



INCOME SECURITY ADVOCACY CENTRE
Centre d'action pour la sécurité du revenu

Analysis: The Auditor General of Canada's report on pandemic benefits fails low-income people

On December 6, 2022, the Auditor General (AG) of Canada released a report, *COVID-19 Pandemic: Specific COVID-19 Benefits*. The report argues for more post-payment verifications and repayments of pandemic benefits, and for applying tax refunds and GST credits to debts owed. This fails to consider the complexities facing low-income people who relied on these benefits.

The report evaluates the following pandemic benefits from March 15, 2020, to September 30, 2022:

- Canada Emergency Response Benefit (CERB)
- Canada Recovery Benefit (CRB)
- Canada Recovery Caregiving Benefit (CRCB)
- Canada Recovery Sickness Benefit (CRSB)
- Canada Worker Lockdown Benefit (CWLB)
- Canada Emergency Wage Subsidy (CEWS)

These were all individual benefits, except the CEWS. CERB, CRB and CWLB allowed people to replace lost income during health restrictions and to isolate to stay safe (17). CRCB gave income support to workers who were unable to work because they had to care for a family member. CRSB provided income support to workers who were sick and needed to self-isolate because of COVID-19, or who had an underlying health condition that put them at greater risk of contracting COVID-19. CEWS subsidized employers to pay workers up to 75% of their wages.

The report states that all benefits did what they were supposed to do: provide rapid financial relief that “prevented a rise in poverty, mitigated income inequalities, and helped the economy to recover from the effects of the pandemic” (4). Without these benefits, the poverty rate in Canada would have been 11.6% in 2020 instead of 6.4% (9). In light of this, the recommendations in the report are concerning.

Simplistic claims about work disincentives

The AG makes simplistic claims about pandemic benefits being a disincentive for work. The report points out that individuals in lower income brackets (earning less than \$500 per week) were the largest percentage of applicants for CERB at 44% (17). The AG misreads the fact that only 11% went back to work in May 2020, as evidence that CERB was a work disincentive.

To suggest that low-earning workers did not return to work because pandemic benefits were a disincentive, ignores the complex realities of workers' situations. There is no clear evidence that the



pandemic supports prevented low paid workers from taking new jobs.ⁱ Low paid workers are in the hardest hit industries, including the service industry. These are also workers who work for low wages, and often in precarious work settings with high risks of COVID-19 in the workplace. They are less likely to have paid sick days to get a vaccine or the ability to pay for childcare during school shutdowns. Some may have been unable to return to work because their employers reduced work hours during the downturn in the economy. Some may have chosen to re-train to change fields during the pandemic to secure better paying and more stable work in the future. Others may have had legitimate concerns in taking public transportation during the pandemic or stayed home to mitigate the risks their frontline work posed to their own health and the health of their families.

Further, May 2020 was also towards the end of the first wave of COVID-19; since in the waves that followed racialized precarious workers were among the hardest hit, it is understandable that some may have chosen not to return to work for their own safety.

The AG also does not consider the disproportionate impact on women. While from January 2020 to April 2020, men experienced a 23% drop in employment, women experienced a 53% drop; while men returned to work more quickly, this was not the case for women.ⁱⁱ This gender gap results from a higher share of job losses affecting mothers.ⁱⁱⁱ It also led to reduced mental health outcomes for women because of increased household obligations on mothers as a result of school closures.^{iv} The AG does not provide a gender-based analysis of why women workers may have accessed pandemic benefits, or the impact that repayments will have on them.

Likewise, the AG fails to consider the barriers to returning to work for workers who relied on the CRB. The report highlights that workers who earn less than \$20,000 gross per year and who received the CRB for all periods could replace their annual income by 119% (18). The report does not outline how many CRB recipients this includes, nor does it consider the dangers and disincentives of workers returning to precarious and low-wage work.

