

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

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**Income Security Advocacy Centre**

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INCOME SECURITY ADVOCACY CENTRE  
Centre d'action pour la sécurité du revenu

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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 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.

ISAC also works 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, it has advocated for improvements to the incomes of low-income Ontarians, through rate increases to income security programs, to improvements to minimum wages and employment standards, and through reform of programs and benefits systems. This submission addresses issues of income adequacy and income support program design through the lens of three key areas of Ontario public policy: mitigating the effects of the recession, preparing for the recovery and reducing child poverty.

## **II. The Economic Climate**

While economists may debate whether we remain in recession, there is no doubt that the jobs recovery has not yet begun. Low-income people are facing two challenges going forward. The first is surviving the immediate impact of the recession: how to pay the rent or mortgage and put food on the table during a period of severe job losses and reduced labour market opportunities. The second challenge is developing the skills necessary to participate in economic recovery and be full beneficiaries of future economic growth.

Ontario needs to be concerned about both challenges in this budget.

In December 2008, this 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 a few months later. The Premier's recent statement that the government "remains focused on driving forward with our priorities: building an Ontario with a strong economy so that our children can receive the best public education, our families are cared for in the best health care system, and where our vulnerable benefit from the best public supports" is a welcome affirmation that, even in these difficult economic times, this government remains committed to making progress on poverty.

For the 2010 Budget, we advocate a number of concrete steps that can advance this objective. Our submission addresses the very pressing needs of vulnerable Ontarians, and particularly those who rely on the benefits provided through Ontario's social assistance programs, Ontario Works (OW) and the Ontario Disability Support Program (ODSP).

### III. Mitigating the Impact of the Recession

Ontario has lost 208,000 jobs in this recession. As of November 2009, there were 274,600 Ontarians in receipt of Employment Insurance benefits (EI), and there is still no sign of improvement in the labour market.

The growing number of people employed in precarious work continue to be shut out of EI income replacement and training benefits and many find themselves cycling on and off of social assistance. As Ontarians who have lost jobs in the auto and manufacturing sectors exhaust their EI benefits, they may also need to look to OW to keep the wolves from the door. There undoubtedly will be disabled workers who were able to maintain good jobs through workplace accommodation, who will now have to look to ODSP for support. While Ontario should continue its efforts to negotiate with provinces and the federal government for improvements to EI<sup>1</sup>, Ontario must take steps in the immediate term to support the many who fall through the federal net. There is an urgent need to address the OW and ODSP rules that turn social assistance into a poverty trap and to begin a process of transforming the programs into a pathway out of poverty. Our recommendations for Budget 2010 address some of the most pressing first steps in that direction:

**Recommendation 1: First, do no harm: no cuts to current benefits and programs:** A top priority for government at this time must be to maintain income support programs and avoid the mistakes of the recession of the 1990's. Rushing to reduce the deficit by making severe cuts to social spending is short sighted. It causes severe hardship for vulnerable individuals, unnecessarily prolongs recovery and creates social deficits that can take decades to eliminate. The best way forward after recession is not to pull back from public sector responsibility by cutting programs and reigning in spending, but to set the foundation for recovery through strategic investments in the social safety net.

**Recommendation 2: Increase the asset limits for Ontario Works to \$5,000 for singles and \$9,000 for families.** The specific limits that we are proposing are broadly supported, including by TD Economics in a 2008 report.<sup>2</sup> Persons and families in economic crisis cannot qualify for OW, even as a bridging benefit, if they have assets above the amount of one month's benefits (\$585 for a single person; \$1058 for a family of three). Applicants must liquidate and spend down the family's savings, RRSP's, Whole Life Insurance, and more to bring them below the prescribed asset levels before they can access any OW support.

There is a broad consensus that this kind of asset stripping needs to be addressed. It is pernicious and counter-productive. Until there is a recovery in the labour market, the asset rules simply delay access to OW. Once on OW, the loss of all personal assets is not only demoralizing but creates persistent problems for the longer term. The loss of a financial cushion that can be used to support

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<sup>1</sup> EI used to protect and provide support for many more unemployed workers in Ontario than it does today, with the vast majority of unemployed receiving no support at all. This year, the percentage of unemployed receiving benefits has risen but, not because of improvements in the program. Rather, this increase is due to the fact that it is higher quality, full time jobs that have been lost. The recently added five-week extension of benefits will provide some additional support to those who already qualify for EI, but it does nothing to help the many low-income people who have been systematically excluded from any EI coverage because they were already trapped in precarious or part-time work. We need and should be able to expect more from federal income support programs like EI.

<sup>2</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).

employment related preparation or deal with financial pressures once there is a return to work hampers return to the paid work force. 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.

**Recommendation 3: Exempt RRSPs as assets.** Requiring the depletion of these assets, which have often been acquired over years of self-sacrifice, for what may be short-term financial assistance, is counter-productive. It undermines the long-term financial security of individuals 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 are now experiencing.

