

**Pre-Budget Submission to  
the Standing Committee on  
Finance and Economic Affairs**

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**Income Security Advocacy Centre**  
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## **The Income Security Advocacy Centre**

The Income Security Advocacy Centre is a community legal clinic funded by Legal Aid Ontario. We have a provincial mandate to improve the income security of people living in Ontario through test case litigation, policy development, advocacy and community organizing.

We are governed by an elected Board of Directors that includes members of the low-income community from across the province, as well as academics, legal experts and service providers. We work closely with sixty local legal clinics who work every day with the challenges faced by low-income people relying on Ontario's income security programs. We also work in coalition with advocacy groups and organizations such as Campaign 2000, the 25 in 5 Network for Poverty Reduction, and the ODSP Action Coalition.

Since ISAC opened its doors in 2001, we have advocated for improvements to the incomes of low-income Ontarians through rate increases to income security programs, improvements to minimum wages and employment standards, and reform of programs and benefits systems.

## **Slow Growth and Continued Uncertainty Requires Action**

As in recent years, our pre-budget submission this year addresses issues of income adequacy and income support program design and their integral connection to the current economic climate. The ongoing fragility of Ontario's economic recovery indicates the need for a continuing commitment to active social policy interventions in the area of poverty reduction to ensure that all Ontarians are given the opportunity to make ends meet and better participate in and benefit from inclusion in the economy and in community.

## **No Recovery for the Unemployed**

While the economic climate continues to improve, most recently demonstrated by a fifth consecutive quarter of improved growth, there is no doubt that the impact of the recession on individuals and families in Ontario continues to be felt. Growth remains low and slow and various indicators show that improvements are being made in fits and starts.

Perhaps most importantly, the labour market has yet to recover. The latest information from Statistics Canada shows that job creation since the recession ended has not matched the number of jobs lost during the recession. The employment rate in Ontario remains below pre-recession levels, indicating that the proportion of working-age Ontarians with jobs continues to lag. "Real" unemployment continues to be much higher than before the recession, as many Ontarians have simply given up looking for work. And the impact on young workers has been significant, with youth unemployment remaining higher than that of the general workforce. In addition, there is continuing debate and concern as to the quality and longevity of the jobs that have been created.

## **High Household Debt a Mark of Social Policy Failure**

And, while consumer spending has softened the recession's blow, this positive news must be tempered by current record levels of household debt. Indeed, household debt may be one of the most telling impacts of the recession – and of public policy choices that continue to weaken the economic security of Ontario families.

What has happened to the workers who lost jobs during the recession and did not qualify for Employment Insurance or exhausted their EI claims? How did they make it through?

Clearly, many have had to rely on social assistance, as Ontario Works (OW) caseloads have grown by 23% since October 2008. But OW, as the provincial income support program of last resort, requires them to impoverish themselves before they can get any help. As such, during the course of the recession, 84,700 individuals and families were forced to completely deplete their assets and savings in order to qualify for OW.

But as recent high household debt numbers might suggest, many others may have been forced to amass exceptional levels of debt in order to pay the bills. As the Bank of Canada and the federal government continue to remind us, our high household debt numbers are dangerous – not just for the individuals involved, but for the economy as a whole. A common threat requires a common response. Instead, high household debt levels suggest that the lack of immediate policy action on income security has in fact divested societal responsibility to the individual.

### **Social Assistance Policy Doesn't Match the Unanimous Commitment to Poverty Reduction**

In December 2008, the government made a historic commitment to a Poverty Reduction Strategy that, as a first step, will reduce child and family poverty by 25% by 2013. The Poverty Reduction Act, which enshrined an ongoing commitment to poverty reduction, received unanimous support from all parties in the legislature a few months later.

Many of the choices that have been made since then – including increases to the Ontario Child Benefit, a significant investment in child care and early learning, the recent announcement of the maintenance of the Special Diet Allowance, and the upcoming Social Assistance Review – indicate that, even in these difficult economic times, there is a continuing commitment to making progress. And yet, there continues to be dissonance between poverty reduction and current social assistance policy.

### **Social Assistance Review Means Long-Term Change**

The Social Assistance Review provides the opportunity for a transformation of Ontario's social assistance programs. Linking social assistance with the vision of poverty reduction will mean finding ways to move away from a punitive program that blames individuals for their poverty, to one that recognizes that poverty is a societal problem that can be addressed through public policy. It will mean connecting vulnerable Ontarians to meaningful supports and individualized skills development – not just another resume writing class – that they require to move out of poverty. As such, the Review will be key to creating economic opportunity for all Ontarians, and therefore to Ontario's longer-term economic recovery strategy.

But the Social Assistance Review has only just begun and, until such time as it concludes and action is taken on its recommendations, shorter-term measures must be taken to improve the quality of and access to Ontario's current income security and education and training programs.

