

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

Presented By

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I. Income Security Advocacy Centre

The Income Security Advocacy Centre (ISAC) is a provincial test case and law reform clinic that is part of the legal clinic system funded through Legal Aid Ontario. Our focus is on improving the income security of people living in Ontario.

II. Social assistance in Ontario

The purpose of an income security system is to ensure all people at all times have an adequate standard of living. As a society we acknowledge that due to factors such as disability, unemployment and family responsibilities, people fall into financial crisis and require a safety net to ensure their basic needs are met and their ability to participate in society is maintained.

Ontario's social assistance system is in tatters. The rates of assistance are dangerously low, forcing low-income families to make choices no one in this rich province should ever have to make. However, increasingly, families on social assistance are faced with choosing between eating or keeping the heat on. The prevalence of such situations is an indication of the government's failure to fulfill its responsibilities.

The Liberal government came to power promising to rebuild Ontario and the vital public services on which people in this province rely. By any and all measures, the Liberal government has failed people on social assistance. The rates of assistance provided by the Ontario Disability Support Program and Ontario Works are lower now - in real terms - than they were when the Conservatives were in power. The measly 3% increase to social assistance rates implemented by the current government in 2005 essentially adjusted the rates for inflation for one year. This was hardly an adequate measure to address the depth of poverty faced by families on social assistance. Poverty in Ontario is a serious situation and requires serious attention – not token efforts.

People in Ontario are entitled to an adequate standard of living. This entitlement should be reflected in the social assistance rates. However, as reflected in Table One, people on Ontario Works are living 60% below the poverty line, while those on ODSP are living approximately 35% below the poverty line.

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

Family Size	OW Rate	ODSP Rate	Low Income Cut-Off (Poverty Line)¹
One adult	\$6432	\$11 508	\$17 515
One adult + one child ²	\$11 844	\$17 616	\$21 804
One adult + two children ³	\$13 932	\$20 280	\$26 805
Two adults ⁴	\$11 148	\$17 520	\$26 805

Table One reveals how dreadfully inadequate the social assistance rates are and highlights the gross inadequacy of the 3% increase implemented last year. A further indication of the inadequacy of social assistance rates and the intolerability of the current government's inaction is a comparison of average rents with the shelter allowances provided by social assistance.

¹ Before-tax, after transfer 2004 LICOs for a city with a population of 1000 to 499 999. Statistics Canada, *Low income cutoffs for 2004 and low income measures for 2002*, Catalogue no. 75F0002MIE — No. 003. The pre-tax LICO is considered by many, including the Canadian Council on Social Development and the National Anti-poverty Organization, to be the most accurate poverty line.

² Based on child 12 years of age or under.

³ Based on one child under 12 years and one child over 12 years of age.

⁴ For ODSP calculation, one disabled adult and spouse.

TABLE TWO: Comparison of Monthly Shelter Allowances to Average Rent

Family Size	OW Monthly Shelter Allowance	ODSP Monthly Shelter Allowance	Average Rent⁵
One adult	\$335	\$427	Bachelor \$652
One adult + one child	\$527	\$672	2-bedroom \$903
One adult + two children	\$571	\$729	3-bedroom \$1 119
Two adults	\$527	\$672	1-bedroom \$780

Consider for example, that a single mother with one child will receive a shelter allowance of \$527, while the average cost in Ontario of a one-bedroom apartment is \$780 and the average cost in Ontario of a two-bedroom apartment is \$903.

The government needs to take social assistance reform seriously. A first priority must be to increase the social assistance rates. Social assistance rates should be raised to reflect the real cost of living. Social assistance in Ontario should include shelter allowances that are based on average rents as calculated by the Canada Mortgage and Housing Corporation and 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*. This recommendation is consistent with the jury recommendations that examined the death of Kimberley Rogers.

III. 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 annual

⁵ Based on average 2004 rents in Ontario as calculated by Canada Mortgage and Housing Corporation.

increases to the NCBS, effective July 2004. The Ontario government continues to claw back dollar for dollar the remaining 85% of the NCBS from families receiving social assistance.

A single parent with two children will receive a monthly NCBS benefit of \$268. The Ontario government claws back approximately \$226 each month from that parent's social assistance. As illustrated above, this is money desperately needed by families on social assistance.

In 2004-05 it is estimated that the Ontario government clawed back approximately \$256 million from families receiving social assistance.⁶ This money is used to fund reinvestment and investment programs for low-income families. In effect, the reinvestment programs are funded on the backs of families on social assistance. 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 by the poorest people in our communities. It is 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. The reinvestment programs are important, but these programs should not be funded at the expense of hungry children.

Ending the NCBS clawback from social assistance cheques is a crucial and necessary step the government must immediately take. Ending the NCBS clawback would make a meaningful difference in the monthly income of social assistance recipients with children.

IV. Minimum Wage

Current social assistance rates in Ontario do not cover the costs of 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, 2006, will earn \$7.75 per hour. That person will be living on wages that are approximately 25% below the poverty line. If the worker has dependants, the situation is even worse.

⁶ *The National Child Benefit Progress Report: 2004.*

In 2000, according to Statistics Canada, 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. 32% of women workers make less than \$10 an hour compared with 12% of male workers. One quarter of recent immigrants make less than \$10 an hour compared with 1/6 of Canadian-born workers. One third of workers who are visible minorities make less than \$10 an hour.⁷

A growing body of research suggests raising the minimum wage would have a minimal impact on employment levels. The "job killer" argument has been used throughout history 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."

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 businesses. Raising the minimum wage means individuals, families and the broader community are all better off.

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.

V. 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 has fallen well below the mark set by the Matthews Report.

People whose circumstances compel reliance on social assistance will be well served by implementing of all the recommendations in the Matthews Report.

Additionally, in preparing the budget, the government should avoid short-sightedness. It is worth recalling Ms. Matthews's observation that "inadequate social supports may result in increased demand on the healthcare system, the police and justice system and Children's Aid Societies."⁸

⁷ René Morrissette and G. Picot, "Low-Paid Work and Economically Vulnerable Families over the Last Two Decades", Statistics Canada - Catalogue no.11F0019MIE- No.248.

⁸ Deb Matthews, "Report to the Honourable Sandra Pupatello, Minister of Community and Social Services - Review of the Employment Assistance Programs in Ontario Works and Ontario Disability Support Program," December 2004: p.3.

VI. CONCLUSION

Poverty and its impacts are felt widely throughout society. The consequences of failing to take poverty seriously are dire - and expensive. Poor health, crime and poor school performance are just some of the consequences of poverty that demand our attention and resources.

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 2006 budget to achieve the following:

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

A budget that takes poverty seriously will benefit all people in Ontario.