

**SUBMISSION TO THE STANDING  
COMMITTEE ON FINANCE AND  
ECONOMIC AFFAIRS**

*Presented By*

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## **I. INTRODUCTION**

The Income Security Advocacy Centre (ISAC) is a provincial test case and law reform clinic that is part of Legal Aid Ontario, which includes 79 community legal clinics. ISAC came into existence in 2001, and since that time, it has contributed to the broader discourse on income security issues in Ontario.

Inevitably, in discussions about budgets, we focus a lot of our attention on numbers. As a result, it's easy to lose sight of the people whose lives are going to be affected by the decisions made around budget numbers. We must keep in mind that we are not just talking about numbers in isolation of people's lives. We must remember numbers have consequences - especially for low-income people.

## **II. REVITALIZING SOCIAL SERVICES**

We offer our submission in the hope that we can assist the Finance Minister in continuing to achieve one of the key goals stated in the 2004 Ontario Budget, namely that the "government will move to revitalize the social services sector and provide effective and co-ordinated supports to Ontario's children, families and vulnerable people."

Over the past year the Ontario government has made some movement in this regard. Public services in Ontario, however, are in such desperate need of rebuilding after years of being pummeled by the previous government that the current government has fallen short of revitalizing the supports needed by low-income people.

The revitalizing process has stalled because of the government's insistence that it has no more money to contribute. The government must ensure that there is sufficient revenue to do what is necessary. Sufficient revenue to rebuild social services can be achieved either by earmarking existing revenue or raising additional revenue through taxation. The people of Ontario know they may have to pay higher taxes, taxes that will support better public services.

## **III. SOCIAL ASSISTANCE RATES**

Social assistance is one of the key components of income security in Ontario. However, Ontario Works (OW) and Ontario Disability Support Program (ODSP) benefits are failing to provide adequate income security, largely because the rates are so low.

People on social assistance, as you well know, are living far below the poverty line. Recall that in 1995, the previous government slashed social assistance rates by 21.6%. That cut, today, is worth approximately 37%.

The government's 3% increase to social assistance rates, which will not be implemented until March 2005, falls well short of providing an adequate level of income for

individuals and families surviving on social assistance. Every day in legal clinics across Ontario, we hear from people who are struggling, who are facing decisions about whether they should pay their rent or buy groceries. People have to make choices that no one in this province should have to make. Stories of the dire consequences of the inadequate rates are many, and these stories will continue after the 3% is implemented because individuals and families receiving social assistance will continue to live well below the poverty line.

The reality is that the vast majority of people on social assistance are there for one of three reasons: 1) loss of job, 2) loss of spouse, or 3) loss of health. We need social assistance rates that enable people to have an adequate standard of living while they are dealing with an employment, family, or health crisis or any other type of crisis that could happen to any one of us.

**Comparison of Yearly Social Assistance Income to Statistics Canada Low-Income Cut-Off (Poverty Line)**

<b>Family Size</b>	<b>OW Rate<sup>1</sup></b>	<b>ODSP Rate<sup>2</sup></b>	<b>Low Income Cut-Off (Poverty Line)<sup>3</sup></b>
One adult	\$6,427	\$11,495	\$19,795
One adult + one child <sup>4</sup>	\$11,829	\$17,601	\$24,745
One adult + two children	\$13,423	\$19,640	\$30,774
Two adults + one child	\$12,731	\$19,554	\$30,774
Two adults + two children	\$14,560	\$21,877	\$37,253

<sup>1</sup> Ontario Works benefits are provided to people who are unable to find paid employment or are unable to work. The rate includes the March 2005 increase of 3%.

<sup>2</sup> Ontario Disability Support Program benefits are provided to people with disabilities that prevent them from working for an income. The rate includes the March 2005 increase of 3%.

<sup>3</sup> Before-tax, after transfer 2003 LICOs for a city with a population of 500,000 and over. Statistics Canada, *Low income cutoffs from 1994 to 2003 and low income measures from 1992 to 2001*, Catalogue no. 75F0002MIE — No. 002.

<sup>4</sup> All calculations are based on child(ren) 12 years or under.

In examining the above chart, you will see that the March 2005 increase of 3% to social assistance is still far from adequate. For example, a two-parent family with two children under seven years will receive approximately an additional \$12 per week from ODSP or will receive approximately an additional \$8 per week from OW to meet all the family's needs. That family is still living approximately 40-60% below the poverty line, depending on whether they receive ODSP or OW.

