

**PRE-BUDGET SUBMISSION
TO THE
ONTARIO STANDING COMMITTEE
ON FINANCE AND ECONOMIC AFFAIRS**

Presented by

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I. 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 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. We work closely with sixty local legal clinics who work every day with low-income people.

II. Poverty in Ontario and Ontario's Poverty Reduction Strategy

Poverty remains a persistent problem in Ontario. While the national poverty rate has fallen, nearly 1.3 million people continue to live in poverty in Ontario¹. Income inequality has grown, with the rich getting richer, the poor as a group getting bigger, while the middle income declines². And some of the most vulnerable communities, like racialized communities, Aboriginal people, women, and people with disabilities, are disproportionately represented among the poorest in our society³. Poverty matters to anyone who wants to live in a healthy province, and addressing poverty should be a primary focus of this, the first budget of the government's new term.

We applaud this government for bringing the issue of poverty back onto the political agenda and for making a commitment to a poverty reduction strategy in its election platform. Since the election, it has taken the first essential steps. The establishment of a Cabinet Committee on Poverty Reduction and the appointment of Deb Matthews as Chair indicate that the government is taking this commitment seriously. But these are only first steps. This budget is crucial and must provide the necessary financial support for the Committee to allow it to develop a meaningful poverty reduction strategy.

This budget must also demonstrate that people relying on social assistance will not be forgotten as we move forward on poverty reduction. Social assistance recipients are among the most vulnerable and stigmatized of the low-income people in this province. This budget must provide a significant immediate increase in social assistance rates, one that will have a meaningful positive impact on the lives of recipients. And the budget must address the poverty of working age adults without children who, to date, have been excluded from any gains other than minor inflation adjustments.

Social assistance recipients have fallen so far below the poverty line that every dollar they receive counts. As programs are reviewed and rationalized, no benefit, supplement or program should be lost until rates are substantially increased. When the gap between social assistance rates and real costs of living is so stark, recipients cannot afford to lose any benefit they are currently receiving.

¹ Statistics Canada. *Income in Canada 2005*.

² See GrowingGap.ca.

³ See, for example, ColourofPoverty.ca

As the legislature went back into session in November, the Premier committed to an activist agenda for this government's mandate. This commitment means that while this government works toward an integrated and comprehensive system to address poverty, it cannot wait to take active steps now. Here are our suggestions for what those active steps should be.

III. Creating an Inclusive Poverty Reduction Strategy and Government Commitments

The government has committed to consulting with policy experts on the shape and goals of its poverty reduction strategy. However, government must also consult with low-income people who are experts on their own lives and the challenges they face. Low-income people have the knowledge about what kinds of changes will have the greatest impact on addressing those challenges.

This means going into communities and talking to people whose lives this initiative is intended to improve. Recent studies confirm that the low-income community is disproportionately comprised of racialized communities, women, Aboriginal people, people with disabilities, and newcomers⁴. The government must ensure that their voices are heard in a meaningful way so that their needs are properly addressed in its poverty reduction strategy. And that costs money.

Recommendation #1: That the 2008-09 Ontario Budget include specific targeted funds to support a wide-ranging and inclusive consultation process on the substance of the government's poverty reduction strategy.

The government has already made some specific program commitments as first steps towards their poverty reduction strategy. These include a dental care program, full-day junior and senior kindergarten, and an affordable housing strategy. All these initiatives should be funded this year so that the Cabinet Committee can move on to other key priorities.

Recommendation #2: That the Budget provide funding for the government's dental care, full-day junior and senior kindergarten, and affordable housing strategies.

IV. Social Assistance in Ontario

When we talk about social assistance recipients, who are we talking about? There are two social assistance programs in Ontario: Ontario Works (OW) and the Ontario Disability Support Program (ODSP).

Benefit rates for these programs should reflect actual living costs, including the average cost of market rent, the average cost of a nutritious food basket, and money for all other needs such as transportation, telephone and utilities. Unfortunately, right now, both OW and ODSP rates are far below what is adequate.

⁴ Ornstein, Michael. (2006). *Ethno-Racial Groups in Toronto, 1971-2001: A Demographic and Socio-Economic Profile*. York University: Institute for Social Research.

United Way. (2004). *Poverty by Postal Code: The Geography of Neighbourhood Poverty*. Toronto: Canadian Council on Social Development.

Ontario Disability Support Program

This program is the only source of support to many people in Ontario with disabilities. These are people with long-term needs, and most will never be able to leave the program for full-time work. Nonetheless, people on this program must endure the process of having their medical condition or disability verified over and over again. In fact, the gate-keeping for this program is so rigid that sixty legal clinics across the province expend the majority of their resources successfully appealing negative decisions to get the benefits that their clients are entitled to.

