Almost seven million people in Canada — including almost two million children — do not have stable access to sufficient food. Recent increases in food, rent, energy and transportation prices have outpaced incomes, leaving little left over at the end of the month. It’s often easier to cut back on groceries than rent and utilities, leaving many people going hungry.

Canada — one of the richest countries in the world — shouldn’t tolerate this. The federal government should create a new benefit to help low-income families purchase food and everyday necessities. Current efforts to reduce food prices and rents should continue, but on their own these actions are unlikely to address the immediate and urgent needs of low-income households. Slowing action to combat climate change is also not the answer — fluctuations in global oil prices, droughts and floods exacerbated by climate change, and geopolitical instability have a far greater influence on food prices than current climate policies.

Instead, governments need to provide additional income to people who need it most. To address food insecurity, the Affordability Action Council recommends the federal government take the following action:

**Create a new Groceries and Essentials Benefit**

The federal government should restructure and expand the Goods and Services Tax/Harmonized Sales Tax rebate and rename it the Groceries and Essentials Benefit. The proposed benefit would build on the one-time Grocery Rebate implemented in 2023, and would target households with working-age adults. It would provide $1,800 a year per adult and $600 per child. In addition, the Council recommends that the proposed benefit be provided monthly rather than quarterly. This change — which would provide $150 a month per adult and $50 per child to the lowest-income households — would spread the payments evenly throughout the year and give recipients more stability to pay their monthly bills. All households that currently receive the GST/HST rebate would get more money, but the lowest-income households would see a larger increase.

“Lower-income Canadians are feeling the pinch of higher food prices. Many are not buying enough food so they can afford to pay the rent and their utility bills. This situation is unacceptable. Increased income support is needed to ensure that the food and essential needs of all Canadians are met.”

— Gillian Petit, Senior Research Associate, University of Calgary, and Affordability Action Council member
HOUSEHOLD BUDGETS ARE SQUEEZED, MAKING IT HARDER TO PUT FOOD ON THE TABLE

Food insecurity — facing inadequate or uncertain access to nutritious and culturally appropriate food — is on the rise (Health Canada, 2020). According to a recent Statistics Canada report, almost seven million people, including almost two million children, face food insecurity. More than 40 per cent of families led by single mothers, about 60 per cent of single mothers with a disability, more than one-third of Black and Indigenous families and more than 60 per cent of families with a major income earner who is unemployed are food insecure (Uppal, 2023a) (see box 1).

Other indicators also point to a troubling trend. Food Banks Canada (2023) recorded almost two million visits to food banks across the country in March 2023, up 32 per cent from the same month a year earlier and up more than 78 per cent from 2019. Single, working-age adults accounted for 44 per cent of food bank users, one of the largest subsets of visitors.

The number one reason for food insecurity is financial constraints (Uppal, 2023a). Food prices are rising, and rents are at an all-time high. People who rely on government supports, such as social assistance, child benefits or employment insurance, are far more likely to be food insecure (Uppal, 2023a). People who earn a minimum wage are increasingly unable to afford basics such as shelter and food. According to one calculation, the living wage rate in the Greater Toronto Area rose to $25 an hour in 2023, while the minimum
wage in Ontario was only $16.55 (Pickthorne, 2023). In Saskatoon, the living wage for a family of four was $16.23 per hour in 2022, yet the province’s minimum wage was just $14 per hour, the lowest in the country (Canadian Centre for Policy Alternatives Saskatchewan Office, 2022; Saskatchewan, n.d.)

Prices rose rapidly in the wake of the COVID-19 pandemic, with inflation reaching a peak of 8.1 per cent (year-over-year) in June 2022, its highest level since the early 1980s. While inflation has moderated in recent months, prices are still going up. Increases in food and shelter prices have outpaced overall inflation since November 2021 (Statistics Canada, 2023a).

Rising prices are an affordability challenge for many Canadians, but for households with low incomes, they are a matter of survival. Figure 1 shows that very low-income families (the lowest 20 per cent of earners) spend more than 100 per cent of their disposable income on shelter, food and transport.

Low-income households (the second-lowest 20 per cent of earners) also struggle; almost 60 per cent of their disposable income goes to basic needs. Overall, a greater proportion of low-income families living below the poverty line reported experiencing food insecurity in 2022. However, food insecurity is widespread and recent research by Statistics Canada shows that eight in 10 food-insecure families are above the poverty line (Uppal, 2023a).

