

# **Social assistance reform and paid work**

**prepared by the Income Security Advocacy Centre and Steering Committee  
on Social Assistance**

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## **Introduction**

The new McGuinty government has indicated its intention to review and reform the social assistance system. “Workfare” is to receive particular attention. This document outlines some steps that should be taken to better support people on social assistance in matters generally related to work.

The document has been prepared by the Income Security Advocacy Centre (ISAC) and the Steering Committee on Social Assistance. ISAC is a legal clinic focussed on law reform through test case litigation and campaign work. The Steering Committee on Social Assistance is a provincial committee representing 79 legal clinics across Ontario.

## **The context**

It is difficult to recall a time when moving people from welfare to work was not a political priority. Indeed, people on social assistance have long been told that they are to find the shortest route to work.

However, the emphasis on finding the “shortest route from welfare to work” fails to appreciate the complexity of the economy and poverty.

As the Canadian economy is currently organized, it is unlikely that there will be full employment, at least in the foreseeable future. Until the adequacy and integration of income security programs improve, a large number of unemployed people will rely on social assistance.

Further, the assumption that people can successfully follow the shortest route to employment fails to appreciate the realities of the current labour market. For example, a large number of low-income people who find paid employment find it in low-waged, temporary jobs (Human Resources Development Canada, 1996; Workfare Watch, 2001). Therefore, a significant number of people who are able to leave social assistance because they have found a job, are forced to return to social assistance because of the temporary or precarious nature of their work. At present, the Ministry of Community and Social Services does not keep records tracking people who leave social assistance, nor do they keep records regarding the rate at which people return to social assistance.

Additionally, it must be acknowledged that some people are not able to work because of illness, disability or parenting responsibilities<sup>1</sup>.

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<sup>1</sup> It should also be acknowledged that some parents, who would prefer to do paid work than stay at home to parent, are unable to because of the lack of affordable, accessible, regulated childcare.

Therefore, in developing programs to support people moving from social assistance to work, it is inadequate to give attention solely to incentives and disincentives returning to paid work. Attention must also be given to the broader set of factors that contribute to both people's use of social assistance and their unemployment.

Low social assistance rates, combined with the emphasis on forcing people on social assistance to find the shortest possible route to work, is part of a strategy to keep wages low and ensure there is a large pool of workers who are willing to work at low pay with minimal security. In fact, the *1994 OECD Jobs Study* report calls for governments to cut social assistance and unemployment insurance programs as an effective tactic to ensure "greater labour market flexibility".

In many circumstances, getting people on social assistance to move quickly from welfare to work is good for employers eager to take advantage of low-wage, desperate labour. However, it is often not beneficial for either the long-term or short-term well-being of the people making that transition.

Clearly, architects of social assistance reform must determine if they will act in the interests of low-income people, the interests of business seeking low-wage labour and/or the interests of government eager to reduce social assistance caseloads and costs.

Social assistance policy reform in the area of paid work must be characterized by: i) respect for the recipient and his or her rights, ii) adequacy of benefits, iii) appropriate, accessible training and employment supports that are received voluntarily, and iv) accountability that includes policy development in consultation with people on social assistance and regular evaluation of the effectiveness of the programs.

It must be stressed that any attempt to reform social assistance should be informed by the experience and expertise of people on social assistance. This paper is only an initial discussion based on limited consultation. It attempts to highlight key issues related, broadly, to social assistance and work. Significant attention is given to the inadequacy of social assistance rates because the depths of poverty that social assistance recipients are forced to live in severely undermines people's health, well-being and capacity to look for and maintain work.

### **Supporting people with disabilities**

The existing legislation and disability determination process make the Ontario Disability Support Program remarkably inaccessible (Income Security Advocacy Centre, 2003). As a result, there are significant numbers of people on Ontario Works (OW) who should be on the Ontario Disability Support Program (ODSP). Additionally, there are a number of people who fail to qualify for ODSP because

the definition of 'disability' is extremely limited. While the Ontario Court of Appeal has recognized the importance of social factors in determining whether a person meets the statutory definition of being disabled, the existing legislation makes it difficult for social factors to be given adequate consideration. Social factors need to be considered at the initial disability determination stage, not only on appeal. Assistance in collecting and providing this information should be provided by OW and ODSP workers. Further, relevant agencies should be provided with resources to offer such assistance.