**Recommendation 4: Exempt casual gifts as income.** Ontario's Poverty Reduction Strategy encourages all sectors to participate in our collective effort to reduce poverty, but current OW rules work against that principle. There are significant restrictions on the kind of outside support an OW recipient can receive without having that support deducted dollar for dollar from her OW benefits. This applies even to support like the value of groceries or other gifts provided by friends or family members. In a context where even the former Minister has acknowledged that social assistance rates are dangerously low, it makes sense to allow families and communities to help individuals and families on OW to maintain their housing, access healthy food, improve their standard of living, and be better equipped to return to paid work. ODSP allows recipients to receive up to \$6,000 per year in gifts without penalty<sup>3</sup>. The same level should be available to OW recipients.

**Recommendation 5: Stop treating loans as income.** In both OW and ODSP, most loans are defined as income and any loans received are deducted from the person's benefit cheque in the month following the loan, even though they must be repaid to the lender. This rule even applies to such standard transactions 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 it is acknowledged that OW benefits are so inadequate that the need to borrow to make ends meet seems unavoidable.

**Recommendation 6: A significant increase must be made to the incomes of people receiving OW and ODSP benefits.** The dangerously low benefit levels provided to people on OW and ODSP continue to compromise health, create social exclusion and despair, and curtail opportunities to participate in community and in the labour market. Not only is such an investment the socially responsible and right thing to do, it continues to be the economically prudent thing to do. As we and many others (including leading economists) have said before, putting money into the hands of the poor – into the hands of those who will spend that money at businesses in their neighbourhoods – helps keep the economy moving. Any increases in income to people on assistance will go directly to the purchase of food, clothing and other household necessities. Stimulating demand in this way will benefit low-income Ontarians and benefit Ontario's economy. As we indicated last year, there are a variety of strategies available to increase adequacy: 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 – whichever strategy is chosen, Budget 2010 must include a significant increase to incomes.

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<sup>3</sup> In addition to the \$6,000 annual exemption, ODSP recipients may also received gifts for disability related expenses without reduction of their benefits.

**Recommendation 7: Initiate tax-filing supports for low-income Ontarians to ensure they receive the HST-mitigating tax credits.** The government has introduced a number of important tax reform measures to ensure that the introduction of the HST will not negatively impact on low-income Ontarians. Those mitigating measures are only available to people who file income tax returns. Budget 2010 should thus include funding for annual tax filing clinics, administered by community partners and First Nations communities, to help ensure uptake of the increased sales tax credit as a mitigating measure of the impact of the HST.

#### **IV. Preparing for the Recovery: Short-Term**

The current period of economic uncertainty and low employment presents an important opportunity to better align Ontario's social assistance programs with the meaningful training and education supports people need in order to be prepared when the employment recovery occurs. Laid-off workers are taking this opportunity to re-tool, to return to school and upgrade their skills, as evidenced by the increased uptake in college and university programs.

But people receiving Ontario Works and ODSP benefits are prevented from taking advantage of this opportunity. The employment and training supports currently offered through these programs are woefully inadequate. Recipients of benefits often complain about the treadmill they find themselves on that requires their participation in programs that offer little in the way of employment and training supports that are both person-centred and tailored to the labour market.

Specific changes to the Ontario Works and ODSP programs will assist in preparing for economic recovery by helping people get the opportunity planning they need.

**Recommendation 8: Expand eligibility to Employment Ontario programs to people receiving OW or ODSP benefits.** 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 far surpasses those available to social assistance recipients. Allowing OW and ODSP recipients to access 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 prepare recipients to take their place in economic recovery.

#### **V. Preparing for the Recovery: Long-Term**

In December 2009 the government announced the beginning of the promised Social Assistance Review with the appointment of the Social Assistance Review Advisory Council. We are pleased that this process has begun and look forward to the next phase wherein the review itself will be undertaken, as it has become increasingly clear that there is a dissonance between the public policy advanced through the Poverty Reduction Strategy and the policies that underlie social assistance, particularly Ontario Works.

A transformation of Ontario's social assistance programs through the Social Assistance Review will be key to creating economic opportunity for all Ontarians, and therefore key to Ontario's longer-term economic recovery strategy. Linking social assistance with the vision of poverty reduction will mean finding ways to meaningfully connect vulnerable Ontarians to the labour

market, and to give them the supports and individualized skills development they require to move out of poverty permanently.

This is why it is critical that adequate resources be provided to support the Social Assistance Review, including necessary research and consultation processes. While much consultation has been done and much information is available about the problems associated with the programs, there will be a need to consult with all stakeholders, and particularly low income Ontarians, on future frameworks, models, and programs to ensure that Ontario has an income security system that meets the needs of vulnerable people who rely on it as well as the province as a whole.

