

Let Poor Older Adults Work: Policy Recommendations for an Improved GIS

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Authors

John Stapleton

Senior Fellow,
National Institute on Ageing

Gabrielle Gallant

Director of Policy,
National Institute on Ageing

Reviewers

Dr. Gillian Petit, PhD, JD

Senior Research Associate
Department of Economics,
University of Calgary

Alexi White

Director of Systems Change,
Maytree Foundation

Vass Bednar

Executive Director,
Master of Public Policy Program,
McMaster University

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Summary

The earnings exemption for the Guaranteed Income Supplement should be raised to \$10,000, doubling it from its current level of \$5,000 and indexing it to inflation, to reflect the economic and social realities of older adults in Canada today.

An earnings exemption, sometimes described as a “turning point,” refers to the portion of employment or self-employment income that GIS recipients can earn without reducing their benefits. This ensures that work

remains a viable option for low-income older adults.

This change would help reduce poverty among working Canadians 65 and older, contribute to the fight against ageism and could also reduce social isolation. By allowing low-income older adults to work without undue financial penalties, Canada can foster a more inclusive and equitable ageing workforce while aligning the GIS with the contemporary public policy landscape.

Introduction

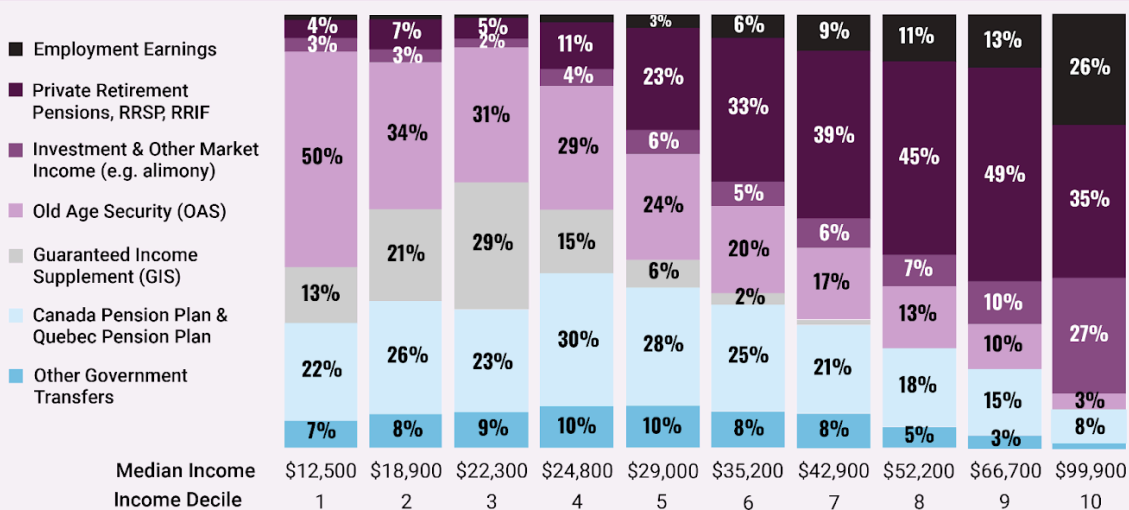
In 2025, Canada’s tax-free Guaranteed Income Supplement provides up to almost \$1,100 a month to low-income older adults and has helped raise the vast majority of Canadians 65 and older out of poverty. However, the earnings exemptions associated with GIS are so low that they result in work disincentives for lower-income older adults, especially as the GIS phase-out or claw-back at 50% of earnings is very high.

In 2020, the government significantly expanded the GIS earnings exemption as part of its broader efforts to reduce poverty and increase workforce participation among older adults. The government implemented a full

exemption of up to \$5,000 in annual income, covering both employment and self-employment income and a partial exemption (50%) on the next \$10,000 of earnings.

As Figure 1 shows, the older adults who are most likely to work are those who are least likely to need the income, with relatively lower financial penalties associated with employment income for high-income older adults compared to low-income older adults. While wealthier Canadians 65 and older who do not receive GIS can continue to work if they choose, low-income working older adults face the lowest earning thresholds of all low-income Canadian benefit recipients.

Figure 1: Age 65 and Over, Income Composition by Individual Income Decile, Canada, 2020



Income sources by share of total individual income before-tax. Excludes persons with negative self-employment earnings. Source: Statistics Canada, Canadian Income Survey 2020 microdata.

