

## EXECUTIVE SUMMARY

# Poverty segmentation

## The challenge of the 'working poor'

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This executive summary provides key highlights of the reports. Please read the full report at <https://maytree.com/publications/poverty-segmentation-the-challenge-of-the-working-poor/>.

### **About the author**

Gillian Petit is a Research Associate at the University of Calgary. She holds a PhD from the University of Calgary and a JD from Queen's University. Her research in applied economics and public policy focuses on the design and implementation of income and social supports, spanning several areas including tax policy, social policy, municipal policy, anti-poverty policy, and access to justice. She works on intersectionality-informed, data-driven solutions to economic and social issues.

### **Author's note**

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### **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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# Executive summary

## Poverty segmentation: The challenge of the 'working poor'

Some people may think of poverty as something that happens when people don't work. But the reality is different: The largest group of people living in poverty in Canada are working or live in families who work. These are Canada's *working poor*.

This report proposes a new, updated definition of "working poor" and uses it to examine different segments of persons who experience poverty in Canada.

## Why a new definition matters

Existing Canadian definitions of "working poor" are outdated and inconsistent. Some count only people working long hours, potentially excluding those with disabilities or caregiving responsibilities who cannot work full-time but still work as much as they are able. Others set the bar too low, potentially including those who work only 3 or 4 weeks a year. This lack of a consistent, clear, and modern definition of "working poor" weakens public understanding of who is in poverty, fuelling skewed public perception, and reducing effective policy responses.

This report proposes the following definition of working poor. A person lives in a working poor family (or is an unattached individual who is working poor) if:

1. Their economic family's Market Basket Measure (MBM) disposable income is less than the MBM threshold of low income applicable to the family size and geographic region; and
2. Their economic family's combined hours worked in the paid labour force (including self-employment) is equal to or greater than 500 hours a year.

This definition is consistent with definitions found in the international literature and combines and updates aspects used in the Canadian literature. It considers the employment of persons with disabilities and is measurable using already collected Canadian data. This definition captures people who are working enough to demonstrate attachment to the labour force but still cannot afford the basics of life.

# Key findings

- **The working poor are the largest group among those in poverty.** Forty-two per cent of people who live in poor families in Canada live in working poor families. This group is larger than those in welfare poor families and senior poor families.
- **Who are the working poor?** They are often younger adults (aged 20–39), single individuals, or couples with children.
- **Disability and low income:** For people with disabilities, the story is different. Nearly 29 per cent of persons with disabilities living in poor families are welfare poor (i.e., their families receive income assistance and are not working), but 26 per cent are working poor – showing that many people with disabilities want to and do work, yet remain in poverty.
- **Changing trends:** From 2015 to 2022, the number of working poor declined, likely due to stronger government supports during the pandemic.

# Why it matters for policy

The findings show that work alone is not enough to escape poverty in Canada. Many people with low income live in working poor families but still can't afford food, housing, and other essentials.

Policy responses should:

- Recognize the working poor as the largest group in poverty and design supports for them that are adequate, accessible, and non-stigmatizing;
- Strengthen income supports and employment supports (including employment legislation/regulation) for people with disabilities, especially younger workers and older adults facing barriers to continued employment; and
- Improve income supports for people approaching retirement age who fall through the cracks before accessing seniors' benefits.

# The takeaway

This report shows that people who are working are the *largest* group in poverty. If we want to make real progress on poverty, we must ensure that work pays enough to live with dignity and that income supports and employment regulations are designed to reflect the realities of the working poor.