



# Working poor get little relief from Flaherty

**Upon closer inspection, the Conservative finance minister's Working Income Tax Benefit falls way short of the original proposal first floated by his Liberal predecessor Ralph Goodale, notes John Stapleton**

March 23, 2007

There was much anticipation that the latest federal budget would follow through on the introduction of a Working Income Tax Benefit as a way to finally provide low-wage workers with some desperately needed help.

The good news is that a program like this is now part of the Canadian social policy landscape.

But the bad news is that the new WITB offers no relief to the vast majority of those workers struggling on full time low wages. It is big on symbolism but the details are worrisome.

It didn't have to be so. Two years ago, under another minority government, former Liberal finance minister Ralph Goodale's original proposal for a more generous WITB lapsed with the defeat of the previous government.

In an unusual turn of events, Conservative Finance Minister Jim Flaherty recognized a good idea, picked up the concept, and announced it as part of budget 2007.

The WITB had been, at least on the face of it, surprisingly

resurrected.

However, a closer look at the details reveals that the similarities between the old and the new WITB begin and end at the conceptual level.

A comparison of the two programs offers some clues as to why. In rough terms, the previous WITB, which we'll call the "Wascana WITB," in honour of Goodale's political roots, would have provided a maximum annual benefit of \$1,000, to be reduced by 10 per cent of income in excess of \$18,000, and phased out at \$28,000 in income.

Indexation and plans for continued investments over time were outlined and carried through to 2011. In short, it was a promising step forward, with a coherent implementation plan.

And Flaherty's version? The "Whitby WITB," which we'll also name after Flaherty's riding, provides a maximum tax credit of \$500 for single individuals and \$1,000 for families.

But the credit will be reduced by 15 per cent of net income in excess of \$9,500 for single individuals and \$14,500 for families. It phases out completely at \$12,833 for single workers and \$21,167 for single parents and couples.

It is completely silent on indexation and any plan for further growth.

The generosity difference of the two approaches is further made clear in terms of overall costs. The now-defunct Wascana WITB called for \$2.2 billion in expenditures over four years. In contrast, the Whitby WITB will allocate \$1.2 billion over three years.

How times change! Flaherty's Whitby WITB is less costly, less generous, and more complicated than the original.

Most important and most unfortunate, it will be less effective in supporting important segments of the working poor.

Perhaps the most startling fact of all regarding the new program is that the Whitby WITB does not provide any benefit to those who work full time at the minimum wage in most of Canada.

Couples in Ontario, where both adults work 35 hours a week for minimum wages, net more than the phase-out for couples under the Whitby WITB at \$21,167 a year. As a result, they do not qualify for the WITB either.

Under the Wascana WITB, however, they would have received a modest benefit to supplement their wages.

Similarly, a single person in Ontario working 40 hours a week at \$8 an hour nets about \$14,700 a year. At 35 hours a week, this same single person still nets more than the \$12,833 yearly end point of the WITB. These full-time minimum wage workers will not see a single penny from the new WITB.

These workers are by no means in the minority.

According to Statistics Canada, more than 89 per cent of minimum-wage workers are single people while almost 11 per cent are in families with either a spouse or children. So the vast majority of full-time minimum wage workers will not get a cent from the WITB from Whitby.

There was much optimism that the new WITB would be the answer that many had been looking for to make work pay for those who work in low-wage jobs.

That was certainly the promise of the Wascana WITB.

But by the time Flaherty finished his version of the program, many of the lowest-income working poor have been left out and an estimated \$1 billion was shaved off to spend elsewhere.

It is a victory for the bottom line and an easy rebuttal to those who have criticized the government for its lack of redress for

low-income Canadians.

But for full-time minimum wage earners, the new WITB stands as a lost opportunity for a more decent standard of living.

---

**John Stapleton** was research director for the *Modernizing Income Security for Working-Age Adults Task Force* and a former Ontario public servant specializing in income security.