administrators may require applicants to provide a CRA-generated Notice of Assessment and, with consent, use that information to verify income and determine eligibility.

While the CRA will facilitate access to income tax records for the administration of non-tax benefits, it has been reluctant to collect information that is not necessary for assessing income tax or determining eligibility for non-tax benefits. However, the legislated role for the CRA in determining eligibility for the recently introduced

Canadian Dental Care Plan (CDCP), and in collecting information on T4 or T4A slips to support the program, may set a precedent for the agency to assume broader responsibilities in supporting the administration of non-tax-based benefits.

Administration of the CDCP, a Health Canada program, is coordinated between Service Canada and the CRA. Applicants must confirm that they do not have dental benefits from an employer or other private source and consent for the CRA to access their tax assessment to determine eligibility. Applicants must have filed an income tax return, and eligibility is reviewed each spring when new prior-year tax assessments become available. To support program administration, starting with the 2023 tax year, the CRA requires employers and pension plans to report dental coverage on T4 or T4A slips for employees, pension beneficiaries, and their families. This coverage data is likely being used to plan the rollout of the CDCP and to help flag applicants who may have misrepresented their access to employer-sponsored dental coverage.

Individuals can apply for these programs at any time during the year. However, because both Healthy Smiles Ontario and the CDCP determine eligibility based on the previous year's tax assessment, there can be a substantial lag in income responsiveness. For example, an application submitted between August 2024 and July 2025 would be assessed using 2023 tax information, as this would be the most recent tax assessment available to program administrators for income verification. Applications submitted after July 2025 would instead rely on 2024 tax information, when the 2024 assessment becomes available to administrators. Neither program has a mechanism to address income reductions that may occur throughout the year or to adjust eligibility if an applicant loses access to health benefits due to job loss or retirement.[43]

By contrast, British Columbia's Fair PharmaCare Plan has a formal mechanism to respond to income declines that may occur during the year. The program provides prescription drug coverage for individuals lacking access to employer plans, or it may top up coverage for low-income beneficiaries with access to limited employer or private drug plans. Depending on their AFNI in their most recent income tax assessment, beneficiaries may be required to pay deductibles and co-payments.

If a beneficiary experiences an AFNI decline exceeding 10 per cent during the year, they can apply for an eligibility review. Review applicants must submit proof of income decline, such as pay stubs or ROEs, along with an estimate of their expected income for the remainder of the year. At year-end, this estimate is

43 Healthy Smiles Ontario may allow emergency dental care for a child if the family can demonstrate financial need, even if they are income ineligible based on prior-year tax assessment.

compared to the actual income assessed for the year. To reduce the risk of benefit overpayments, review applicants are advised to avoid underestimating their income.

Could information from ePayroll be used to improve the responsiveness of these programs?

It is important that individuals and families know that their prescription drug and dental care coverage will stay consistent over a period of time. Using ePayroll information to adjust benefits based on real-time employment income could lead to fluctuations in coverage and uncertainty, which could significantly impact beneficiaries' access to prescription medications and dental services.

However, ePayroll information could support non-tax benefit programs in administering mechanisms to adjust benefits, like the one used in B.C., if beneficiaries experience unemployment or an income decline during the year. The ePayroll data could be used to verify whether applicants' income has decreased and, if enhanced benefits are approved, monitor the beneficiary's employment income for the rest of the year to limit potential overpayments.

6. Overall observations and recommendations

To the author's knowledge, this is the first public paper to examine in detail the potential use of real-time information from ePayroll in Canada's income-tested benefit and support programs. Additional research and consultations are necessary to ensure that diverse perspectives are considered regarding policy objectives, trade-offs, and technical issues involved in creating benefits that respond in real-time to changes in income.

