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‘You can’t get blood from a stone’: Critics say CERB repayment process undermines poverty reduction goals

Advocates say the Canada Revenue Agency hardened its approach after it was criticized in a ‘tone-deaf’ report from the auditor general.



Anti-poverty organizations are calling on National Revenue Minister Diane Lebouthillier, pictured on April 19, to direct the Canada Revenue Agency to take a less punitive approach to CERB repayment. *The Hill Times photograph by Andrew Meade*

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Anti-poverty organizations and social policy researchers say the Canada Revenue Agency’s approach to CERB repayment is putting undue hardship on low-income people who applied for emergency pandemic benefits in good faith, often after being forced to do so by provincial or territorial officials.

Advocates and researchers also repeated their criticisms of a December 2022 auditor general's [report](#) that they say played a role in hardening the CRA's approach to repayment for the Canada Emergency Response Benefit (CERB) and the Canada Response Benefit (CRB). They called on the Liberals to give the CRA the policy direction and political cover needed to shift to a less aggressive approach.

Leila Sarangi, national director of the child and family poverty group Campaign 2000, told *The Hill Times* on June 7 that the government should be celebrating the progress it made on poverty reduction during the pandemic, instead of "playing on very deep and old stigmas of who deserves help and who doesn't deserve help."

"With CERB and the pandemic top-ups, we not only met our poverty reduction and United Nations sustainable development goals 10 years early, we exceeded them," said Sarangi. "And instead of celebrating that, the federal government is saying this is not right, we have to go after these people."

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Social policy researcher and former Ontario civil servant [John Stapleton](#) told *The Hill Times* on June 27 that CERB—Canada's single largest income security measure since 1867—drove a [55.8 per cent](#) decrease in poverty from 2015 to 2020, far ahead of the government's legislated target of a 50 per cent reduction by 2030. But he said the government then undercut this achievement by saying CERB was "mostly paid to ineligible people," was "rife with abuse and overpayments," and was a disincentive to work.



Elizabeth Mulholland from the charity Prosper Canada says the government's approach to CERB repayment has undermined the progress it made on poverty reduction during the pandemic. *Handout photograph*

Elizabeth Mulholland, CEO of the charity Prosper Canada, told *The Hill Times* on June 28 that the government's approach to CERB repayment has "totally undermined" the work it did during the pandemic "to look out for people."

"Everyone in Ottawa knew there would be trouble at the back end," said Mulholland, when CERB and related measures were rolled out. "It was the right thing to do, and they made the right choice," she said, "but now the spotlight has passed and we're not following through, and low-income people are paying the price."

"I don't think any Canadian would think it's right to look at someone making \$12,000 a year and tell them to pay back \$10,000. We need a clear explanation from the government about why some people are not able to pay it back and why it wasn't their fault that they applied," added Mulholland.

Stapleton said the federal government did not build CERB to be a poverty reduction program — "you wouldn't have built a poverty reduction strategy in 12 days" — but that it had the "unintended" but "reasonably logical consequence" of lifting large segments of the working poor out of poverty.

Based on custom data from Statistics Canada, Stapleton said poverty among the working poor in Toronto dropped by 39.3 per cent during the pandemic, as people laid off from precarious jobs turned instead to a reliable \$2,000 monthly cheque. These gains have since been rolled back, he said, as temporary benefits were cancelled and as both eligible and non-eligible

recipients have been caught up in the CRA's complicated CERB verification and repayment process.

B.C. woman describes the stress of receiving CRA demand letters for \$38,600

Sarangi, Stapleton, and Mulholland all said people on some provincial or territorial social assistance programs were told by their case workers that they were required by law to apply for CERB in order to maintain their eligibility for their existing supports, because of legislation that says they must first exhaust all other avenues of funding.

"They were applying to CERB with a financial gun to their heads," said Mulholland. In these situations, the CERB payments effectively functioned as a transfer from the federal government to provincial or territorial governments that then cut back on their own social spending, or clawed back the federal payments from the recipients. British Columbia was the only province to allow CERB to flow through to individual recipients without clawing it back, said Stapleton, while other jurisdictions made partial commitments.

Stapleton also described cases where people had sufficient employment income to qualify for CERB but did not receive their T4 statements because their employers went out of business during the pandemic. "So they don't send people their payment slips. And then [the CRA] calls the employer and the number is disconnected," he said.

A woman in British Columbia, who asked not to be identified by her real name because her son is still going through a review process with the CRA, told *The Hill Times* on June 21 that she has been helping him deal with a letter asking for verification of the self-employment income that was the basis of his eligibility for CERB.

She said she and her son, who are both self-employed and dealing with mental health challenges, each spent a month's worth of working time speaking with legal clinics and accountants to put together the relevant documentation to answer the CRA's questions.

She described feeling "perplexed, frustrated, and fearful" when her son then received an impersonal notice that did not acknowledge the package they had sent in, and instead called on him to immediately pay back the full \$38,600 in

CERB and CRB (Canada Response Benefit) payments he received between March 2020 and September 2021.