GOVERNMENTS HAVE LIMITED OPTIONS FOR LOWERING FOOD PRICES

The Bank of Canada’s efforts to bring core inflation down to its one to three per cent target range have yet to meaningfully slow the increase in food prices. As an essential part of everyday life, food tends to be less responsive to interest rate increases than other areas of consumer spending. Although increases in food prices have moderated, prices are expected to remain
FIGURE 1. INCREASES IN THE PRICES OF ESSENTIAL GOODS ARE EATING INTO THE DISPOSABLE INCOME OF LOW-INCOME HOUSEHOLDS

Source: IRPP based on Statistics Canada’s household economic accounts, Table 36-10-0662-01.
Notes: Expenses presented for the two lowest household income quintiles, as a share of disposable income before government transfers. Income quintiles are based on equivalized household disposable income. Household spending on essential items includes food, transport and shelter. Shelter costs include housing, water, electricity, gas and other fuels. Food costs include food purchased from stores and non-alcoholic beverages. Percentage may not add to total due to rounding.

The lack of competition in Canada’s retail grocery industry has been identified as a possible culprit. A report by the House of Commons Standing Committee on Agriculture and Agri-Food (2023) notes that Canadians purchase three-quarters of their food from grocery stores and that Canada’s five largest retailers control 80 per cent of the grocery market. To spur competition, the Competition Bureau (2023) recommends that governments at all levels take steps to encourage the growth of independent grocery stores and ease the entry of foreign-based retailers.

In September 2023, the federal government introduced Bill C-56, the Affordable Housing and Groceries Act (Department of Finance, 2023a). Among other things, the proposed bill would give the Competition Bureau enhanced powers to reject mergers in some circumstances. In addition, at the insistence of the federal government, the CEOs of the top five grocery chains have presented plans to federal officials about how they plan to contain food prices. But the results of these efforts are uncertain and unlikely to be felt in the near term.

Recently, there have been growing calls to reduce the carbon tax (fuel charge) because of the additional costs it creates. However, research has found that such a move would likely
have a very small impact on food prices. A policy brief by University of Calgary economists Trevor Tombe and Jennifer Winter (2023) compares the Consumer Price Index (CPI) to the CPI without indirect taxes (e.g., the GST, carbon tax, etc.). It finds that consumer prices were only 0.6 per cent higher in August 2023 than in January 2015 due to indirect taxes.

Tombe and Winter (2023) also use Statistics Canada’s Social Policy Simulation and Database Model, a database of representative Canadians from all provinces (but not the territories), to examine the impact of carbon pricing on inflation in British Columbia. Even when taking spillover effects from transportation and other parts of the supply chain into account, they conclude that carbon taxes pushed up the average cost of food in B.C. by only 0.33 per cent.

Fluctuations in oil prices have a far greater impact on inflation and food prices than the carbon tax. For example, the change in the global price of oil between the beginning of 2021 and spring 2022, from US$40 to US$120 per barrel, is equivalent to a hypothetical increase in the carbon price to C$300 per tonne. During the same period, the carbon price increased by only C$10 per tonne (Stanford, 2023).

A long-term strategy for reducing the effect of oil and natural gas prices on food prices could include improving energy efficiency and reducing the use of fossil fuels throughout the supply chain. This would have the benefit of simultaneously reducing greenhouse-gas emissions. In 2021, Canada’s agriculture sector produced 69 megatonnes of greenhouse-gas emissions, accounting for 10 per cent of Canada’s total emissions (Environment and Climate Change Canada, 2023).

The effects of climate change are also likely to have a greater impact on food prices than policies aimed at reducing emissions. Erratic weather events — which are expected to become more frequent and intense over time — are increasingly affecting the supply and production of food. A severe heat wave in Canada’s Prairie provinces in 2021 contributed to higher prices for meat, particularly beef, and grain products. In the U.S., Canada’s top agricultural trading partner, a drought in the American southwest, along with heat waves, floods and a snap freeze in other parts of the country, led to an increase in the price of vegetables and fresh fruit (Fradella, 2022).