The preliminary analysis in this paper suggests that converting many benefits currently based on annual income to real-time, monthly income adjustments using ePayroll data may not provide beneficiaries with sufficient advantages to outweigh the increased administrative complexity, self-reporting demands, and risk of overpayment. Although, in principle, real-time benefit adjustment should smooth out income fluctuations faced by precarious workers, the U.K.'s Universal Credit experience suggests that this goal can be undermined by various administrative issues. These issues include problems reconciling different employer pay dates and pay periods to monthly income assessments, as well as processing self-reports and employer-provided RTI earnings data to determine benefit payments shortly after the monthly assessment period. Sometimes, these issues can worsen rather than alleviate income fluctuations.

Beyond these administrative considerations, certain policy objectives may be better advanced through predictable and consistent benefit payments rather than real-time adjustments based on volatile employment income. Behavioural science research and consultations with individuals with lived experience suggest that, given a choice, most low-income individuals would prefer predictable, consistent benefit payments rather than the risk of unpredictable payments that fluctuate with real-time income.

This paper's analysis also suggests that real-time earnings information from ePayroll could be more appropriate for programs with policy objectives directly linked to employment and labour market participation. For example, earnings data collected by ePayroll could facilitate the administration of a new benefit designed to respond in real time to loss of employment and income volatility among precarious workers who do not qualify for EI. However, merely converting existing programs like the CWB into a real-time responsive benefit, without redesigning its benefit structure, would not be sufficient to meet these objectives.

For the wide range of non-tax benefit programs based on annual income in the previous year's income tax assessments, RTI from ePayroll could facilitate the introduction or streamlining of mechanisms to access or enhance benefits when beneficiaries' income decreases during the year. Data from ePayroll could help verify an employment income decline that would otherwise be determined based on applicants' attestations or self-reports. Ongoing monitoring of ePayroll data could allow programs to identify and proactively reach out to beneficiaries to inform them that they may be eligible for a change in their benefits.

With these findings in mind, this paper makes the following recommendations to the federal government to consider as it explores the potential for an ePayroll system.

Recommendation 1: Prioritize exploring the potential roles that real-time information collected through ePayroll could play in the social benefit and support system

Research and consultations should be prioritized to examine the potential role that ePayroll earnings RTI could play in assessing and delivering income-tested benefits and supports. This would help ensure that identifying potential impacts is not an afterthought and that diverse perspectives are considered regarding policy objectives, trade-offs, and technical issues involved in designing benefit programs that respond in real time to changes in monthly income.

As identified in this paper, policymakers should take care to preserve the structure of programs such as children's benefits and other benefits that provide critical and predictable support, which could be undermined if converted to real-time income assessments.

In terms of consultations, alongside employers and the payroll industry, the federal government should also engage with provincial governments, advocacy groups, policy researchers, and individuals with lived experience accessing income-tested benefit and support programs. These consultations are needed to raise public awareness of the ePayroll project, gather feedback on how the federal government is considering using ePayroll data in the administration of EI, and identify opportunities to use ePayroll data to reform other federal and provincial income-tested benefit or support programs.

Policy researchers and organizations developing or advocating for social benefit reforms or a basic income should consider whether these proposed benefits should be based on annual or real-time income, and the potential role ePayroll information could play in delivering these reforms.

Recommendation 2: Understand the needs and perspectives of those with lived experience of precarious employment

It is essential that the priorities and preferences of people with lived experience of precarious work and income volatility be incorporated into policy research and benefit development.

Consultations should be undertaken to identify the challenges precarious workers have in accessing federal and provincial benefit and support programs, and to consider ways to improve program access. Among the questions that should be considered through engagement with precarious workers are their views on the trade-offs involved in determining benefits based on real-time versus annual income. For example, would individuals with precarious employment prefer a system that adjusts benefits monthly in response to income fluctuations but requires monthly self-reports, or would they prefer a system with constant, predictable payments for one year based on annual income but requires the filing of income tax returns?

Policy research and consultation should also examine options for a new benefit that would improve or replace the Canada Workers Benefit and use ePayroll information to provide real-time income support to low-income, precarious workers when they experience unemployment or a drop in income but are not eligible for EI.

