

A TURNING POINT IN CANADA – WHY CANADIANS NEED URGENT SUPPORT NOW

Submission for the pre-budget consultations ahead of the 2025
Federal Budget

Submitted by Food Banks Canada

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Contact:

Isaac Smith
Manager of Policy and Government Relations
Isaac.smith@foodbankscanada.ca



POLICY RECOMMENDATIONS

1. Immediately implement a **Groceries and Essentials Benefit** (GEB) in Canada.
2. Make the **Menstrual Equity Fund** permanent with a commitment of at least \$25 million each year.
3. Improve the way government measures and understands the experience of poverty in Canada by adopting a **Material Deprivation Index** into its poverty reduction framework.
4. In the short term, **allow all households with low incomes to have access to the non-cash benefits** that are currently only available to those on social assistance (e.g., childcare subsidies, affordable housing supplements, drug and dental insurance).
5. Ensure all federal benefits are indexed to inflation and that agreements with provincial governments explicitly **forbid claw backs of provincial social supports** for new federal benefit programs like the Canada Disability Benefit.

Click [here](#) for a full list of Food Banks Canada's federal policy recommendations.



Each year, Food Banks Canada publishes federal policy recommendations aimed at reducing poverty and food insecurity. This document highlights several of those policy recommendations that **will provide immediate relief to people in Canada today.**

The context below illustrates the unprecedented poverty and food insecurity crisis facing people in Canada from coast to coast to coast. While the government has acknowledged this crisis, the response has not been nearly sufficient. **There is nothing normal about the level of struggle that Canadians are facing today.** The implementation of these recommendations would ensure the most vulnerable households receive vital support immediately, bridging the gap until longer-term policies begin making an impact.

THE PROBLEM

Poverty in Canada is moving through a transition. The latest data tells us that both poverty and food insecurity are on the rise and are rising rapidly. The most recently released Canadian Income Survey found that 1 in 10 Canadians live in poverty, and almost a quarter (23percent) experience food insecurity. This influx matches what we've seen on the frontlines at food banks. Prior to the pandemic, Canada wide food bank visits were just above 1 million per month. In 2023, **monthly food bank visits in Canada jumped to nearly 2 million**, marking a 32 percent surge from the previous year and a near-doubling since before the pandemic.¹ **Never before in Canadian history have so many people relied on food banks.**