As the Advisory Council makes its recommendations on the Review's scope and terms of reference by April of this year, Budget 2010 must provide the needed funding to make this review a productive, effective and transparent process.

**Recommendation 9: Provide sufficient funding for the upcoming Social Assistance Review.**

Changes made as a result of the Review will not only assist in streamlining and providing better public services to Ontarians, but also in setting the foundation for programs that more adequately respond to the economic realities arising out of the recession. Budget 2010 must therefore provide funding sufficient to make a full review of OW and ODSP possible, meaningful, and credible.

## **VI. Reducing Child Poverty**

Ontario's Poverty Reduction Strategy, entitled *Breaking the Cycle*, made child poverty the priority. The commitment to reduce child poverty by 25% by 2013 saw the Ontario Child Benefit maximum immediately increased to \$92 per month per child last year, and a significant investment made in the first stage of implementation of the Pascal Report on early learning and child care. Meeting the 25% target, however, requires further investments in areas that have strategic poverty reducing and economically beneficial effects.

**Recommendation 10: Protect child care spaces in both the short and long term.** For low-income people, lack of access to safe affordable childcare is one of the most important barriers to participation in the labour market. The loss of \$64 million in Best Start funding not only puts at risk the availability of care for 7,600 children whose families receive subsidies – and therefore their parents' ability to work – but also jeopardizes on the entire child care system in Ontario – and therefore on the Ontario economy as a whole. In the short term, these funds must be provided to keep subsidies intact. In the longer term, Ontario must work to secure the integrity and sustainability of the entire provincial child care system.

**Recommendation 11: Exempt child support payments in full or in part.** Currently, child support payments are fully deducted from the monthly OW and ODSP benefits of the parent who receives them. These deductions undermine the objective of child support payments; that is, to ensure the child's standard of living is not negatively impacted by marital breakdown. Instead, these deductions cap a sole support parent's income to the meagre level of benefits provided by these programs, ensuring that children continue to live in poverty. In fact, where the paying spouse is also on social assistance, such deductions result in a net reduction to the family overall.

Reducing these deductions would not only allow sole support parents to better provide for their children and thus increase their quality of life both now and into the future, it 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. It should be noted that the province of Québec allows custodial parents to retain \$100 per month of child support income received.

**Recommendation 12: Increase the Ontario Child Benefit with no offsets by decreases to social assistance benefits.** The government's Poverty Reduction Strategy foresees an eventual maximum benefit of \$125 per month per child. Government should be planning now for how it will achieve this goal – with no further decreases to social assistance benefits<sup>4</sup> – as we move from recession into recovery and toward the 25% target. Any steps taken in Budget 2010 toward achieving this level of support for Ontario's children will not only enable low-income families to better meet their needs, but also contribute to local economies. No further decreases to social assistance benefits should be made so that all low-income families can benefit from the OCB.

**Recommendation 13: Change the definition of 'dependence' in OW and ODSP to remove the requirement for school attendance from the criteria for a family to receive benefits.** This requirement effectively punishes families who are in difficulty rather than supporting families in educational achievement. Under this requirement, a single mother, for example, who truly wants her child to succeed but is struggling with her child's behaviour or interest in school has her housing put in jeopardy and her family thrown into disarray by the reduction of her monthly benefits from \$913 to \$585 if the child is expelled or quits attending school.

Ontario should be a province wherein families with children who are struggling in school are supported, not undermined by a precipitous loss of income that threatens the family's housing and stability. Parents should be provided with the services necessary to encourage and support their children, not punished by being forced into further financial hardship.

## **VII. Conclusion:**

The government's continuing commitment to reducing poverty provides Ontarians with a long-awaited opportunity to start building a more just and prosperous province. At the same time, the current economic situation poses both challenges and opportunities for both low-income Ontarians and the province as a whole. The recommendations we are making for Budget 2010 are aimed at both of these areas: supporting the government's Poverty Reduction agenda and, therefore, low-income Ontarians while simultaneously responding to the challenges in Ontario's economy.

The province recently released its Long-Term Report on the Economy, which highlights an upcoming shrinkage of the working age population in Ontario as well as the higher percentage of skilled jobs that will be required. The investments we are recommending should be among government's top priorities for Budget 2010, as they will assist those Ontarians who are struggling to make ends meet over the short term, help to ensure that all Ontarians are able to participate in and benefit from inclusion in the economy and in community in the medium term, and provide the foundation that Ontario needs now to meet the challenge of long-term economic growth.

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<sup>4</sup> Financial improvements made on behalf of low-income children cannot continue to be offset by reductions in social assistance benefits. Restructuring of benefits continues to be done at the expense of single parents, particularly those with older children – a single mother with one child over the age of 13 has received a net increase of \$3 per month as a result of the OCB and social assistance restructuring. Indeed, the real net benefit to families on assistance has been very uneven due to the restructuring of rates in OW and ODSP. Further steps to improve incomes need to be made.