Recommendation 3: Conduct surveys and research to better understand in-year income volatility faced by workers in Canada

The absence of population-level data on month-to-month income volatility limits our understanding of both the extent and severity of income fluctuations experienced by workers in Canada. Without this information, it is difficult to assess whether low- or modest-income workers would be better or worse off if benefits currently based on annual income were converted to reflect real-time income. It also limits the evaluation of whether the advantages of timely benefit payments would outweigh the administrative costs and reporting burdens associated with real-time adjustments. Without reliable data, policymakers cannot accurately model or estimate the fiscal impact of reforms that would align benefit payments with monthly income changes.

To address this information gap, the CRA should make anonymized earnings data collected through ePayroll accessible to researchers and policymakers once it becomes available. However, we should not wait for ePayroll implementation to improve our understanding of income volatility. Statistics Canada and researchers should conduct studies on fluctuations in monthly income. This could include expanding Statistics Canada survey questions and undertaking specific studies to monitor the monthly income volatility experienced by individual workers over time. Payroll processing companies working with the CRA on ePayroll implementation should make anonymized data on earnings volatility available to researchers and governments for policy development.

Recommendation 4: Require that payments to digital platform gig workers and fee-for-service contractors be reported through ePayroll

The ePayroll project's initial focus will be to collect RTI pay information for workers classified as regular employees for whom employers are required to make payroll deductions and contributions, and to issue T4 slips. However, there is a potential that payments to some non-standard, precarious workers, who are deemed self-employed for income tax purposes, could also be reported in real time to ePayroll.

Two CRA initiatives are underway regarding the reporting of payments made to fee-for-service contractors and gig workers through digital platforms to the CRA.

For many years, CRA has encouraged businesses and organizations to report fee-for-service payments exceeding $500 per year to individuals or contractors not classified as regular employees by submitting annual T4A slips. This reporting is voluntary, and compliance rates are low. CRA is currently consulting with a stakeholder working group to considering ways to increase reporting, including clarifying what needs to be reported, reinstating fines for non-compliance, and exploring alternatives to the T4A as the reporting channel.[44] Statistics Canada estimates that about 600,000 Canadians aged 15 to 69 were paid as fee-for-service contractors, although they had limited control over their work schedules or the ability to set their own fees.[45]

Starting with the 2024 tax year, as part of the new Reporting Rules for Digital Platform Operators initiative, digital platforms such as Airbnb and Uber are required to submit an annual information return to the CRA. This return should include details of quarterly payments made by the platform operators to individuals, along with their Social Insurance Numbers.[46] According to Statistics Canada, about 500,000 Canadians aged 15 to 69 participated in the gig economy by earning income through a digital platform or app in 2023.[47]

If ePayroll is implemented, the federal government should consider making it mandatory to report payments made to fee-for-service contractors and digital platform gig workers through the ePayroll system.

Recommendation 5: Use the ePayroll to collect real-time information on employees' access to employer-sponsored prescription drug and dental benefits

If ePayroll is implemented, information about employee access to employer-sponsored dental care benefits, which is reported on annual T4 slips, should be submitted in real time to ePayroll along with employee earnings information. The federal government should also consider requiring employers to report whether an employee has prescription drug coverage on T4 slips and, if implemented, to ePayroll. Although this would introduce a new reporting obligation, most

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44 Canada Revenue Agency. (2025). *Reporting fees external stakeholder working group – What we heard – Summary*. https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/reporting-fees-for-service/reporting-fees-external-stakeholder-working-group-summary.html

45 Statistics Canada. (2024). *Estimates of the main components of the gig economy in 2022 and 2023*. https://www150.statcan.gc.ca/n1/daily-quotidien/240304/g-b001-eng.htm

46 Canada Revenue Agency. (2025). *Reporting Rules for Digital Platforms*. https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/reporting-rules-digital-platforms/filing-information-returns.html