**THE ROOT OF FOOD INSECURITY GOES BEYOND FOOD PRICES**

Higher food prices are not the only cause of food insecurity. With the costs of other essential goods and services, such as shelter, energy and transportation, also rising, households increasingly have to make tough choices between paying the bills and putting food on the table. Food is often the area that tends to be cut because it is the easiest thing to do: skipping rent payments could lead to eviction, not paying energy bills could lead to the heat being disconnected, and forgoing a transit pass could mean not being able to get to work or medical appointments (see figure 2).
A 2023 survey by Statistics Canada found that about one in seven Canadian households had to cut back on spending for essentials, such as food, for at least one month a year in order to pay an energy bill (Statistics Canada, 2023b).

A lack of income is one of the main sources of food insecurity, but households with high levels of debt and low levels of assets are also at risk (Uppal, 2023b). More than five million Canadians lived in families in the...
bottom-income quintile (the bottom 20 per cent of income earners) in 2019 (Uppal, 2023b; see box 2). The median after-tax income for families and single adults in this group was $21,000. Almost 70 per cent of bottom-quintile families lived below the poverty line.

More than 60 per cent of Canadians in the lowest-income quintile report being very concerned about their ability to meet everyday expenses, and 19 per cent report that they often have to borrow money from friends and relatives or take on debt to make ends meet (Uppal, 2023b).

Income gains for the lowest income households have not kept pace with cost-of-living increases since the pandemic. Organizations working in the field of food security have long noted that those living on lower and fixed incomes need more (and better) income supports to make ends meet. While these organizations propose different ways of delivering these supports, they all agree: the current social safety net is not delivering sufficient support to those who need it most (Daily Bread Food Bank and North York Harvest Food Bank, 2023; Food Banks Canada, 2023; PROOF, 2022).

Numerous studies have shown that the incidence of food insecurity declined among families and individuals who receive income supports such as the Canada Child Benefit and provincial social assistance (Brown & Tarasuk, 2019; Ionescu-Ittu et al., 2015; Li et al., 2016; Loopstra et al., 2015; Men et al., 2021; Tarasuk et al., 2019). School food programs are another way to tackle food insecurity but they will not help families without children and are challenging to implement at the national level.

Households led by people who are 65 and older, who receive pensions, the Old Age Security benefit and the Guaranteed Income Supplement, face lower levels of food insecurity, demonstrating the importance of income support (McIntyre et al., 2016; Uppal, 2023a).

The federal government has previously acknowledged the link between food insecurity and income. In Budget 2023, it announced a one-time Grocery Rebate that provided $2.5 billion in targeted inflation relief. The rebate consisted of a one-time top-up to the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, which was delivered July 5, 2023, to an estimated 11 million low- and modest-income Canadians as a tax-free payment. Eligible couples with two children received $467, single Canadians without children received $234 and seniors received $225 (Department of Finance, 2023b). The Grocery Rebate was in addition to the federal government’s one-time doubling of the GST credit in the June 2022-July 2023 benefit year, which was issued to help households most affected by inflation (for example, the benefit for a single mother with one child and $30,000 in net income went up to $1,160 from $773) (Department of Finance, 2022).

However, the relief was inadequate and temporary. The Grocery Rebate amounted to less than $20 a month for an adult, while a typical family was estimated to spend roughly $130 more a month on food purchased from stores in July 2023 compared with July 2021.
INTRODUCING A GROCERIES AND ESSENTIALS BENEFIT

The best way to provide near-term income support to those who need it most is to build on previous top-ups to the GST/HST credit.

Research commissioned by the Affordability Action Council by Gillian Petit (forthcoming) from the University of Calgary compared different options for the federal government to provide income support. She analyzed increases to the Canada Child Benefit, the Canada Workers Benefit and the GST/HST credit. The proposed Canadian Disability Benefit, which has yet to be implemented, was not included in her analysis. Additional income support for disabled people would undoubtedly help address higher rates of food insecurity in Canada’s disabled population.

However, food insecurity affects many household types. Petit concludes that the GST/HST credit is the best option to reach a wide range of family types including adults without children and those who are unemployed, and is well targeted to lower and middle-income families.

According to Petit’s analysis, 78 per cent of households that receive the GST/HST credit are single adults, and 90 per cent of recipient families have a net family income of less than $60,000 a year.

However, the existing GST/HST credit, which is based on family income, is modest. It provides a base amount of $325 a year per adult and $171 a year per dependent child under the age of 18; single adults receive an additional $171 a year. The maximum benefit level is $496 a year for a single adult, $821 for a single parent or a couple with one child, and $650 a year for a couple with no children (see table 1).