Failure to consider challenges with income reporting

The report cites \$4.6 billion of overpayments and \$27.4 billion of payments that should be further investigated (4). It also admits that there is insufficient data to assess ineligibility (20). While the report repeatedly recommends increased post-income verification, it does not outline the challenges with income reporting.

The AG repeatedly recommends pursuing applicants that the Canada Revenue Agency (CRA) could not confirm met the qualifying income threshold of \$5,000 (38-39, 48-49, 55-56, 62-63, 70). However, the AG only relies on tax returns, which do not always align with income earned from the previous 12 months for eligibility calculations. Further, there are many kinds of income that workers may have been unable to adequately substantiate to demonstrate that as applicants, they met the \$5,000 minimum income threshold. Many precarious workers did not have evidence to support their income because they did not have contracts. Others were paid in cash and did not deposit the cash received into their bank accounts.



These may have included babysitters, tutors, handypersons, housekeepers, dog walkers, artists and other gig workers. Some workers received honoraria under \$500 and did not receive T4s, had employers who did not provide a Record of Employment (ROE), or were in abusive working relationships and feared asking their employer for the necessary paperwork. Instead of considering these cases, the AG points to the low number of cases in collections as an indicator that the CRA is failing to pursue ineligible people (30).

While employers benefitted from CEWS, it is unclear if workers did

CEWS did not go directly to workers but was funnelled through eligible employers. The AG report demonstrates that it is impossible to assess if CEWS actually assisted workers. Social insurance numbers (SIN) were not gathered for CEWS, and without them, determining how many workers benefitted, where workers were employed, and whether workers changed employers or not is impractical (15). Further, CEWS did not require employers to report information on rehiring (11). Unsurprisingly, there have been reports of companies making profits the year they received CEWS, while at the same time laying off workers.^v However, the AG does not emphasize that these employers who received \$15.5 billion through CEWS should face enhanced auditing.

No value-for-money analysis of seeking repayment from low-income individuals

In the *Fall Economic Statement 2020*, the federal government committed \$260 million from 2021-2025 to Employment and Social Development Canada (ESDC) and the CRA to investigate fraud or misrepresentation with CERB applications.^{vi} The AG fails to include a value-for-money analysis of the use of these funds in benefit recovery efforts to date. While the CRA has already recovered \$2.3 billion (4), the AG does not address the value-for-money of doing so thus far, or of continuing to do so.

The AG should have addressed the value of pursuing low-income recipients in particular. The report cites Indigenous people, women, racialized individuals, and youth aged 15-24 as accessing pandemic benefit programs at higher rates and for longer periods (11-13). Though the report does not address this point, some social assistance clients were also encouraged to apply for CERB under their obligation to pursue resources. Low-paid workers who often work in precarious jobs and social assistance clients who live in deep poverty would have used the entirety of the benefits to pay for basic needs during the pandemic and will have minimal if any means to repay the benefits now.

Even if the CRA approach is to be “empathetic and client-focused and to provide flexible payment arrangements” (31), enforcing collections will impoverish low-income people for years to come. They will be forced to live in even deeper poverty during this time. For example, if someone on social assistance has to repay \$6,000 of CERB debt at \$50 per month, they will be in repayment for 10 years. This will undo the poverty reduction that these pandemic-related benefits achieved. The end of pandemic benefits reversed some of these gains and collecting these benefits that have already been spent on basic needs from people living on low incomes, will further undo the poverty reduction work.



There are several groups who accessed CERB who have not been forced to repay, including self-employed workers,^{vii} seniors^{viii} and students.^{ix} The AG fails to address this repayment amnesty and should have assessed the value-for-money of amnesty to all low-income recipients against using \$260 million to pursue people who are low-income and will not have the means to pay back benefits in a timely manner.