While many people with disabilities can work, many cannot. For those who can, very specific employment supports are required. (See below – Fair work, not workfare). It is a misuse of public resources to subject people with disabilities to rules and regulations related to work that fail to consider and accommodate issues of access.

Recommendations:

- In consultation with advocates, health professionals and persons with disabilities, develop a definition of disability that includes social factors.
- In order to make the ODSP system more accessible, implement the recommendations made in *Denial By Design*, prepared by the Income Security Advocacy Centre.
- Recognize drug and alcohol addiction as a disability.

**Fair work, not workfare**

Workfare requires people to work or participate in employment-related programs in order to receive social assistance. The introduction of workfare marks a significant shift in the state's approach to fulfilling its obligation to ensure citizens have an adequate standard of living. With workfare, citizens are now required to engage in forced labour in order to receive financial assistance necessary to meet their very basic needs.

Workfare is based on the assumption that people receiving social assistance are lazy and lack the necessary discipline to be part of the paid labour force. The stated intent of workfare is to assist people in moving from social assistance to work. Despite this intent, and the political and media attention given to it, workfare is an unevaluated program. However, many of those who have to 'participate' in workfare in order to receive assistance, as well as many researchers, social service providers and anti-poverty activists insist workfare, in addition to being a violation of human rights, fails to provide meaningful training and support to those looking for employment (For example, Ontario Social Safety NetWork, 1998; Struthers, 1996).

Anecdotes about workfare placements that require social assistance recipients to clean church basements and pick garbage from streets abound. The Ministry of

Community and Social Services does not impose any training requirements on agencies that accept so-called “placements.”

Further, there are few protections or rights for workers forced into workfare placements. For instance, there are no health or safety protections for workers in workfare placements. A worker who complains may be ‘fired’ and without benefits for failing to comply with workfare requirements. Similarly, recipients who cannot work overtime or who can only work particular hours because of family responsibilities are vulnerable to having their benefits cut-off if they fail to comply with workfare requirements – even if those requirements are unreasonable.

For many people on social assistance to gain access to decent employment, real training and education is required. Such a route to employment is often neither the shortest, nor, in the short-term, the least expensive. However, such a route is likely to allow the social assistance recipient to gain access to more secure employment that in the long run will be in the best interest of the recipient and the public purse.

Not surprisingly, Human Resources Development Canada reports that training that reflects future employment possibilities and the development of transferable skills tends to improve the employability of social assistance recipients more than ‘make-work’ projects do (Human Resources Development Canada, 1996).

While many people on social assistance may benefit from education and training, a number of people on social assistance already have credentials and job experience. However, it is often the case that these credentials are not recognized because the workers are foreign trained. Workfare placements are degrading. Further, the administration of the program is a ridiculous waste of public resources. Resources would be better used to ensure foreign-trained people are able to compete for jobs for which they are qualified and providing meaningful education and training to those seeking it.

Additionally, it needs to be recognized that while training and employment supports are necessary, the problem of the undervaluing of work that is generally seen as “unskilled” needs to be addressed as well. Jobs that are currently seen as “unskilled” are vital to the economy and the workers who perform them need to be provided with adequate wages and good working conditions.

People moving from social assistance to paid work also need adequate employment start-up benefits. Such benefits need to recognise that low-waged jobs, which are largely the jobs people on social assistance move into, are precarious. There also needs to be an appreciation that large numbers of women on social assistance are or have been abused. (For example, Allard et al., 1997; Lyon, 2002). It is often the case that women who have been abused need to move on a regular basis in order to be safe. Employment start-up benefits need

to reflect the realities of low-waged work and the insecurity that characterizes the lives of many people on social assistance.

Recommendations:

- Acknowledge that the route to the most secure job, may not be the shortest.
- In consultation with social assistance recipients and advocates, develop an evaluation of the OW and ODSP programs designed to assist people on social assistance find paid work.
- Provide properly trained employment counsellors to work with individual social assistance recipients to develop *individual*, voluntary training and education plans to best meet the needs, interests, strengths and desires of the recipient.
- Provide information to recipients regarding the local job market.
- Provide adequate funds for meaningful training, education and related costs.
- Allow the receipt of both social assistance and student loans.
- Ensure that social assistance recipients know about employment start-up benefits and allow the recipients to determine what they need to be 'job-ready'.
- Acknowledge that low-wage work is precarious, that many workplaces fail to enforce health and safety standards, and that therefore, recipients must be able to receive employment start-up benefits as often as necessary.
- Acknowledge that it is not rare for abused women to move often in order to be safe and that therefore, recipients must be able to receive employment start-up benefits as often as necessary.
- Ensure adequate funds are available to meet the particular needs of disabled recipients.
- Work with relevant ministries to develop a fair process for the speedy recognition of foreign credentials. Provide funding for workers to receive accreditation.
- Work with local employers to create employment opportunities.
- Develop work experience programs for those needing and *wanting* transitional employment supports which are not tied to the receipt of social assistance. Ensure that such programs include appropriate employment standards and health and safety protection.
- For those who leave the social assistance system completely for paid employment, rapid reinstatement should be available if the recipient loses his or her employment for reasons not having to do with cause.
- Eliminate mandatory work programs, "workfare". Training and the receipt of employment supports must be voluntary.