Total federal expenditures on the existing GST/HST credit are projected to be $5.44 billion in 2023, including the one-time Grocery Rebate (Department of Finance, 2023c).

Petit ran several scenarios using the Social Policy Database and Model (SPSD/M), which can simulate the costs and benefits of proposed changes to tax benefits. Drawing on Petit’s analysis,

| TABLE 1. EXISTING GST/HST CREDIT SCHEDULE, HOUSEHOLDS WITH AVERAGE INCOME OF $20,000, 2023 |
|----------------------------------|---------|---------|---------|---------|-------|
|                                  | July 2023 | October 2023 | January 2024 | April 2024 | Total |
| Single                           | $ 124    | $ 124    | $ 124    | $ 124    | $ 496 |
| Couple                           | $ 163    | $ 163    | $ 163    | $ 163    | $ 650 |
| Couple/single, one child         | $ 205    | $ 205    | $ 205    | $ 205    | $ 821 |
| Couple, two children             | $ 248    | $ 248    | $ 248    | $ 248    | $ 992 |

Sources: Petit (forthcoming); Statistics Canada’s household economic accounts, Table 36-10-0662-01. Notes: Columns may not add to total due to rounding.
the Affordability Action Council recommends that the federal government create a new Groceries and Essentials Benefit to help households buy adequate food and other essentials.

**Create a new Groceries and Essentials Benefit**

The Affordability Action Council recommends that the federal government restructure and expand the existing GST/HST credit and rename it the Groceries and Essentials Benefit (see figure 3). The proposed benefit would target households with working-age adults, providing benefit amounts based on the income and number of people in a household. The expansion would increase the base amount provided to $1,800 a year per adult (from $325) and $600 per child (from $171).

In addition, the Affordability Action Council recommends providing the benefit monthly rather than quarterly. The change would spread the payments evenly throughout the year and provide recipients more stability to pay monthly bills. Studies have shown that consumption is sensitive to the timing of income payments (Aguila et al., 2017; Shapiro, 2005; Stephens, 2006). The more frequently social assistance payments are delivered, the more households can spread out purchases and consistently spend on essentials such as food and health care.

Households would receive a monthly benefit of $150 per adult (up from $41.33 a month for a single unattached individual with a net income between $10,544 and $24,824, and up from $27.08 a month for a single unattached individual with a net income between zero and $10,544) and $50 per child (up from $14.25).

**FIGURE 3. EFFECTS OF THE PROPOSED GROCERIES AND ESSENTIALS BENEFIT ON ANNUAL INCOME BY CURRENT INCOME AND FAMILY TYPE**

![Graph showing proposed benefits for different income levels and family types](source: IRPP based on Petit (forthcoming))
The Affordability Action Council also recommends lowering the level of net income at which the benefit starts to phase out to $24,824 from $42,335. This would ensure that very low-income households, who are more at risk of food insecurity and homelessness, would receive the highest possible benefit. These households would receive a proportionally higher benefit under the new structure. Low-income and moderate-income households with an income higher than $24,824 would still receive more than they do under the existing credit, but less than those at the bottom of the income spectrum. The proposed restructuring would also increase the amount received by single individuals earning below $10,000 to the same level as single adults earning less than $24,824.

Table 2 provides a breakdown of the impact of the proposed Groceries and Essentials Benefit across different income levels and family structures. It shows the role the proposed benefit could play in helping households with low incomes pay for essentials such as food, shelter and transportation.

**TABLE 2. PROPOSED GROCERIES AND ESSENTIALS BENEFIT WOULD PROVIDE INCREASED INCOME SUPPORT FOR ESSENTIALS, PARTICULARLY FOR LOWER-INCOME FAMILIES**