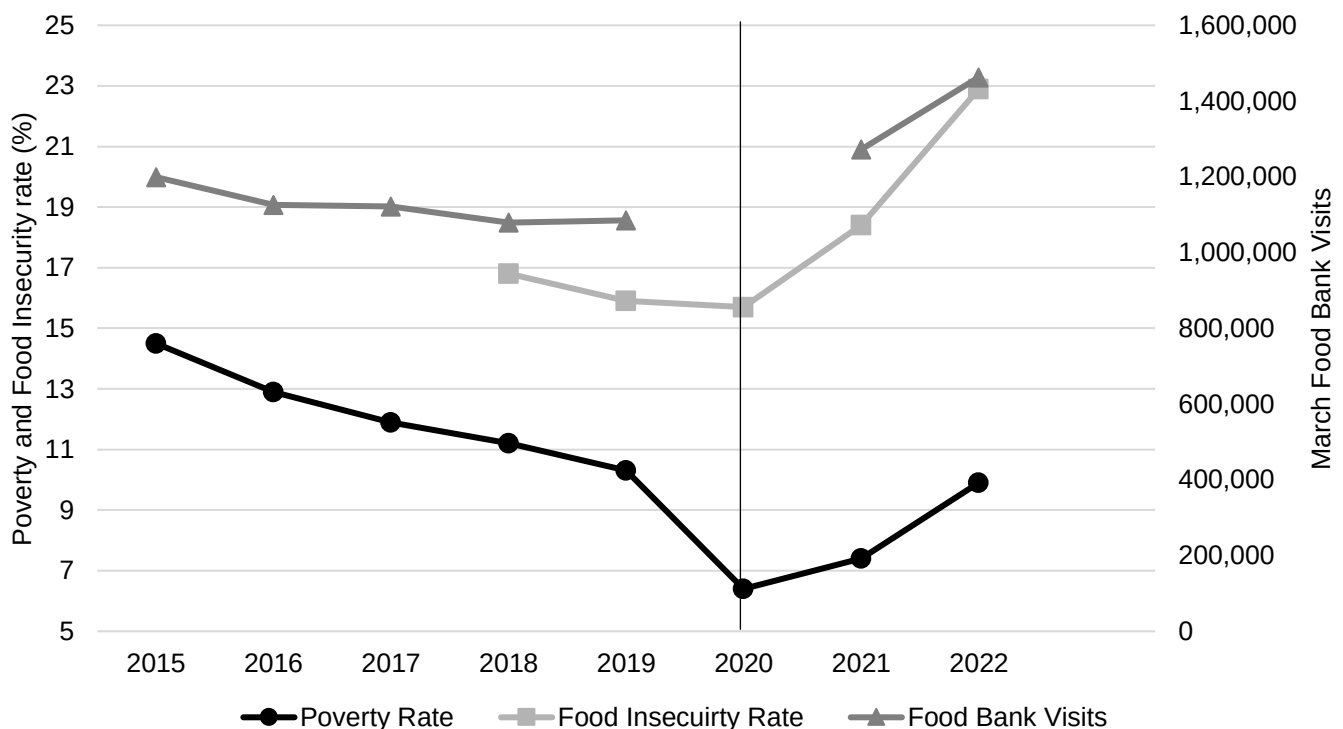
Looking back a few short years, this represents a significantly changed economic reality. Between 2015 and 2020, Canada saw the most dramatic and comprehensive decline in poverty on record. One in six Canadians (14.5 percent) were living below the poverty line in 2015. Five years later, that figure fell to 6.4 percent — less than half the former rate and a decline of about 66 percent.



This welcome and substantial decline in poverty was thanks to three important factors:

1. **Well-targeted public policy interventions** like the Canada Child Benefit, which have helped improve the income security and after-tax income of families, particularly among those at the bottom of the income distribution.
2. An increasingly inclusive labour market from 2015 to 2019, which operated above full employment, and began to pull in **vulnerable and low-income people who were traditionally under-represented in paid work**, such as mothers, persons with disabilities, Indigenous people, recent immigrants, and single adults.
3. Crisis response to COVID-19 with measures like the Canada Emergency Response Benefit (CERB), which provided **a form of basic income** for a short time.

Comparing Poverty, Food Insecurity, and Food Bank Visiting Rates Over Time



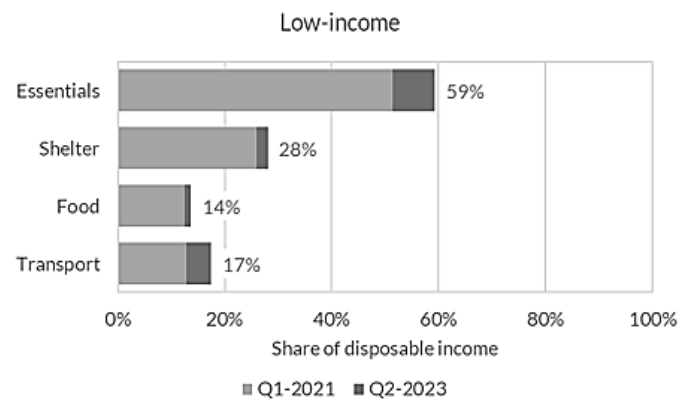
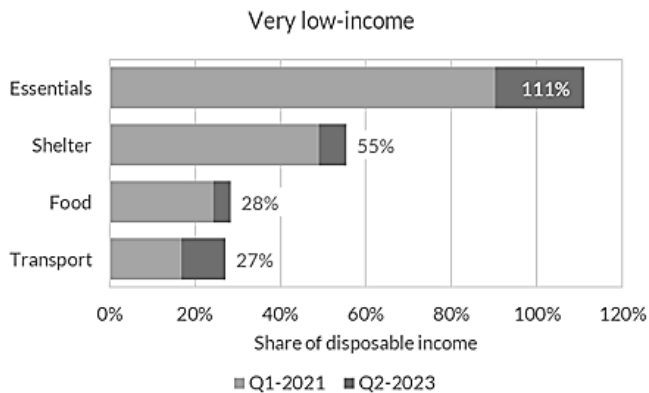
In 2022 — just two years after the country's poverty rates reached an all-time low of 6.4 percent — poverty has increased again by 55 percent to nearly 10 percent of people in Canada, effectively cutting progress since 2015 in half. Meanwhile, food insecurity rates — another strong indicator of economic struggle — have nearly doubled since 2021, when it stood at 12.9 percent.ⁱⁱ Food insecurity has now reached an all-time high, affecting a quarter of Canadians, almost 9 million people, including over 2 million children. Several reasons help explain this alarming rise:

