



Reducing poverty among minimum wage workers in Ontario: The potential impact of the Canada Working-Age Supplement

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About Maytree

Maytree is 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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Objective

- This policy brief illustrates the impact of the proposed Canada Working-Age Supplement (CWAS) on working-age single adults without children (or unattached single adults) earning minimum wage in Ontario.
 - A previous version of this brief was shared with the National Advisory Council on Poverty Reduction.
- The modelling shows that the introduction of the CWAS would help full-time minimum wage workers pass the Market Basket Measure (MBM), Canada's Official Poverty Line. For part-time minimum wage workers, the CWAS would help them pass the deep income poverty threshold, measured at 75 percent of the MBM.
- Overall, the CWAS would meaningfully reduce the depth of poverty and improve the quality of life of all unattached single adults earning the minimum wage in Ontario.

Background

- Unattached working-age single adults, that is single adults under 65 years old without children, experience the highest and deepest rates of poverty across Canada.
 - In 2019, about 34 per cent of unattached working-age single adults lived below Canada's Official Poverty Line, over three times the national poverty rate of just over 10 per cent.¹
 - Furthermore, in the same year, over half the 1.8 million people living in deep poverty in Canada were unattached working-age single adults.
- To address this, Maytree and Community Food Centres of Canada have proposed the development of the Canada Working-Age Supplement (CWAS) by enhancing the existing Canada Workers Benefit (CWB) for unattached single adults.²

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

2 Talwar Kapoor, G., Tabbara, M., Hanley, S., McNicoll, S. (2022). *How to reduce the depth of single adult poverty in Canada: Proposal for a Canada Working-Age Supplement*. Maytree and Community Food Centres Canada. Accessed at: <https://maytree.com/wp-content/uploads/canada-working-age-supplement-report.pdf>

- The CWAS has the potential to meaningfully reduce the depth of poverty that unattached single adults experience across Canada.
- Enhancing the CWB into the CWAS would entail two key parameter changes:
 1. Adding a floor benefit to the current CWB: This means that unattached single adults living in deep poverty who currently receive \$0 from the CWB would receive foundational support from the federal government.
 2. Raising the maximum benefit higher than it is for the current CWB: This means that recipients with earnings would be eligible to receive a higher benefit than they currently do through the CWB.
- While several models were tested, the recommended model would establish a floor amount of \$3,000 with a \$1,000 employment boost, for a maximum CWAS benefit of \$4,000.
- Currently, the CWB's floor amount is \$0 for those who earn under \$3,000 from employment, with a maximum benefit amount of \$1,395. Therefore, the CWAS would offer a significant improvement.

Analysis

- To illustrate the impact the CWAS can have in reducing the depth of poverty unattached single adults experience, this policy brief focuses on eligible recipients working at the minimum wage.
 - This brief builds on the analysis provided in the full report, which focuses on the potential impact of CWAS on unattached single adults without any labour market attachment.

Five scenarios

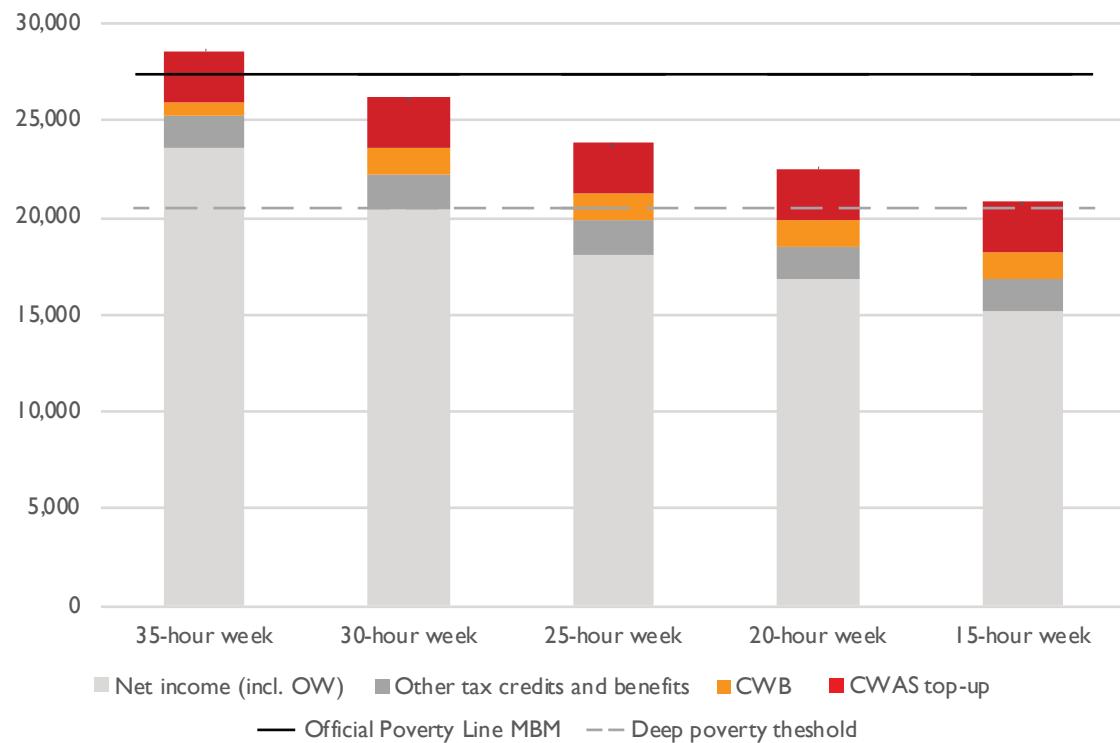
- The income of a minimum wage worker will depend on the hours worked.
- Below, we provide the impact of the CWAS among five example minimum wage workers in Ontario in the 2022 calendar year.
- In October 2022, Ontario's minimum wage was increased to \$15.50 per hour.
 - For simplicity, we apply the \$15.50/hour minimum wage throughout 2022.