## **Short-Term Action is Required**

Ontarians still living through the economic crisis have an immediate need for support. And, as US growth continues to falter and public-sector stimulus is withdrawn over the coming months, very slow growth in Ontario and continuing weakness in employment remains a high risk.

Action must be taken to ensure that those individuals and families who have not seen their employment prospects improve – or are not able to participate in the labour market for a variety of reasons (such as Ontarians with disabilities) – are given the income and supports they need.

For the 2011 Budget, we advocate a number of concrete steps that government can take to ease the burden of the recession and continued slow growth, and to help Ontarians prepare for an eventual return to better times. This means taking action in the short-term, on the very pressing needs of vulnerable Ontarians who rely on the benefits provided through Ontario's social assistance programs, Ontario Works (OW) and the Ontario Disability Support Program (ODSP).

### **Recommendation 1: A significant increase must be made to the incomes of people receiving Ontario Works and Ontario Disability Support Program benefits.**

The chorus of Ontarians calling on government to increase the incomes of people on OW and ODSP continues to grow louder and more insistent, particularly as the recession has caused an increasing number of Ontarians to rely on these programs. But dangerously low benefit levels continue to foster despair, compromise health, create social exclusion, and curtail opportunities to participate in the labour market and the community. While this government has helped to mitigate the impact of inflation through small rate increases, and while the Ontario Child Benefit (OCB) has improved incomes for families on assistance who have children, no serious attempt has been made to bring incomes up to any level of adequacy – especially for single people.

While all OW and ODSP family types (singles, single parents, couples, and couples with children) require increases in income, single people on OW continue to live in the deepest poverty and continue to require the most additional resources. And, while the OCB has increased incomes overall, the associated restructuring of OW and ODSP benefit rates increasingly treats single mothers as “single” people. The positive impact of the OCB is thus being severely undermined by the punishingly low rate for singles. Increasing the singles rate must be the first priority.

Not only is an investment in OW and ODSP incomes socially responsible, it is also the economically prudent thing to do. Putting money into the hands of low-income Ontarians – who will spend that money at businesses in their neighbourhoods – helps keep the economy moving. Increases to incomes will go directly to the purchase of food, clothing and other household necessities, benefiting not only low-income Ontarians but also Ontario's economy.

As we have indicated in the past, any of a variety of strategies could be used to increase incomes: the Put Food in the Budget campaign calls for an additional \$100 for each adult on assistance; a housing benefit available to all low-income Ontarians could help social assistance recipients afford this expense; support could be based on public health standards for the costs of living; tax credits could be increased substantially. Additional suggestions for improving incomes follow in our recommendations below. Whichever strategies are chosen, a significant increase to incomes must be included in Budget 2011.

**Recommendation 2: Ensure more of the Canada-Ontario Labour Market Agreement funds are spent to improve the access of people receiving OW or ODSP benefits to Employment Ontario programs.**

The quality and extent of the training and education programs offered through Employment Ontario to assist unemployed Ontarians to adjust and retrain for today's economy surpasses those available to social assistance recipients. Improving access for OW and ODSP recipients to these programs will be much more likely to result in permanent, stable employment.

Funds were provided in the 2008 Canada-Ontario Labour Market Agreement to specifically provide training and education to people receiving social assistance. These funds should be spent now to better prepare people receiving OW and ODSP to take their place in economic recovery.

**Recommendation 3: Provide people receiving OW and ODSP access to OSAP for educational costs.**

The current OW and ODSP systems do not allow recipients to access OSAP funds for educational costs while concurrently receiving OW or ODSP benefits for living costs. This policy has only been in place since the changes to social assistance made in the late 1990s; prior to the introduction of OW and ODSP, receiving support from both programs was the norm. This was an effective investment that allowed people living in poverty to improve their educational outcomes, and resulted in many single mothers and others escaping poverty.

As the labour market continues to undergo severe changes, with higher education becoming increasingly important in a growing knowledge economy, using the former system as a model makes sense now more than ever. Budget 2011 should invest in Ontarians by making this change.

**Recommendation 4: Increase OW asset limits to \$5,000 for singles and \$9,000 for families.**

Individuals and families in economic crisis cannot currently qualify for OW if they have assets above the amount of one month's benefits (\$592 for a single person; \$1,070 for a family of three). Applicants must thus liquidate and spend their family's savings, RRSP's, Whole Life Insurance, etc. to bring their asset levels below those prescribed before they can access any OW support.

Ontarians who have lost their jobs in the recession and have either exhausted their Employment Insurance benefits or were ineligible for EI have their access to support delayed due to this requirement. Once receiving benefits, this loss of personal assets is both demoralizing and creates persistent problems over the longer term by eliminating the financial cushion that people require to support employment-related preparation and to deal with financial pressures once new work is secured. Recipients returning to paid work with a zero asset floor have nothing to fall back on, except a return to social assistance, if the paid work opportunity turns out to be unreliable. These rules simply further punish individuals and families who are struggling with the fallout of the recession and the delay in labour market recovery.