**Three and six months bans: quit/fire and non-compliance**

People on social assistance who quit or are fired from a job are suspended from receiving social assistance for three months if it is a first occurrence and for six months for subsequent occurrences. Those who refuse work, often for very legitimate reasons, are also subject to three and six month suspensions. While the policy directives indicate that people who are unjustly fired or who quit with

just cause should not be subjected to these bans, in reality they are. Rarely is there an investigation, even if one is requested by the recipient.

Of course, social assistance recipients may be fired, like other employees, for no fault of their own. For instance, social assistance recipients are likely to find themselves in low-waged, insecure jobs where employers fire employees on a regular basis in order to cut costs; employers' actions may be affected by prejudice regarding social assistance recipients; some social assistance recipients who are working may require extra support that many employers are not able to provide. It must also be acknowledged that some employees are forced to quit their jobs as a result of sexual or racial harassment. Indeed, it's often the case that the reasons people lose their work are structural, not personal. Further, it is often the case that recipients are not aware of the "Quit/Fire" rule.

Additionally, recipients may be subjected to three or six months bans for failure to comply with various program requirements. Someone who does not participate in a resumé workshop because she has already completed an adequate resumé may find herself ineligible for benefits for three or six months.

To be without income for three or six months puts recipients in great jeopardy. The three and six month bans are excessive, unjust and unfair.

*Recommendations:*

- When a recipient refuses work, quits or is fired, there should be an investigation into the refusal, quitting or firing. The employer should not simply be taken at her/his word.
- Recipients who are fired should remain eligible for assistance.
- Recipients who quit without just cause should remain eligible for assistance the first time they quit. Discretion should exist to deal with subsequent quittings.
- If it is suspected that a recipient has quit more than once without cause, an examination of the circumstances should occur. The recipient must have the option of seeking legal counsel. Where it is deemed a recipient has quit without cause or is fired with cause a subsequent time, a one-month penalty should be imposed of the amount of assistance for one month. However, the assistance should be paid, but recovered as an overpayment.
- When a recipient fails to comply with participation requirements, the reasons they have not complied should be examined and considered.
- Discretion should exist to enable a recipient to be exempted from particular program requirements.
- Three and six month bans for failure to comply should be removed and replaced with a policy that makes recipients ineligible for assistance until they comply with the requirements of their individualized plan. (As mentioned earlier, the content of the plan must be developed by and with the recipient and must be agreeable to the recipient.)

- All recipients should be informed in writing and verbally of any rules pertaining to ineligibility.

### **Learning, Earning and Parenting (LEAP)**

LEAP has received positive response from young social assistance recipients as well as from advocates. However, concerns have been expressed about the limited maternity leave granted to 16 and 17 year olds. Generally, only four months of maternity leave is granted to 16 and 17 year olds. The current policy seems to assume that pregnancy and/or parenting is the cause of school drop-out. However, this is often not the case. Those 16 and 17 year olds who choose not to return to school after four months of maternity leave are cut off from both LEAP and Ontario Works.

While in some cases it may be in the best interest of the parent and child for the parent's early return to school, in many cases it is not. Young parents on social assistance should have the same right to exemption from employment assistance activities, in this case school, afforded to other parents on social assistance. A longer period of maternity leave promotes increased breastfeeding rates and can contribute to stronger bonds between mother and child.<sup>2</sup>

#### **Recommendation:**

- Grant 16 and 17 year old parents the same exemption from employment assistance activities, in this case school, afforded to other parents whose children are not yet school-age.

### **Earnings exemptions**

People on social assistance are living far below the poverty line. When people on social assistance find paid employment, it is generally at low-wages. In one of the few attempts the previous government made to track social assistance recipients when they leave the system, found that the average wage earned by former recipients was \$9.04 an hour and that 23% of the jobs held by former recipients were part-time (Ontario Ministry of Community and Social Services, 1998).