**Comparison of Monthly Shelter Allowances to Average Rent**

<b>Family Size</b>	<b>OW Monthly Shelter Allowance<sup>5</sup></b>	<b>ODSP Monthly Shelter Allowance<sup>6</sup></b>	<b>Average Rent<sup>7</sup></b>
One adult	\$335	\$426	bachelor \$651
One adult + one child	\$526	\$672	1-bedroom \$767
One adult + two children	\$571	\$728	2 bedroom \$886
Two adults + one child	\$571	\$728	2 bedroom \$886
Two adults + two children	\$620	\$791	3 bedroom + \$1,084

Consider, in examining the above chart, that a single mother with one child will receive a shelter allowance of \$526, while the average cost in Ontario of a one-bedroom apartment is \$767, and the average cost in Ontario of a two-bedroom apartment is \$886. The 3% increase in March 2005 falls well short of providing the funds necessary so individuals and families in receipt of social assistance can find adequate housing.

It is ISAC's position that social assistance rates should be raised to reflect the real cost of living – that means:

<sup>5</sup> OW benefits are broken into a shelter allowance and a basic needs allowance. The shelter allowance reflects the March 2005 increase of 3%.

<sup>6</sup> ODSP benefits are broken into a shelter allowance and a basic needs allowance. The shelter allowance reflects the March 2005 increase of 3%.

<sup>7</sup> Based on average 2003 rents in Ontario as calculated by Canada Mortgage and Housing Corporation.

- 1) shelter allowances that are based on the average rents as calculated by the Canada Mortgage and Housing Corporation, and
- 2) a basic needs allowance that is based on:
  - i) the Nutritional Food Baskets prepared by local health units, and
  - ii) the calculations for the costs of household operation, household furnishings and equipment, clothing, transportation, and health care as reported in Statistics Canada's *Average Household Expenditures*.

ISAC's position is in keeping with the jury recommendations that examined the death of Kimberley Rogers.

In effect, the provincial government continues to decline to implement these recommendations by not providing social assistance rates that reflect the real cost of living. For all intents and purposes, the conditions that existed and led to the tragic death of Kimberley Rogers continue to exist in Ontario.

Low rates trap people in poverty. Unable to afford decent clothes, child care, or transportation, employment is a distant dream for those able to work.

#### **IV. NATIONAL CHILD BENEFIT SUPPLEMENT CLAWBACK**

Inadequate social assistance rates are compounded by the fact the provincial government claws back the National Child Benefit Supplement (NCBS) from families receiving social assistance.

Premier McGuinty promised to end the NCBS clawback. He has not yet kept his promise. Instead, the Premier has simply allowed families receiving social assistance to keep the July 2004 increase to the NCBS. This increase is approximately 3%. The Ontario government continues to claw back dollar for dollar the remaining 97% of the NCBS from families receiving social assistance.

Consequently, a single parent receiving social assistance with two children will receive a monthly NCBS benefit of \$234 from the federal government. The Ontario government claws back \$226 each month from that parent's social assistance. That means this family only gets to keep a total of \$8 each month of the federal child anti-poverty benefit. This is a lot of money for any family to lose in a year, let alone a family that is trying to survive on an income that is well below the poverty line.

The Ontario government claws back approximately \$250 million from families receiving social assistance. This money is used to fund reinvestment programs for low-income families. In effect, the reinvestment programs are funded on the backs of families on

social assistance – some of the poorest families in Ontario. To make matters worse, many families on social assistance cannot access the reinvestment programs.

Worthwhile though they may be, the reinvestment programs should not be funded on the backs of families receiving social assistance. It's ironic that some food banks are partially funded by municipalities through NCBS clawback funds. Approximately three-quarters of the Daily Bread Food Bank clients, as surveyed in the 2004 Daily Bread Food Bank Survey of Food Bank Clients, who received social assistance and had children believed they would not need to use the food bank again or could reduce their food bank visits considerably if they did not have the NCBS clawed back from their social assistance each month. The reinvestment programs may be important, but these programs should not be funded at the expense of hungry children.

In Ontario the average monthly number of children affected by the NCBS clawback in 2003/04 was approximately 164,000. In addition to the children there were, on average during that period, approximately 113,000 parents/guardians affected by the NCBS clawback each month. This means that about 277,000 immediate family members were affected by the NCBS clawback. These families are some of the poorest in our communities, and they represent approximately 42% of the overall number of people living on social assistance in Ontario.