1. **Rapid interest rate hikes and the tightening of financial conditions to tackle decades-high rates of inflation.**
2. A **countrywide housing supply shortage, particularly affordable housing.**
3. The **loss of income supports like the CERB** and other one-time affordability measures that the federal and provincial governments introduced to provide short-term buffers to both the pandemic and the subsequent inflationary crisis. This has led to an overall decrease in disposable income for households, particularly those with low incomes.
4. A **slowdown in economic activity** and a (slowly) rising unemployment rate has reduced the pressure to offer higher wages and hindered the progress made toward a more inclusive labour market.
5. **Significant and rapid population growth without the social infrastructure ready** to absorb such an influx.

As a result of these and other factors, we should expect that poverty rates will continue to rise as new data becomes available. This means more struggling seniors, more children experiencing food insecurity and more people across Canada worrying about making ends meet.

When diving deeper, this rising poverty does not come from a lack of effort by low-income people. For the two lowest income quintiles, the cost of essentials such as food, shelter, and transportation occupy the majority share of the household budget. **Millions of Canadians now spend close to or more than 100 percent of their income on essentials** (shelter food and transport).





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Families who are now paying all or most of their income on shelter, food, and transport still need to cover other fixed costs like internet and phone bills, debt repayment, and childcare. This leaves millions of households with no income left to save, no extra funds in case of an emergency, and requires them to focus solely on survival, making it nearly impossible to improve their circumstances.

AN INADEQUATE RESPONSE

The details outlined in the previous section are not a surprise to anyone in government. On numerous occasions, ministers from the government have acknowledged the severity of financial struggles that Canadians have been facing since 2020.

In response, the government has introduced several much-needed measures to help combat some of the issues identified above. These actions include substantial commitments to housing construction and dental care. Unfortunately, the impacts from these programs and most other government action will not be felt for many years. We don't yet understand how much these changes will help people, but we do know that they won't help people who are struggling today.

Despite moderating inflation pressures overall, food prices (among other costs) are still expected to remain elevated throughout 2024 and beyond. The financial strain on many households has reached a critical point, where basic necessities consume most, if not all, of their income. This results in people skipping meals, taking on unsustainable debt, and stepping further away from a



life of dignity. Canadians have the highest debt burden in the G7, and conditions are only expected to worsen.^{iv}

It is a government's role to ensure that nobody falls into a life of poverty. Right now, the federal government is not meeting this responsibility. Extensive research shows that government transfers are the most effective policy to reduce poverty^{v,vi}.

As the Canada Child Benefit (CCB) and GIS/OAS demonstrate, income transfers are a highly effective way to cut food insecurity. Recent estimates suggest the CCB reduced food insecurity by approximately 5 percent (and potentially as much as 9 percent)^{vii} while CERB was a major contributor to the sharp drop in poverty in 2021.

Recent efforts to boost competition in the grocery sector are helpful for price moderation but are unlikely to bring down prices to levels affordable for people with low incomes.

Even when unemployment was at or near historic lows following the pandemic, incomes have proved insufficient. For example, the income needed to cover essentials versus the minimum wage in Ontario provides a gap of ~ \$8.50/ hr. This can be seen clearly at the frontlines. In 2023, while the country was at full employment, food banks experienced their highest level of demand. With unemployment now on the rise and the labour market tightening, we can expect these conditions to worsen.