Government must stop spending so much money trying to keep people off ODSP who are entitled to receive this benefit. These funds could instead be directed to benefits and supports, and savings would be realized for both Legal Aid and the health care system, in which significant time and money are wasted on often unnecessary tests and specialist reports.

Between 1993 and 2003⁵, ODSP rates remained unchanged – despite a 23.3% rate of inflation over that same period that saw purchasing power plummet. Since 2003 we have seen long-awaited annual increases, but the 7.16% compounded increase to rates over the past four years has not quite kept up with the 8.85% rate of inflation.

Currently, a single person on ODSP receives an annual income of \$12,386, including all available tax credits. The appendix on page 9 shows that this represents only 70% of the after-tax LICO⁶, meaning that a rate increase of 43% would be required to reach this poverty line. Largely because of federal child benefits, families with children fare slightly better.

In contrast, the income security programs that serve seniors provide regular cost of living increases. These kinds of benefit improvements have been cited as one of the reasons national poverty rates have dropped⁷, and we would suggest that people with disabilities deserve the same treatment and respect.

Ontario Works

As Canada's and Ontario's social safety net shrinks and the labour market changes, more and more people have come to rely on the Ontario Works program. But this program must be reformed in order to better support those who are able and ready to re-enter the workforce and in order to acknowledge that many people in this program have long-term needs that require other kinds of support.

The *Review of Employment Assistance Programs in Ontario Works & Ontario Disability Support Program* prepared by Parliamentary Assistant Deb Matthews in December 2004 outlined the diverse needs that are currently being served by this program, and concluded that most are not being served well. We must make it easier to move into the labour market for those who can work, and we must provide adequate benefits for those who can't.

⁵ This time span encompasses the final rate increase under the Rae government, and the first under McGuinty.

⁶ The after-tax Low-Income Cut Off is the most widely-used indicator of poverty in Canada.

⁷ Stapleton, J. (2006). *Statement to the House of Commons Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities*. November 23.

The OW caseload currently includes people whose disabilities are so great that they are prevented from successfully navigating the application process for ODSP. It also includes people with disabilities that don't quite meet the threshold for ODSP, but who face multiple obstacles and thus have very little prospect of returning permanently to full-time employment.

The caseload also includes a large number of single mothers with dependent children, as well as women and children fleeing domestic violence. While critics of social assistance often denounce the dependency that the system is purported to foster, they ignore the fact that it can provide a necessary independence from abusive spouses who threaten the safety of women and children⁸. Benefits must be adequate to ensure that social assistance remains part of the exit strategy from violence.

The 21.7% cut to benefits imposed in 1996 had a devastating impact, from which recipients have never recovered. While the increases since 2004 have marked a welcome departure from the policy of the previous government, rates continue to be well below all commonly used poverty measures. And, as previously noted, inflation has left recipients functionally worse off now than before the recent increases.

Today, a single person on Ontario Works receives \$560/month. With tax credits⁹, that income goes up to \$606/month. This represents only 44% of the after-tax LICO – a shocking degree of depth of poverty.

The \$560 provided by OW is intended to cover shelter and basic needs. However, the CMHC average monthly rent for a bachelor apartment in Ontario is \$665¹⁰. Clearly, social assistance rates are tremendously disconnected from the reality of the costs of living. But, to compound the problem even further, if the single person who cannot afford a bachelor apartment makes the sensible decision to share that apartment, her rates are reduced even further.

What about families? A single parent with two children receives \$1,166/month from OW. With current tax credits and federal and provincial child benefits, that amount doubles, but remains only 76% of the after-tax low income cut-off. An increase of 27% would be required to reach the after-tax poverty line.

This government must show good faith in its intention to reduce poverty in this province by bringing in an immediate double-digit percentage increase to OW and ODSP as a down-payment towards future improvements.

And it must index those rates to inflation so that recipients don't fall any further behind.

In addition, we recommend a comprehensive review of all social assistance rates for all family types. We strongly recommend that government set up an independent committee, including low-income people, policy experts, and advocates, to develop rational and just criteria for determining OW and ODSP rates so that all recipients can have a decent standard of living.

⁸ Woman and Abuse Welfare Research Project. (2004). *Walking on Eggshells: Abused Women's Experiences of Ontario's Welfare System*.

⁹ This includes a \$15.18 monthly GST credit and a \$31.67 monthly Property and Sales Tax credit.

¹⁰ As of October 2007. *CMHC Rental Market Report: Ontario Highlights*. Spring 2007.

