

## Getting out of the 'poverty trap'

### Ontario Child Benefit

The details of Ontario's new program were in Finance Minister Greg Sorbara's March 22 budget:

- More than 460,000 families will receive a lump-sum payment of up to \$250 this July.
- A monthly payment scheme kicks in next July, starting at \$50 per child and increasing every July after that.
- By 2011, some 1.3 million children in 600,000 families will receive up to \$92 per month under the initiative.
- Families with one child and net incomes up to \$20,000 receive the full amount with benefits disappearing at \$27,000.
- By 2011, the benefit will be phased out at family incomes of \$33,750 for one child, \$47,500 for two children and \$61,250 for three children.
- Ninety-five per cent of families with children under age 18 with net incomes of \$45,000 or less will benefit from the new initiative by 2011.
- Only 196,000 children on social assistance and 271,000 children under 7 in low-income working families receive any income support from Queen's Park.
- Under the new child benefit, about 800,000 more kids will receive help.
- By 2011 the province will be spending \$2.1 billion on the program.
- Ontario becomes one of the last provinces to introduce a child benefit. Only Manitoba and Saskatchewan don't have one.

Source: Ontario Ministry of Finance

### **New Ontario program for children reflects desire to reform welfare system, rather than just raising rates**

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When Finance Minister Greg Sorbara presented his budget to the Legislature last month, retired bureaucrat John Stapleton couldn't help thinking back to another Liberal government, and to the last time poverty topped the political agenda at Queen's Park.

It was the late 1980s. The economy was roaring and the housing market was on fire. But not everyone was reaping the benefits. Welfare rates

weren't keeping up. And for the first time since the Great Depression, an alarming number of homeless people were sleeping on city sidewalks.

An advisory committee appointed by then-premier David Peterson said the province's welfare system had become a "poverty trap" and called for immediate rate increases to alleviate the suffering along with structural reforms to fix the problem.

Queen's Park did increase rates. But the economy soon cooled and killed any hope of reform. And in 1995, Mike Harris' Tory government slashed welfare rates by 22 per cent, leaving recipients worse off than before.

The political and economic climate today is eerily similar to the late 1980s, says Stapleton, a former provincial social services bureaucrat who helped implement the rate increases of the late 1980s and early 1990s.

The economy is strong. Housing prices are soaring. The gap between the rich and poor is growing and the homeless are still sleeping on sidewalks. As poverty once again creeps into the political spotlight, there's another call to reverse welfare cuts and tackle reform.

But this time, Dalton McGuinty's Liberals *are* trying something different: Instead of hiking welfare rates, they are focusing on reform.

The government is replacing some 48 different rates for about 200,000 children in families on welfare with a child benefit that will go to all low-income children, whether their parents are working or not. By 2011, the benefit will be worth up to \$92 per month per child and help 1.3 million kids in Ontario.

"We've seen the result of raising welfare rates without welfare reform," Stapleton says. "We've also had almost two decades to think about this. And advances in information technology make reform much easier (today) than it was back then."

The province can also take advantage of the federal child benefit system, which already sends monthly cheques to low-income families across the country. Since Ontario will simply piggyback on to the federal system, there will be virtually no provincial administration costs, Stapleton adds.

Combined, the two benefits will give low-income Ontario families up to \$4,300 annually for each child by 2011. And that's very close to the \$5,100 anti-poverty groups feel is necessary to lift a child out of poverty.

"If we had had a (child benefit) program like this in place in the mid-1990s, the Harris government wouldn't have been able to roll it back so

easily," says Michael Mendelson of the Caledon Institute for Social Policy, who supported welfare rate increases over reform in the 1980s.

"Anything is possible, of course, but I don't think (Harris) would have been able to make scapegoats out of the working poor the way he was able to do with those on welfare," he says.

And that, for Mendelson and others, is why the child benefit, and the structural reform of welfare it signals, is so important.

"The process of taking pieces out of the welfare system and putting them into more appropriate delivery mechanisms where they are popular and broad based and go to all low-income people regardless of whether they are working or not is really significant," he says.

"It's really the foundation for modernizing our income security system."

Drug and dental benefits as well as child care are the other core elements welfare families need to enter the workforce, Mendelson says. But this financial restructuring is an important first step.

But some advocates for the poor worry the amount families on social assistance will eventually receive from the province – by 2011 a single mom on welfare will see a net benefit of just \$50 a month – will do little to ease child poverty.

That's because the parent welfare benefit will be slightly reduced once kids are fully supported by the child benefit. And the critics say it won't help parents with disabilities for whom full-time work, or work of any kind, isn't feasible.

While they are pleased the Liberals are raising welfare rates by 2 per cent in November, they say the measure still doesn't reverse the crippling cuts of 1995. And they don't accept the Liberals' claim that the new child benefit effectively ends the clawback of the national child benefit supplement of up to \$122 per child for families on welfare.

They complain the Liberals are focusing too much on giving families financial incentives to work and aren't investing in social supports they need to escape welfare like drug and dental benefits, child care, housing, training and labour market regulation.

"When I see a comprehensive strategy to reduce poverty with targets and timetables and resources, that's the time for celebration," says Laurel Rothman, head of Campaign 2000, a national coalition dedicated to ending child and family poverty.

At the Adelaide St. W. offices of the Income Security Advocacy Centre, policy analyst Sarah Blackstock is also worried about the financial bottom line for Ontario's poorest families – those on welfare.

But she says the March 22 budget marked a significant turning point for Ontario.

"When you are struggling to make ends meet, when you don't feel confident that you're providing for your kids in a manner that they deserve, it's hard to see last (month's) budget as a particularly significant victory.

"But this is the first time in ages we've heard a premier talking about poverty. He's actually talking about some important changes in policy. We cannot underestimate that."

With opposition leaders onside and a provincial election next fall, Blackstock says the time is right to push for more income support and lasting reforms.

"The terrain has changed," she says. "It's no longer acceptable in Ontario to ignore the needs of low-income people or to ignore political responsibility for programs that address the causes of poverty."