There is a broad consensus that asset stripping is counter-productive and must be addressed; the specific limits we are proposing are broadly supported<sup>1</sup>.

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<sup>1</sup> Baldwin, Stapleton, Drummond, *New Asset and Income Policies to Assist Low-Income Adults under Ontario's Poverty Reduction Strategy*, (2008) TD Economics [http://www.td.com/economics/special/dd0908\\_poverty.pdf](http://www.td.com/economics/special/dd0908_poverty.pdf).

**Recommendation 5: Increase the Ontario Child Benefit with no offsets through further restructuring of social assistance benefits.**

The government's Poverty Reduction Strategy commits to a maximum Ontario Child Benefit of \$125 per month per child by December 2013. Steps should be taken in Budget 2011 towards achieving this level of support for Ontario's children, both to enable low-income families to better meet their needs as well as to contribute to local economic recovery.

Any further increases to the Ontario Child Benefit should not be offset by further restructuring of OW and ODSP rates. Rate restructuring has meant that families on assistance do not benefit as much as working families and, as mentioned above, that benefits are extremely uneven between families on assistance depending on family type. Restructuring has had a particularly negative impact on single parents, and especially those with older children. A single mother with one child over the age of 13 has received a net increase of as little as \$16 per month as a result of the OCB and restructuring. All low-income families in Ontario should benefit equally from the OCB.

**Recommendation 6: Exempt child support payments from OW and ODSP in full or in part.**

The objective of child support payments is to ensure that a child's standard of living is not negatively impacted by marital breakdown. But the Ministry of Community and Social Services continues to deduct child support dollar-for-dollar from the OW or ODSP benefits of the parent who receives them.

This practice runs directly counter to the government's poverty reduction agenda, guaranteeing that children will continue to live in poverty by capping a single parent's income to the meagre level provided by these programs. And where the paying spouse is also on social assistance, such deductions result in a net reduction to the family overall.

Reducing or eliminating child support deductions would allow single parents to better provide for their children and thus increase their quality of life both now and into the future. This policy change would also increase the incentive for the non-custodial parent to pay child support, as well as that of the custodial parent to pursue child support.

**Recommendation 7: Initiate tax-filing supports for low-income Ontarians to ensure they receive tax credits aimed at improving incomes.**

A number of important tax reforms and credits, like the Ontario Child Benefit, have been introduced to improve the incomes of low-income Ontarians and mitigate the impact of increasing costs. But these benefits are only available to people who are able to file their income tax returns.

With the amount of income support being provided through the tax system on the rise, the provincial government must ensure that low-income Ontarians are given the support they require to effectively benefit from them, and that community-based organizations are adequately resourced to provide this support.

Budget 2011 should thus include funding for annual tax filing clinics, administered by community partners and First Nations communities, to help ensure uptake of the various tax credits and benefits available to low-income Ontarians.

### **Recommendation 8: Exempt RRSPs as assets.**

These assets have often been acquired over years of self-sacrifice. Requiring their depletion for what may be short-term financial assistance while an individual or family recovers from the economic recession is counter-productive. It undermines long-term financial security and likely increases cost to government as more individuals become forced to rely on supplementary government income programs in their old age. Allowing a window of retention for RRSP assets up to \$60,000 would stem the financial crisis that many Ontarians have experienced in the course of the recession. And it would better buttress both individual Ontarians and their governments against the looming crisis in retirement income.

### **Recommendation 9: Stop treating loans as income.**

In both OW and ODSP, most loans are defined as income and, like other sources of income, are deducted from the person's benefit cheque in the month following receipt. This is the case even though loans received must be repaid to the lender, and even in such standard situations as taking out a loan to consolidate and reduce the cost of credit card debts. This bizarre rule imposes a harsh financial penalty on people, when benefits are so inadequate that the need to borrow to make ends meet is almost unavoidable.

### **Conclusion**

The government's Social Assistance Review has the potential to create the kind of social assistance system that will better support Ontarians grappling with change in a twenty-first century economy. But this long-term thinking must be accompanied by short-term action – the kind that can assist with both short- and long-term income support needs – while the Review proceeds.

The current fragile state of economic recovery demands that the province take steps to improve social assistance programs in the interim. Our recommendations for Budget 2011 are therefore aimed at ensuring that better supports are provided for people on social assistance.

These changes will have the associated benefit of responding to continuing challenges in Ontario's economy. Helping Ontarians who are struggling to make ends meet and better participate in and benefit from inclusion in the economy and community will both encourage economic activity over the short term and provide a strong foundation for longer-term economic growth.