- This means a worker earned a gross income of:
 - \$27,125 from working 35 hours/week
 - \$23,250 from working 30 hours/week
 - \$19,375 from working 25 hours/week
 - \$15,500 from working 20 hours/week
 - \$11,625 from working 15 hours/week
- The 25 hours, 20 hours, and 15 hours/week minimum wage workers are also assumed to be receiving Ontario Works – one of Ontario’s two social assistance programs. This adds \$308.50, \$2,246, and \$4,183.50, respectively, to their annual income.

Poverty thresholds

- To evaluate the CWAS’s impact on the five example workers, the Market Basket Measure (MBM), Canada’s Official Poverty Line, is used as the measure of poverty. The deep income poverty threshold, or 75 per cent of the MBM, is used as the threshold for deep poverty.
- Since the MBM is a regional measure, the threshold for Toronto is used for the purposes of this analysis.
 - The 2022 MBM figures are not yet available, so the Consumer Price Index for the city of Toronto is used to calculate the increase from the 2021 MBM. As such, the Official Poverty Line for a single person in 2022 is estimated to be about \$27,343, and the deep income poverty threshold is determined to be \$20,508.
- To align with the MBM’s definition of income, the figure below outlines the after-tax and transfers income of the five example minimum wage workers, and how they are impacted by the CWB and the CWAS, relative to the Official Poverty Line and the deep income poverty threshold.

Figure – Impact of the CWB vs. the CWAS on the after-tax and transfers income of minimum wage workers at five income levels in Ontario.



Notes:

- All five minimum wage workers are assumed to not have a disability, and to not be receiving benefits targeted to people with disabilities.
- The full CWAS amount received is the sum of the CWB and the CWAS top-up, or \$3,373 for the 35 hours/week minimum wage worker, \$3,954 for the 30 hours/week minimum wage worker, and \$4,000 for the 25 hours, 20 hours, and 15 hours/week minimum wage workers.
- The 25 hours, 20 hours, and 15 hours/week minimum wage workers are assumed to be receiving Ontario Works.
- Other tax credits and benefits include the GST/HST credit and the climate action incentive from the federal government, and the Trillium benefit from the Ontario government.
- To calculate the Trillium benefit, all five example minimum wage workers are assumed to pay \$1,000 per month on rent.

Impact

- As illustrated in the figure above, with only the CWB, the 35 hours/week minimum wage worker in Toronto is living below the Official Poverty Line. After the introduction of the CWAS, the \$3,373 that they would receive from the support would allow them to live above the poverty line.
- With the introduction of CWAS, the 30 hours and 25 hours/week minimum wage workers would see their depth of poverty reduced.
 - The 30 hours/week worker would see their after-tax and transfer income go from 86% to about 96% of the poverty line, and the 25 hours/week worker would see their after-tax and transfer income go from about 78% to 87% of the poverty line.
- The \$4,000 CWAS would enable minimum wage earners working 20 hours and 15 hours/week to cross the deep-income poverty threshold, and no longer live in deep poverty.

Key takeaways

- Despite the increase of Ontario's minimum wage in recent years, the amount still does not allow many full-time workers to live above the poverty line.
- As this brief has shown, the introduction of the Canada Working-Age Supplement can help reduce the depth of poverty minimum wage workers experience.
- The CWAS would help fill a missing gap in Canada's income support system.
- We urge the federal government to enhance the CWB into the CWAS for unattached single adults. The Ontario government's advocacy to this end is required.
 - In the meantime, Ontario can also enhance CWB parameters within Ontario (as three other jurisdictions in Canada have done) to better target supports to unattached working-age single adults.



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