OUR SOLUTION: A GROCERIES AND ESSENTIALS BENEFIT

Food Banks Canada is recommending that the federal government **immediately implement a Groceries and Essentials Benefit (GEB) to support Canadians today**. The proposed GEB can be administered by restructuring the existing GST/HST rebate to provide targeted relief to households with low incomes. This restructuring approach will ensure that the government can act quickly through existing infrastructure instead of starting from the ground up.

*Click [here](#) for the full policy paper on the GEB, as proposed by the Affordability Action Council.



What does the GEB look like?

The proposed Groceries and Essentials Benefit would provide stability to struggling families by offering a recurring monthly household payment of up to \$150 per adult and up to \$50 per child. Tailored to the needs of low-income households, this benefit would provide \$1,800 per year per adult (up from the current GST/HST rebate rate of \$325) and \$600 per child (from the current rate of \$171). For a single parent household with two children, this would mean an extra \$250 a month to put towards food, utilities, and gas. The proposed GEB should also come as a monthly payment instead of quarterly to better enable households to budget the income to their monthly expenses.

The report from AAC also recommends that the phase out begin at a lower income level of \$24,824 instead of \$42,335. This would ensure that money makes it into the pockets of those who need it most.

In total, the program would cost the government an additional \$11 billion per year and reach approximately 9.7 million families in Canada. While this high cost may be cause for concern, poverty itself is expensive for governments. In both Canada and internationally, work has been done calculate the cost of continued poverty on governments. In Canada, the most recent estimates indicate that poverty in the ten provinces costs over \$70 billion each year. With a robust benefit like the GEB, the cost of poverty would be reduced significantly while providing life-saving support to individuals who have run out of options.

How does the GEB solve the problem?

The Groceries and Essentials Benefit is an example of the kind of help that Canadians need from governments today. It is an impactful solution that can be delivered quickly to get real dollars into the hands of low-income people. This money can be used to help people who have been struggling to pay for food, rent, bills, childcare, and healthcare.

While the impact of long-term policies like affordable housing initiatives emerge gradually over time, the GEB would give immediate support and a fighting chance to those who cannot wait.

The federal government has recognised in the past that financial relief through the GST is a viable option for targeting food insecurity. In 2022, the GST credit was doubled to help households affected by inflation, while in 2023, it was adapted into a one-time grocery rebate for Canadians



struggling with the rising costs of food. Unfortunately, the increases in the GST rebate have only had a modest effect on relieving the pressure. In both cases, the amounts provided were too little to have a real impact and were also only one-time measures. In 2023, the grocery rebate provided less than \$20 a month to individuals who were estimated to be spending \$130 more a month in groceries.^{viii} While the intention was correct, the amount provided did not lead to the desired outcome. The GEB addresses this issue, providing a regular and sufficient boost to low-income households.

Support for the GEB

Food Banks Canada has been engaging with the public on the GEB. To date, people from every riding across the country have sent over 10,000 letters to their local representative asking for the GEB to be implemented. In addition, over 30,000 people in Canada have signed on to our petition stating that **“the federal government must take immediate action to help people afford the essentials they need”**.

SOURCES

ⁱ <https://fbcblobstorage.blob.core.windows.net/wordpress/2023/10/hungercount23-en.pdf>

ⁱⁱ <https://www.statcan.gc.ca/o1/en/plus/6257-canadians-are-facing-higher-levels-food-insecurity>

ⁱⁱⁱ <https://irpp.org/research-studies/groceries-and-essentials-benefit/>

^{iv} <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2024002-eng.htm>

^v https://economics.ubc.ca/wp-content/uploads/sites/38/2013/05/pdf_paper_david-green-taxes-transfers-canadian-incoe.pdf

^{vi} <https://irpp.org/wp-content/uploads/2016/01/aots5-heisz-murphy.pdf>

^{vii} Erica Brown, Valerie Tarasuk, 2019, <https://doi.org/10.1016/j.ypmed.2019.105876>.

^{viii} <https://irpp.org/research-studies/groceries-and-essentials-benefit/>