It is ISAC's position that ending the NCBS clawback from social assistance cheques is a crucial and necessary step the government must immediately act upon. Ending the NCBS clawback would make a meaningful difference in the monthly income of social assistance recipients with children.

## **V. MINIMUM WAGE**

Current social assistance rates in Ontario are nowhere near what people need to cover basic necessities such as food, rent, utilities, clothing, and transportation. The minimum wage effectively acts as a "ceiling" for social assistance rates – provincial governments stubbornly refuse to set benefit levels higher than the minimum wage. An inadequate minimum wage means inadequate social assistance rates.

The provincial government raised the minimum wage in February 2004 by 30 cents and will continue to raise it by 30 cents each February until it reaches a maximum of \$8 in 2007. This increase to the minimum wage falls well short of what is required. A person working 35 hours per week needs to earn \$10 per hour today to come close to the poverty line. A minimum wage worker, as of February 1, 2005, will earn \$7.45 per hour. That person will be living on wages that are approximately 32% below the poverty line. If the worker has dependants, the situation is even direr.

In 2000, according to Statistics Canada, approximately 1.2 million workers in Ontario were in jobs that paid less than a poverty-level wage. Women, immigrants, and visible minorities are over-represented in Ontario's low-wage workforce. In 1999, women

represented 60% of all workers earning below poverty level wages, while visible minorities represented 31% and recent immigrants represented 41%.

Canadian and American studies have shown that raising the minimum wage would have a minimal impact on employment levels. Factors such as the business cycle, economic growth, and labour supply are far more important than the minimum wage in determining employment levels. These studies illustrate that raising the minimum wage will not automatically lead to job loss. Politicians have to resist the argument that minimum wage workers have to choose between a decent wage and a job. The “job killer” argument has been used over and over in the past against any attempt by government to regulate the economy. Child labour laws, workplace safety legislation, the eight-hour day, maternity leave, and paid holidays stand as illustrations of policies that were falsely heralded as “job killers.”

Politicians should also resist the argument that minimum wage workers are concentrated in small businesses struggling to survive. In 2000, according to Statistics Canada data, 71% of low wage jobs were in businesses with more than 20 employees, and 40% of low wage jobs were in businesses with over 500 employees.

On the other hand, raising the minimum wage will put more money into the hands of low-income individuals and families who, in turn, will put millions of dollars into local economies. Unlike the wealthy, whose tax cuts go into foreign luxury items, travel abroad, and off-shore investments, minimum wage earners spend their extra cash at local small businesses. Raising the minimum wage means individuals, families, and the broader community are all better off.

It is ISAC’s position that the minimum wage should be immediately raised to \$10 per hour, and thereafter indexed to the cost of living, as an important first step toward ensuring the right of all workers to an adequate standard of living.

## **VI. MATTHEWS REPORT**

In December 2004, Deb Matthews, Parliamentary Assistant to the Minister of Community and Social Services, released her *Review of Employment Assistance Programs in Ontario Works & Ontario Disability Support Program* (Matthews Report). The Matthews Report thoughtfully took into account the views expressed by low-income people and their advocates. It is disappointing that the Minister of Community and Social Services’ reform of social assistance fell well below the mark set by the Matthews Report.

It is the position of ISAC that people whose circumstances compel reliance on social assistance will be well served by implementing of all the recommendations in the Matthews Report.

## VII. CONCLUSION

The measure of any society is the manner in which it treats and responds to its most vulnerable citizens. Individuals do not choose or create poverty. States do. The question is one of political will.

This government has negotiated with doctors, with teachers, with midwives and others regarding their remuneration, and so they should. However, there has been no such negotiation with social assistance recipients or minimum wage workers. That's because low-income people don't have power.

On behalf of low-income Ontarians, we are asking the Committee to recommend sufficient revenue - whether from existing or new sources - be allocated in the 2005 budget to achieve the following:

- an increase in social assistance rates reflecting actual costs of living in each community;
- an increase of the minimum wage to \$10 an hour;
- an end to the NCBS clawback, and
- implementation of the Matthews Report recommendations.

Implementation of these recommendations will demonstrate that the government was sincere in its election promise to govern for *all* Ontarians.