<table>
<thead>
<tr>
<th>Household income</th>
<th>Current benefit</th>
<th>Amount</th>
<th>As a share of average spending on essential items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low-income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$ 20,000</td>
<td>$ 496</td>
<td>$ 1,800</td>
</tr>
<tr>
<td>Couple</td>
<td>$ 20,000</td>
<td>$ 650</td>
<td>$ 2,546</td>
</tr>
<tr>
<td>Couple/single, one child</td>
<td>$ 20,000</td>
<td>$ 821</td>
<td>$ 3,146</td>
</tr>
<tr>
<td>Couple, two children</td>
<td>$ 20,000</td>
<td>$ 992</td>
<td>$ 3,746</td>
</tr>
<tr>
<td>Low-income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$ 40,000</td>
<td>$ 496</td>
<td>$ 1,041</td>
</tr>
<tr>
<td>Couple</td>
<td>$ 40,000</td>
<td>$ 650</td>
<td>$ 1,787</td>
</tr>
<tr>
<td>Couple/single, one child</td>
<td>$ 40,000</td>
<td>$ 821</td>
<td>$ 2,387</td>
</tr>
<tr>
<td>Couple, two children</td>
<td>$ 40,000</td>
<td>$ 992</td>
<td>$ 2,987</td>
</tr>
<tr>
<td>Middle-income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$ 60,000</td>
<td>$ 0</td>
<td>$ 41</td>
</tr>
<tr>
<td>Couple</td>
<td>$ 60,000</td>
<td>$ 0</td>
<td>$ 787</td>
</tr>
<tr>
<td>Couple/single, one child</td>
<td>$ 60,000</td>
<td>$ 0</td>
<td>$ 1,387</td>
</tr>
<tr>
<td>Couple, two children</td>
<td>$ 60,000</td>
<td>$ 109</td>
<td>$ 1,987</td>
</tr>
</tbody>
</table>

Sources: Petit (forthcoming); Statistics Canada’s household economic accounts, Table 36-10-0662-01.
Notes: Household spending on essential items includes food purchased from stores, transport and shelter. Shelter costs include housing, water, electricity, gas and other fuels.
According to Petit’s calculations, the proposed benefit would reach around 9.7 million families with an estimated additional cost to the federal government of about $11 billion per year. The proposed benefit would exclude seniors, who face lower rates of food insecurity and already receive targeted income supports through the Old Age Security benefit and the Guaranteed Income Supplement. However, they would continue to receive an amount equivalent to what they currently receive with the GST/HST credit.

The Groceries and Essentials Benefit should be periodically reviewed and adjusted based on income changes and inflation (as is currently the case with the GST/HST credit).

As with other benefits that are provided through the income tax system, people who do not file tax returns would not receive the proposed Groceries and Essentials Benefit. Robson and Schwartz (2020) estimate that 10 to 12 per cent of Canadians do not file a return, and for working-age people with low incomes, this estimate rises to 22 per cent; working-age individuals who did not file tax returns missed out on approximately $1.7 billion in cash benefits in 2015. Those who don’t file are more likely to be people who live in poverty, Indigenous people, those experiencing homelessness and social assistance recipients (Calgary Homeless Foundation, 2018; Petit et al., 2021; Prosper Canada, 2018; Robson & Schwartz, 2020; Stapleton, 2018).

In Budget 2023, the federal government announced plans to introduce an automated tax filing system for individuals with low and fixed incomes. The Canada Revenue Agency is expected to pilot the new system in 2024. The federal government should expedite the launch of the pilot so that as many households as possible can receive the benefits to which they are entitled. The federal government should also collaborate with community organizations, provincial and territorial governments, and Indigenous governments to reach individuals who are experiencing homelessness, Indigenous people and those without a fixed address and lacking bank accounts to identify ways of helping these groups access benefits.

“The rising cost of food and other necessities is outstripping wage growth. Too many people are facing financial challenges and going without. A new income benefit targeted at gaps in Canada’s social safety net combined with outreach efforts will have the greatest impact on those who are struggling to put food on the table.”

— LISA RAE, DIRECTOR OF SYSTEM CHANGE, PROSPER CANADA.

CONNECTIONS TO OTHER AFFORDABILITY PRIORITIES

The Affordability Action Council has prioritized housing, transportation and food as key areas where the federal government can take action to help low-income households meet their basic needs in ways that also support emission reduction and resilience to a changing climate. All areas of affordability are interconnected — actions in one area will benefit others.
All Canadians deserve the right to be able to put food on the table. Doing so shouldn’t mean going without a suitable place to live, going without a transit pass to commute to work, cutting back on heating and cooling, forgoing prescription medications or going without other necessities. Research shows that families in the lowest-income group will spend the benefit on food, housing, transport and other essential needs.

Canada should not be a country where almost two million children go without enough to eat. The federal government should take immediate action to alleviate food insecurity among the most vulnerable.
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REFERENCES