47 Statistics Canada. (2024). (Footnote 45).

employers who already report dental benefits are also likely to provide prescription drug coverage to the same employee.[48]

Provincial and federal governments provide income-tested health benefit programs for individuals and families who lack access to prescription drug and dental benefits through an employer or other private sources. Access to real-time ePayroll data on earnings and employer-sponsored prescription drug or dental care coverage would enhance these programs' ability to verify an applicant's eligibility, which could occur at any point during the year. This information would support these programs to establish mechanisms to adjust benefits in real time if beneficiaries face a drop in income or lose employer-sponsored coverage. Without this real-time information, programs would have to rely solely on self-reports and attestations, which are difficult to verify in real time.

Recommendation 6: Ensure that information systems and platforms established to use ePayroll data for EI administration have the capacity to support the delivery of emergency payments and other income-tested benefit and support programs

If ePayroll is to be used to support EI administration, the federal government will need to develop a robust digital infrastructure to extract employee payroll data and present it to beneficiaries through a secure platform. The system would need to allow beneficiaries to modify the extracted information from ePayroll to meet EI reporting requirements, integrate this data with self-reported income from self-employment, and use it to evaluate eligibility and issue biweekly payments shortly after the end of each biweekly entitlement period.

The federal government should ensure that the system developed for EI is designed with the flexibility and capacity to also support the future delivery of emergency benefits, such as the pandemic-related Canada Emergency Response Benefit (CERB). This system should also have the capacity to support real-time access to ePayroll information for other federal or provincial benefit or support programs that may be developed in the future.

48 Based on unpublished research undertaken by the author.

Recommendation 7: The federal government should develop and consult on a comprehensive plan that identifies the use, privacy, and security of information collected through ePayroll

To proceed with the ePayroll project, the federal government will need to inform Canadians about its plan to manage the privacy and security of information collected through ePayroll, and how the information will be used. The plan will need to address the security of various functions that the system will likely need, including the following:

- A portal to allow workers to view in real time their pay information reported by their employers, a process to request corrections from employers, and a way for employers to adjust or correct errors without being able to view ePayroll information from other employers.
- An ability for a family member or representative to access ePayroll information for other family members and a way to revoke this access when needed, such as in cases of domestic violence.
- A method to confirm that proper consent has been given to access ePayroll information by EI or other federal or provincial programs, and the requirements that will be mandated for programs receiving the information.

Many of the privacy and security concerns are already addressed in the management of access to income tax information, employer T4 slips, and employer remittances. However, the large volume of real-time data to be collected, along with the necessity for decentralized access to the ePayroll system, will likely introduce additional vulnerabilities.

The federal government should engage in extensive consultations with various sectors to identify potential unintended uses of the real-time information collected by ePayroll, such as tracking individuals' whereabouts, identity theft, or commercial espionage, and develop strategies to prevent possible misuses of ePayroll data.

Recommendation 8: Explore the establishment of a federal agency with the authority and capacity to manage and facilitate access to ePayroll data for determining eligibility for non-tax benefit programs

The CRA's role in supporting the administration of federal and provincial tax and non-tax benefits has expanded over the past twenty years. It now maintains more than 100 agreements with provinces to determine eligibility for provincial tax-based benefits or to provide access to income tax assessment information that provinces use to determine eligibility for non-tax benefit programs. Implementation of ePayroll could increase demands for real-time access to ePayroll data to administer EI and other federal and provincial programs, raising concerns that these new demands might impact the CRA's ability to focus on its core mandate of managing Canada's tax system.

To address these concerns and facilitate secure access to ePayroll information, the federal government should consider creating a new agency accountable to the Minister of Finance. This agency should have legislative authority to hold and secure income tax and ePayroll data, and a mandate to enter into service agreements with other federal departments, provinces, or municipalities to determine eligibility for non-tax benefit programs or to enter into information-sharing agreements to provide real-time access to ePayroll data for program administration, policy research, and program development.

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