With so little income from social assistance and limited job prospects, earnings exemptions can be a useful tool to assist people in making a transition from assistance to work.

When the previous Tory government cut social assistance rates by 21.6%, they said they would allow recipients to recover the lost income through earnings exemptions. However, this has not been allowed. Higher earnings exemptions would not only provide greater economic security, but would also promote stronger ties with the paid labour force. However, higher earnings exemptions

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<sup>2</sup> According to Beverly Leaver, Executive Director, Jessie's Centre for Teenagers.

would also likely increase the existing caseload since a greater number of people would be eligible for assistance while they were working. Essentially, higher earnings exemptions become a way by which low-wages are 'topped-up'. (See below – Integrating minimum wage policy and social assistance reform.)

The current earnings reporting schedules for OW and ODSP are inconsistent with one another and organized in such a manner that one's income is often deducted when one can least afford it. The reporting schedules should be made consistent with one another.

Further, the rule which deducts, dollar-for-dollar, wages earned by people on OW during their first three months undermines efforts to promote attachment to the labour market and contributes to the recipient's economic insecurity.

*Recommendations:*

- Eliminate the rule that prevents people, during the first three months they are in receipt of social assistance, from benefiting from income generated from employment.
- The variable earnings exemption should remain at 25% and not be reduced the longer the recipient works.
- Earnings exemptions for people receiving Ontario Works should bring them to the poverty line. Earnings exemptions both for people receiving ODSP and those receiving OW should be set according the poverty line.<sup>3</sup> For a single disabled person then, the earnings exemption should be \$438.00 a month.
- OW and ODSP reporting processes should be harmonized and made less onerous.
- For both OW and ODSP, income should be calculated after work-related expenses are covered.

**Benefits**

Social assistance recipients and low-waged workers face significant barriers to economic security because their income is so inadequate and because the job market provides largely for low-wage, insecure jobs. Therefore, benefits such as extended healthcare, childcare, transportation and clothing allowances should be provided to strengthen ties to the paid labour force and contribute to greater economic security for low-income people in Ontario. Greater availability of such benefits would mark the beginning of a better integration of minimum wage policy and social assistance reform.

*Recommendations:*

- For social assistance recipients and low-waged workers living below the poverty line, transportation costs should be covered (e.x. passes for public

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<sup>3</sup> The poverty line referred to here is the pre-tax Low Income Cut-Off calculated by Statistics Canada.

transportation where appropriate and mileage based on the rate paid to provincial civil servants).

- For social assistance recipients and low-waged workers living below the poverty line, childcare expenses should be covered. Where possible, subsidized childcare spaces should be found. Where this is not possible, the actual cost of childcare incurred by the parents should be covered. (Often neither the existing Child Care Assistance nor the Ontario Child Care Supplement for Working Families are entirely adequate.) The number of adequately funded, regulated, subsidized childcare spots in Ontario needs to be increased.
- For social assistance recipients and low-waged workers living below the poverty line, extended health care, including full drug and dental care should be provided where the employer does not pay benefits.
- For social assistance recipients and low-waged workers living below the poverty line, back-to-school and winter clothing allowances for children should be available.

### **Integrating minimum wage policy and social assistance reform**

The current minimum wage in Ontario is \$7.15. The wage will be raised by 30 cents a year until it reaches \$8 in 2007. By any account, this is a poverty wage that ensures low-waged workers face significant struggles trying to make ends meet. A higher minimum wage, of course, would not only be a strong incentive to make the transition from social assistance to paid work, but would make it feasible, which for many it currently is not.

However, it is not only the inadequate minimum wage that serves as an obstacle to leaving social assistance. Since most low-wage jobs do not provide workers with benefits, the loss of benefits such as the clothing allowances, the Ontario drug card and dental coverage (however inadequate they may be) involved in the transition from social assistance to low-wage work is a significant factor for low-income people.

#### **Recommendations:**

- Initiate inter-ministerial meetings with involvement of stakeholders to examine the possibilities for integration of minimum wage policy and social assistance reform with particular attention to the possibility of greater provision of benefits as discussed above.
- Raise the minimum wage to \$10 immediately.

### **Income rules and asset calculation**

Existing income rules contribute to ensuring a future of poverty for people on assistance and discourage family support.