In addition, the social assistance rate restructuring that is being implemented in July and August of this year will see low-income families lose their annual Back-to-School and Winter Clothing allowances, which together amount to between \$180 and \$228 per child per year¹¹. Families depend on these allowances to outfit their children for school and clothe their children for the cold each year. Despite the increase in total income provided for by the introduction of the monthly Ontario Child Benefit, families on social assistance simply do not receive a monthly income that is adequate to allow them to save for these expenses.

Recommendation #3: That a double-digit percentage increase be made to social assistance rates, representing a down-payment in anticipation of a commitment to ensure that social assistance rates reflect the actual cost of living;

Recommendation #4: That social assistance rates be permanently indexed to inflation;

Recommendation #5: That the Back-to-School and Winter Clothing allowances be restored.

We also strongly recommend that this government undertake a comprehensive review of social assistance procedures and practices. The 2004 Matthews Report indicated that:

There are now approximately 800 rules and regulations within the system that must be applied before a client's eligibility and the amount of their monthly cheque can be determined. Many of those rules are punitive and designed not to support people, but rather to keep them out of the system. Because there are so many rules, they are expensive to administer and often applied inconsistently from one caseworker to another, even within the same office.

The enforcement of punitive rules is a waste of money that could instead be used to actually improve the lives of low-income people.

V. Ontario Child Benefit

In its first term in office, this government invested in an important new benefit for low-income families, the Ontario Child Benefit. It deserves credit for this investment in low-income children, and for the structural change that creates a platform that will benefit the children of both parents relying on Social Assistance and of those who work for low wages.

The Ontario Child Benefit was introduced in the 2007-08 Budget and will be rolled out incrementally, increasing gradually from \$50/month per child in 2008-09 to \$92/month per child in 2011-12. However, the low-income children of Ontario cannot wait. The roll-out must be accelerated to allow low-income families to better cope with the costs of raising children.

Furthermore, the children of parents who receive social assistance, who are among the poorest and most disadvantaged children in Ontario, will not receive the full benefit of the OCB. The restructuring of social assistance that accompanies this important new benefit does not put enough money in the pockets – or food on the table – of families on social assistance, as a portion of the new benefit is effectively clawed back. When the full benefit is paid out in 2011,

¹¹ These amounts vary depending on the age of the child.

children whose parents receive social assistance will only receive \$50 of the \$92 per month per child, because OW and ODSP rates are being reduced as the OCB increases. This is unacceptable. All low-income children, regardless of the source of their parents' income, should receive the full Ontario Child Benefit.

Recommendation #6: That the roll-out of the implementation of the Ontario Child Benefit be accelerated;

Recommendation #7: That the already announced social assistance rate restructuring in July and August 2008 be adjusted so that the entire OCB received by families on social assistance is a net increase to family income.

VI. Minimum Wage and Fair Working Conditions

Income security includes access to good jobs to bring and keep people out of poverty. Surely we can agree that Ontarians who work a full-year at full-time hours should not be living in poverty. An increase in the minimum wage is one tool in the battle against poverty. Despite past claims to the contrary, an increase in the minimum wage has been found to have negligible or even positive impacts on employment¹².

Income security also means employment standards that are enforced and that can be relied upon to protect low-waged and vulnerable workers. It also means access to unionization to allow workers to strengthen their collective bargaining position in the marketplace.

Recommendation #8: That the Ontario minimum wage be raised to \$10.20/hour immediately;

Recommendation #9: That the Ontario minimum wage be indexed to inflation immediately;

Recommendation #10: That resources be provided to the Ministry of Labour to improve the enforcement of employment standards.

VII. Engage with Other Levels of Government

The province should not allow its efforts to improve the lives of low-income Ontarians to be undermined by other levels of government. All three levels must work together.

Municipal Governments:

The National Child Benefit Supplement has been clawed back from social assistance recipients for years. Municipalities have been required to reinvest their share of the clawback savings into programs for low-income families with children. As the Ontario Child Benefit rolls out, the NCBS clawback will be reduced, but not eliminated. Municipalities will still have significant savings. It is crucial that the province continue to require municipalities to reinvest those savings in what have become key programs for low-income families.

¹² Murray, S. and H. McKenzie. (2007). *Bringing Minimum Wages Above the Poverty Line*. Toronto: Canadian Centre for Policy Alternatives.

Recommendation #11: That the province require municipalities to continue to reinvest savings from the integration of the NCBS and social assistance benefits, at 2007 levels, into programs for low-income families, and to continue to report those reinvestments.

Federal Government:

The province should engage in discussions with the federal government to restore Employment Insurance to former levels of coverage, and make it a meaningful program once again for Ontarians. This program's erosion has meant hardship for unemployed people who no longer qualify and who are forced to impoverish themselves by depleting their assets before receiving social assistance through Ontario Works. It has also put pressure on provincial and municipal budgets to provide OW benefits to workers who should be receiving federal benefits.