Failure to address inaccessible appeal mechanisms

The AG report fails to consider the barriers to access justice within the CRA's post-payment verification process for those most impacted by the pandemic. These pandemic benefits were crucial to the lowest-paid workers' health and survival. In recommending vigorous and speedy post-payment verification and collection, the AG does not consider that the pandemic benefit dispute resolution is onerous, inaccessible, and protracted. Pandemic benefit dispute resolution requires CRA reviews and Tax Court and Federal Court judicial review applications. They are inappropriate for determining pandemic benefits disputes, especially for the most marginalized who may not have access to legal counsel.

Recommendations that will hurt low-income people in the coming year

A concerning recommendation is that the CRA should apply income tax refunds and GST payments against amounts owed (32). For low-income people who live on or below the poverty line, such refunds and credits are essential to make ends meet. To rob low-income people of this money for years on end will deepen their poverty. The CRA started applying tax refunds October 17, 2022 and will begin garnishing GST credits in February 2023 (87).

The report does highlight that verifications of eligibility must be completed within 36 months after benefits are paid, except in cases of misrepresentation where verifications could continue up to 72 months after benefits are paid (25). This could signal both an end to the pursuit of low-income recipients, but also an increase in letters and verification efforts in the coming year. While the AG recommends pursuing every applicant, the CRA and ESDC argue that doing so would be neither cost effective, nor align with international and industry practice (87).

Overall, this report fails to consider the complexities of low-income pandemic benefit recipients and the negative impact that ongoing post-payment verification and repayment plans have on deepening poverty.

For the full AG report see: https://www.oag-bvg.gc.ca/internet/docs/parl_oag_202212_10_e.pdf

ⁱ Schirle, Tammy and Mikal Skuterud. (2020). *Intelligence Memos: Job Search, New Jobs, and What it Means for Future Policy*. C.D. Howe Institute. https://www.cdhowe.org/sites/default/files/IM-Sch-Sku_2020-0812.pdf.

ⁱⁱ Aknin Lara et al. (2020). *Impacts of the COVID-19 Pandemic on Women in Canada*. An RSC Collection of Essays. https://rsc-src.ca/sites/default/files/pdf/Women%20PB_EN.pdf, p. 14.

ⁱⁱⁱ Aknin Lara et al. (2020). *Impacts of the COVID-19 Pandemic on Women in Canada*. An RSC Collection of Essays. https://rsc-src.ca/sites/default/files/pdf/Women%20PB_EN.pdf, p. 19.

^{iv} Aknin Lara et al. (2020). *Impacts of the COVID-19 Pandemic on Women in Canada*. An RSC Collection of Essays. https://rsc-src.ca/sites/default/files/pdf/Women%20PB_EN.pdf, pp. 24-26.

^v Montpetit, Jonathan, Simon Nakonechny, Marie-Hélène Héту (2020, December 11). *Why millions of dollars in pandemic aid is going to corporations making healthy profits*. CBC. <https://www.cbc.ca/news/canada/montreal/cews-wage-subsidy-jobs-covid-1.5834790>.

^{vi} Government of Canada (2022). *Fall Economic Statement 2020: Supporting Canadians and Fighting COVID-19*. Retrieved from Government of Canada website: <https://www.budget.canada.ca/fes-eea/2020/report-rapport/FES-EEA-eng.pdf>.

^{vii} Cullen, Catherine. (2021, February 9). Some self-employed Canada caught up in CERB confusion won't have to repay: PM. CBC. <https://www.cbc.ca/news/politics/pandemic-cerb-repay-1.5906728>.

^{viii} Zimonjic, Peter. (2021, December 14). Liberals offer up to \$742 million to low income seniors whose GIS was clawed back this year. CBC. <https://www.cbc.ca/news/politics/freeland-fiscal-update-pandemic-seniors-gis-1.6285541>.

^{ix} Thompson, Elizabeth. (2022, June 24). Almost 100,000 students to get break on CERB repayments. CBC. <https://www.cbc.ca/news/politics/pandemic-benefits-students-repayment-1.6499530>.