A number of items are unjustly included as income and assets. Under the current social assistance regime, it is very difficult for people on social assistance to receive loans, use credit cards, receive gifts from family and/or friends, save for their children's education or even own a reliable car. Because social assistance rates are so inadequate, such rules only ensure social assistance recipients' economic insecurity and stress.

Categorizing the National Child Benefit Supplement as income and 'clawing it back' from people on social assistance undermines the intent of the NCBS, which is to assist the most vulnerable families and attempt to reduce the risk of inter-generational poverty.

*Recommendations:*

- End the clawback of the National Child Benefit Supplement.
- Retroactive social assistance payments, personal vehicles of any reasonable value and tools should not be counted as income or assets.
- Allow the receipt of gifts and loans from family and/or friends.
- Allow the receipt of student loans while on Ontario Works.
- Amend the definition of 'income' to exempt loans and other items which do not result in any net increase in resources for a recipient and which increase the recipient's debt load.

**Adequacy of rates**

As noted throughout this paper, the inadequacy of social assistance rates undermines the health and well-being of social assistance recipients. The rates do not provide adequate income to cover basic needs. This causes great stress and contributes to social exclusion and isolation. More adequate rates would ensure social assistance recipients are able to more fully participate in activities geared to re-employment and in their community.

Additionally, the benefit level of pregnant women does not increase until the child is born. There are a number of costs involved in preparing for a newborn and ensuring her/his well-being. One of the most significant is finding appropriate housing. If pregnant women were able to have increased benefits levels in their eighth month, they would be better able to secure appropriate housing and make the necessary arrangements. Further, intervention by the Children's Aid Society and the duration of hospital stays would likely be diminished.

### Comparison of yearly social assistance income to Market Basket Measure and Canada Low-Income Cut-Off

Family size	OW rate <sup>4</sup>	ODSP rate <sup>5</sup>	Low Income Cut-Off <sup>6</sup>	Market Basket Measure <sup>7</sup>
One adult	\$6240	\$11 160	\$16 979	\$12 225.75
One adult+one child <sup>8</sup>	\$11 484	\$17 088	\$21 224	\$17 116.05
One adult + two children	\$13 032	\$19 068	\$26 396	\$20 783.35
Two adults + one child	\$12 360	\$18 984	\$26 396	\$22 006.35
Two adults + two children	\$14 136	\$21 240	\$31 952	\$24 451.50

### Comparison of monthly shelter allowances to average rent

Family size	OW shelter allowance <sup>9</sup>	ODSP shelter allowance <sup>10</sup>	Average rent <sup>11</sup>
One adult	\$325	\$414	Bachelor \$651
One adult +one child <sup>12</sup>	\$511	\$652	1-bedroom \$767
One adult + two children	\$554	\$707	2 bedroom \$866
Two adults + one child	\$554	\$707	2 bedroom \$866
Two adults + two children	\$602	\$768	3 bedroom + \$1084

#### Recommendations:

- Raise the social assistance rates so they reflect the actual cost of living. Shelter allowances should be based on the average local rents as calculated by the Canada Mortgage and Housing Corporation. Basic needs allowances

<sup>4</sup> Ontario Works benefits are provided to people who are unable to find paid employment or are unable to work.

<sup>5</sup> Ontario Disability Support Program benefits are provided to people with disabilities that prevent them from working for an income.

<sup>6</sup> Pre-tax, post transfer 2003 LICOs for a city with a population of 100 000-499 999. Statistics Canada, *Low Income Cutoffs from 1992 to 2003 and Low Income Measures from 1991 to 2001*, Catalogue no. 75F0002MIE — No. 002

<sup>7</sup> Calculated based on the average Ontario Market Basket Measure.

<sup>8</sup> All calculations are based on child(ren) 12 years old or under.

<sup>9</sup> Ontario Works benefits are provided to people who are unable to find paid employment or are unable to work. The benefits are broken into a shelter allowance and a basic needs allowance.

<sup>10</sup> Ontario Disability Support Program benefits are provided to people with disabilities that prevent them from working for an income. The benefits are broken into a shelter allowance and a basic needs allowance.

<sup>11</sup> Canada Mortgage and Housing Corporation, *Fast Fax: Rental Market Report-Ontario*, November 2003.

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

should be based on the Nutritional Food Baskets prepared by local health units. Additionally, 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* should be included in the basic needs allowance.

- Reinstatement of rent control.
- Give pregnant women the increased benefit level in their eighth month of pregnancy.

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