The province should advocate for the program's eligibility rules to be changed to reach former levels of coverage, and extend coverage to respond to changes in the labour market, including growth in part-time work and self-employment. Essential training programs can help move low-income workers into better employment opportunities, instead of forcing low-income people into jobs that do not lift them out of poverty. Benefit levels must also be improved.

Recommendation #12: That the province advocate with the federal government to increase both access to Employment Insurance and EI benefit levels.

VIII. Conclusion

We trust that this government's commitment to its poverty reduction strategy will see a variety of improvements made to assist low-income Ontarians over the long-term. Until such time as the strategy is in place and these changes start being made, however, we would recommend that the government's first budget for 2008-09 include the following important expenditures.

Recommendation #1: That the 2008-09 Ontario Budget include specific targeted funds to support a wide-ranging and inclusive consultation process on the substance of the government's poverty reduction strategy;

Recommendation #2: That the Budget provide funding for the government's dental care, full-day junior and senior kindergarten, and affordable housing strategies;

Recommendation #3: That a double-digit percentage increase be made to social assistance rates, representing a down-payment in anticipation of a commitment to ensure that social assistance rates reflect the actual cost of living;

Recommendation #4: That social assistance rates be permanently indexed to inflation;

Recommendation #5: That the Back-to-School and Winter Clothing allowances be restored;

Recommendation #6: That the roll-out of the implementation of the Ontario Child Benefit be accelerated;

Recommendation #7: That the already announced social assistance rate restructuring in July and August 2008 be adjusted so that the entire OCB received by families on social assistance is a net increase to family income;

Recommendation #8: That the Ontario minimum wage be raised to \$10.20/hour immediately;

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Recommendation #11: That the province require municipalities to continue to reinvest savings from the integration of the NCBS and social assistance benefits, at 2007 levels, into programs for low-income families, and to continue to report those reinvestments;

Recommendation #12: That the province advocate with the federal government to increase both access to Employment Insurance and EI benefit levels.

Appendix I: Social Assistance Incomes and Various Commonly-Used Poverty Measures

Table I: Comparison of Total Maximum Income for OW recipients with Low Income Cut-Off (LICO) and Low Income Measure (LIM) figures.

Family Composition		Total Income: OW recipients (2007)	Pre-tax LICO (2007)	Post-tax LICO (2007)	Pre-tax LIM (2005)	Post-tax LIM (2005)
# adults	# children					
1	0	\$7,205	\$21,374 (34%)	\$17,712 (41%)	\$16,236 (44%)	\$14,604 (49%)
1	1	\$16,368	\$26,610 (62%)	\$21,557 (76%)	\$22,768 (72%)	\$20,446 (80%)
1	2	\$21,186	\$32,713 (65%)	\$26,843 (79%)	\$27,647 (76%)	\$24,827 (85%)
2	0	\$12,313	\$26,610 (46%)	\$21,557 (57%)	\$22,768 (54%)	\$20,466 (60%)
2	1	\$17,487	\$32,713 (53%)	\$26,843 (65%)	\$27,647 (63%)	\$24,827 (70%)
2	2	\$22,585	\$39,718 (57%)	\$33,490 (67%)	\$32,526 (69%)	\$29,208 (77%)

Table II: Comparison of Total Maximum Income for ODSP recipients with Low Income Cut-Off (LICO) and Low Income Measure (LIM) figures.

Family Composition		Total Income: ODSP recipients (2007)	Pre-tax LICO (2007)	Post-tax LICO (2007)	Pre-tax LIM (2005)	Post-tax LIM (2005)
# adults	# children					
1	0	\$12,386	\$21,374 (58%)	\$17,712 (70%)	\$16,236 (76%)	\$14,604 (85%)
1	1	\$22,196	\$26,610 (83%)	\$21,557 (103%)	\$22,768 (97%)	\$20,446 (108%)
1	2	\$27,467	\$32,713 (84%)	\$26,843 (102%)	\$27,647 (99%)	\$24,827 (110%)
2	0	\$18,682	\$26,610 (70%)	\$21,557 (87%)	\$22,768 (82%)	\$20,466 (91%)
2	1	24,369	\$32,713 (75%)	\$26,843 (91%)	\$27,647 (88%)	\$24,827 (98%)
2	2	\$29,938	\$39,718 (75%)	\$33,490 (90%)	\$32,526 (92%)	\$29,208 (102%)

NOTES: Total Income includes OW or ODSP as well as, where appropriate, Child Benefits (CCTB, NCBS, OCB, UCCB), GST credits, and Property and Sales Tax credits.

Percentages noted in parentheses indicate the proportion of each poverty measure represented by total income.