“That money was used over a period of time for necessities. It wasn’t going into a bank account somewhere,” she said. “You can’t get blood out of a stone. Why is the CRA chasing after people who don’t have the money to repay?”

Bryan White, a middle-aged man in British Columbia who works in forestry and heavy industry, told *The Hill Times* on June 21 that the CRA was garnishing his medical EI and withholding his tax refund to repay a CERB debt that Service Canada staff had repeatedly told him not to worry about.

White said he applied for CERB after being laid off from his logging job in 2020. When he was hired back three or four weeks later, he went back to Service Canada and “asked if they needed their [CERB] money back.” He said the issue only re-emerged in March 2023 after he had back surgery and made a medical claim for employment insurance.

“All of this over a one-time \$2,000 cheque that I was told to take by government officials and employers and peers alike,” said White.

He says the CRA has since clawed back more than was needed—including from his tax return, his first three EI payments, and his GST refund—to cover his initial CERB payment.

The Hill Times has reviewed relevant documentation provided by White and by the woman who is helping her son in his dealings with the CRA.

Stapleton, widely recognized as an expert on benefit programs, said he was himself misled by incorrect information from the CRA about what kinds of previous income counted towards the minimum required to be eligible for CERB or CRB. He pointed to a CRA [webpage that says](#) honoraria—“nominal amounts paid to volunteers”—counted towards the \$5,000 minimum. The CRA and the tax courts have since said this is not reflected in the underlying legislation.

“I do this for a living. I’m a benefit designer. And I looked at this stuff and I couldn’t follow the rules. I gave PowerPoint presentations to low-income people that were wrong because I based them on the website and what CRA officials told me was the way the program worked,” said Stapleton. “I’m embarrassed that I advised people to apply. But I copied and pasted from the website. And that website is still up.”

The CRA did not respond to a question about this matter by deadline.

Stapleton and Sarangi both pointed towards court cases where federal judges have acknowledged that individuals applied for CERB in good faith after being misled by incorrect or changing information from the CRA, but have said they were powerless to intervene on the applicants' behalf because they had to follow the criteria in the actual legislation.

Advocates call on Liberals to give CRA political cover to pursue less aggressive approach

Mulholland said she speaks often with CRA officials who understand why an aggressive approach to CERB repayment conflicts with policies on poverty reduction. But she observed that “maybe we’re talking to the benefits branches where people understand why these are important, and we’re not talking enough to the collections side of the agency where they don’t have that appreciation.”

Stapleton was more critical of how the CRA balances its role as the single largest delivery agent for income security benefits in Canada and its role as the largest and most powerful collection agency in Canada. “The debt collectors in CRA run the show,” he said, “with little if any policy oversight from government.”

CRA spokesperson Hannah Wardell said in a July 4 email to *The Hill Times* that the CRA recognizes the hardships caused by the pandemic and “remains committed to being compassionate, flexible, and supportive during this challenging time,” and that CRA representatives will work with people “on a case-by-case basis.”

In response to anecdotal accounts from legal clinics and front-line anti-poverty groups that CRA representatives have recently started pushing for much larger monthly repayment plans, instead of the \$5- and \$10-a-month plans that were initially offered, Wardell said “there is no change in how the CRA has been collecting debt for COVID-19 benefit overpayments.”

Wardell added that COVID-19 benefit overpayments are subject, by legislation, to a six-year collections limitation period, but that there are circumstances where this would be “suspended, extended, or restarted.”



Advocates say the CRA hardened its approach to CERB repayment following criticism in a December report from Auditor General Karen Hogan, pictured. *The Hill Times* photograph by Andrew Meade

Sarangi, Mulholland, and Stapleton have all been critical of a [December 2022](#) auditor general report that faulted the CRA and Employment and Social Development Canada for not doing more to establish a vigorous verification and repayment process for individuals who received pandemic benefits they were not eligible for.

The report identified [\\$4.6-billion worth](#) of overpayments to individuals, estimated that an additional \$27.4-billion worth of payments to individuals and employers should be investigated further, and said the benefits created “disincentives to work.”

Campaign 2000 said at the time that the report set a “dangerous double standard” that would “drive more people into deeper poverty while it lets corporations who benefitted from the pandemic off the hook.” The Dec. 12 statement also called on the auditor general to steer clear of “conjecture” and “stereotypes” about benefit recipients “gaming the system and being lazy and undeserving of help.”

“I can’t help but feel that some of these issues hardened after the AG [auditor general] report, which went after CRA hammer and tong,” said Mulholland. She said the report was “a traditional AG analysis” but that it came off as “tone-deaf” because it ignored the nuances of who ended up applying for CERB and why.

“These AG reports are incredibly important drivers in these systems,” said Mulholland. “Agencies and departments know there will be a follow-up, and nobody wants to be in those crosshairs.”

She called on the government to give the CRA both the policy direction and the political cover to push back against the underlying assumptions that drive the auditor general's report. "The CRA can't make a poverty reduction policy choice here. If the government wants to provide leeway to people, they have to step up and do it at the political level," said Mulholland.

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UPDATE: This article was updated on July 6, 2023, to show that The Hill Times has reviewed documentation from individuals going through the CERB repayment process.