Policy Recommendation

The Canadian government should move immediately to increase the GIS earnings exemption threshold to \$10,000 per year and index it to inflation.

- This would equalize the earnings exemptions between the new Canada Disability Benefit (CDB) and the Guaranteed Income Supplement (GIS).
- Without this alignment, low-income, working individuals with disabilities would face higher earnings claw-backs upon turning 65 compared to when they were 64, creating an unjust and inequitable disparity.
- In contrast, the Ontario Disability Support Program (ODSP) allows for a \$12,000 earnings exemption threshold, while British Columbia's disability programs allow for a \$16,200 earnings exemption threshold.
- Indexing the GIS earnings exemptions would align with the Old Age Security and Canada Workers Benefit earnings exemptions, which are also indexed to price inflation.
- Indexing the GIS earnings exemption will also allow the exemption to keep up with increasing costs of living, which are particularly impactful for older adults on fixed incomes.

Policy Rationale

Raising the GIS earnings exemption to \$10,000 and indexing it to inflation is a necessary step toward ensuring financial security, equity and dignity for low-income older adults who wish to remain in the workforce. The current exemption structure disproportionately penalizes the most vulnerable older adults, creating an unjust system where wealthier older adults face lower financial penalties to work than their lower-income counterparts.

Aligning GIS exemptions with the Canada Disability Benefit and other indexed federal programs would not only prevent abrupt financial disadvantages for individuals ageing into GIS eligibility at age 65, it would also modernize the supplement to reflect today's evolving labour market, where longer careers, flexible work arrangements and non-traditional employment are

becoming increasingly common. Additionally, allowing older adults to work without facing excessive claw-backs would have broad social and economic benefits. Increased workforce participation among older adults helps combat ageism, strengthens intergenerational work environments and reduces social isolation—factors that contribute to overall well-being.

Canada has made significant progress in reducing older adult poverty since the introduction of GIS, but failing to update its structure risks undoing these gains. Raising and indexing the GIS earnings exemption is not just a policy adjustment—it is a necessary reform to ensure that all older adults, regardless of income, have the same opportunity to participate in and contribute to the workforce without undue financial penalty.

Background

The Guaranteed Income Supplement (GIS) provides additional financial support to low-income adults 65 and older in Canada who receive the Old Age Security (OAS) pension. It was introduced in 1969 to recognize that the benefits of the newly formed Canada Pension Plan (1965) would take considerable time to be realized and, in the meantime, many older Canadians would continue to live in poverty.

By 2020, following several extraordinary increases in 2011 and 2016, the tax-free GIS provided greater financial support to low-income older adults than OAS itself and successfully achieved the government's objective of lifting the vast majority of older Canadians out of poverty.

In 2011, a modest increase to the GIS was aimed at all low-income older adults, including those in couples, with the intention of providing general relief. In 2016, a larger increase was made to specifically target single older adults, a group recognized as being more vulnerable to poverty.

These increases were both part of broader efforts to strengthen income security for older adults and reflect a recognition by successive governments of the need to improve support for older adults, particularly those with the least financial resources.

While these two historic GIS increases achieved their respective goals of increasing incomes for low-income older adults, both of these enhancements together increased the marginal effective tax rates of the GIS program from 50% to 59% on all unearned income of low-income older adults.

As the cost of living in Canada continues to increase and the labor market evolves with more older adults seeking flexible or part-time work, it is essential to ensure that income security programs like the GIS do not inadvertently discourage employment or other sources of supplemental income. Moving forward, policy adjustments must continue to reflect both the financial needs of low-income older adults and the realities of modern retirement and work patterns.

Exhibits

Figure 2

Comparison of Canadian Income Security Benefits: Exemptions and Phase-outs

Benefit	Yearly Turning Point/exemption ^[1]	Recovery or tax back rate	Yearly Benefits reduced to zero
GIS	\$5,000	50%	\$22,056
CPP-D	\$6,400	Not applicable	
CDB	\$10,000	20%	\$24,400
ODSP	\$12,000	75%	\$31,888
Canada Workers' Benefit	\$24,570	17%	\$33,018
*GST Credits	\$42,335	5%	\$52,715
*OAS	\$90,997	15%	\$149,210
*Canada Child Benefit	\$34,863	7% and 3.2%	\$157,188

[1] Turning points for all income security benefits shown here are indexed except for GIS and ODSP, which were recently raised from \$2,400 a year to \$12,000.

*Exemptions include all forms of income, including earnings.